

1-800-PACKOUTS FRANCHISEHOLDCO, LLC
FRANCHISE DISCLOSURE DOCUMENT



A Georgia limited liability company
~~761 W. 1200 N.~~ 761 W. 1200 N., Ste 300
Springville, Utah 84663
800-722-5688
info@1800Packouts.com
www.1800Packouts.com

The franchise is to operate a contents restoration, packing, cleaning, and permanent climate-controlled storage business under the service mark “1-800-PACKOUTS” (a “**Franchised Business**”).

The total investment necessary to begin operation of a Franchised Business is ~~\$239,200~~269,300, to ~~\$442,500~~514,000. This includes \$116+,000 that must be paid to the franchisor or an affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 Stefan Figley at ~~761 W. 1200 N.~~ 761 W. 1200 N., Ste 300, Springville, Utah 84663, 1-800-722-5688.

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

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

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

Issuance Date: ~~April 10, 2024~~ April 30, 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?	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 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. 7 lists the initial investment to open. 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	21 or <u>Exhibit C</u> includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only 1-800-PACKOUTS business in my area?	12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a 1-800-PACKOUTS franchisee?	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 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 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. **Out-of-State Dispute Resolution.** The franchise agreement and other agreements require you to resolve disputes with us by litigation only in our home state (currently Georgia). Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to litigate with us in Georgia than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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 subfranchisor.

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

The Franchisor

The franchisor is ~~1800Packouts Franchise~~ 1-800-Packouts Holdco, LLC. For ease of reference in this disclosure document, ~~1800Packouts Franchise~~ 1-800-Packouts Holdco, 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 on ~~December 23, 2021~~ October 3, 2014. Our principal business address is ~~761 W. 1200 N.~~ 761 W. 1200 N., Ste 300 Springville, Utah 84663. 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-PACKOUTS only. ~~Our Predecessor~~ We began offering 1-800-PACKOUTS franchises in July 2015; ~~we began offering 1-800-PACKOUTS franchises since our inception;~~ and neither we nor our predecessor have never offered any other franchises in any other line of business. Our parent is FS PEP Holdco, LLC, an affiliate of Princeton Equity Group, LLC, a private equity firm based in Princeton, New Jersey and in Dallas, Texas.

Our Predecessor, Affiliates and Prior Business Experience

~~Our Predecessor was 1800Packouts Franchise, LLC, a Georgia limited liability company which was organized on October 3, 2014. Through a restructuring transaction connected to our Parent acquiring us, it was merged into and succeeded by us. It offered 1-800-PACKOUTS franchises from its inception until succeeded by us. We do not have any predecessors.~~ 761 W. 1200 N.

We are also affiliated by common ownership with Packouts Holdco, Inc., a Delaware corporation organized on December 22, 2021 and successor by merger to Packout Holdings, LLC (“Packout Holdings”), a Georgia limited liability company organized on July 2, 2015; ~~Packouts Holdings has as with~~ its principal business address ~~at 761 W. 1200 N.~~ 761 W. 1200 N., Ste 300, Springville, Utah 84663. Packout Holdings licenses the 1-800-PACKOUTS mark and other marks to us. Packout Holdings has not operated any business similar to Franchised Businesses and has not offered franchises in any line of business.

In ~~June~~ January 2022 ~~2021~~, we had a change of ownership and were acquired by FS PEP Holdco, LLC. This created additional affiliations through other companies under the same ownership of FS PEP Holdco, LLC. As a result of this transaction, we are under common control as entities named below.

Our affiliate, Five Star Bath, L.L.C. offers bathroom renovation franchises, from its principal address of 761 W. Spring Creek Pl., Springville UT 84663. It has offered such franchises since 2015. As of December 31, 202~~4~~3, it had ~~259~~ 165 franchises in operation.

Our affiliate, Gotcha Covered Franchising, LLC offers window covering and treatment franchises, from its principal address of ~~6251 Greenwood Plaza Boulevard, Suite 170, Greenwood Village, CO 80111~~ 761 W. Spring Creek Pl., Springville, Utah 84663. It has offered such franchises since 2009. As of December 31, 202~~4~~3, it had 165 franchises in operation.

Our affiliate, Ringside Development Company offers hazardous material cleaning service franchises, from its principal address of ~~6251 Greenwood Plaza Boulevard, Suite 170, Greenwood~~

~~2-1800Packouts Franchise~~ 1-800-Packouts Holdco,
LLC

~~Village, CO 80111~~ 761 W. Spring Creek Pl., Springville, Utah 84663. It has offered such franchises since 2010. As of December 31, 202~~4~~3, it had ~~13129~~ franchises in operation.

Our affiliate, Mosquito Shield Franchise, LLC offers mosquito and pest control franchises, from its principal address of 500 E. Washington St. #24, North Attleboro, MA 02760. It has offered such franchises since 2013. As of December 31, 202~~4~~3, it had ~~38340~~ franchises in operation.

Our affiliate, D1 Sports Franchise, LLC offers athletic performance training facility franchises, from its principal address of 7115 S. Springs Dr., Franklin TN 37067. It has offered such franchises since 2015. As of December 31, 202~~4~~3, it had ~~13097~~ franchises in operation.

Our affiliate, SB Oil Change Franchising, LLC offers quick-service engine oil change facility franchises, from its principal address of 301 North Main Street, Suite 2605, Winston Salem, NC 27101. It has offered such franchises since 2019. As of December 31, 202~~4~~3, it had 66 franchises in operation.

Our affiliate, CMY Franchising, LLC offers franchises providing rental services for the set-up and display of celebratory yard signs and customized messages, from its principal address of ~~3917 Double Dome Rd., Austin TX 78734~~ 761 W. Spring Creek Pl., Springville, Utah 84663. It has offered such franchises since 2017. As of December 31, 202~~4~~3, it had ~~54733~~ franchises in operation. In 2025, it additionally began offering printing services to affiliate franchises as a vendor.

Our affiliate, Ellie Fam LLC has offered outpatient counseling and therapy clinic franchises since 2021, from its principal business address of 1370 Mendota Heights Road, Mendota Heights, Minnesota 55120. As of December 31, 202~~4~~3, it had ~~240+86~~ franchises in operation.

Our affiliate International Franchise Professionals Group, LLC operates a franchise consultant network from its principal business address of 499 Ernston Rd., Parlin NJ 08859. As of December 31, 2022 it had 0 franchises in operation. Our affiliate Career Transition Leads, LLC offers franchise consultant lead generation services from its principal business address of 499 Ernston Rd., Parlin NJ 08859, As of December 31, 202~~4~~3 it had 0 franchises in operation.

Our affiliate, Five Star Connect, Inc., d/b/a ProNexis, has been in the business of delivering support services to franchise systems since 2015, including to us and some of our affiliates, with such services including call center, software, and marketing services, from its principal address of 761 W. Spring Creek Pl., Springville UT 84663. As of December 31, 2024, it had 0 franchises in operation.

Our affiliate Career Transition Leads, LLC offers franchise consultant lead generation services from its principal business address of 499 Ernston Rd., Parlin NJ 08859, As of December 31, 202~~4~~3 it had 0 franchises in operation.

Our affiliate TEN Cool Springs, LLC operates as a franchisee of an athletic performance facility from its principal business address of 7115 S. Springs Drive, Franklin TN 37067. As of December 31, 202~~4~~3, it had 0 franchises in operation.

Our affiliate Stretch Zone Franchising, LLC has offered Stretch Zone franchises since 2017, from its principal business address of 6700 North Andrews Avenue, #210, Fort Lauderdale FL 33309. As of December 31, 202~~4~~3, it had ~~37732~~ franchises in operation.

Our affiliate Pirtek USA LLC has offered hydraulic and industrial hose replacement franchises since 1997, from its principal business address of 300 Gus Hipp Boulevard, Rockledge FL 32955. As of

~~2-21800Packouts—Franchise~~ 1-800-Packouts Holdco,
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December 31, 202~~43~~, it had 1~~6~~42 franchises in operation.

Our affiliate Pirtek OEM LLC has offered hose assembly and franchisee production support since 2016, from its principal business address of 300 Gus Hipp Boulevard, Rockledge FL 32955. As of December 31, 202~~43~~, it had 0 franchises in operation.

BBC Holdings, LLC is a premium, category creating boutique fitness brand since 1998, offering high-intensity interval training (“HIIT”) workouts, from its principal address of 2214 NW 1st Pl, Miami, FL 33127. As of December 31, 2024, it had 24 franchised locations.

The Franchise Offered

We are offering, under the terms of this Disclosure Document, the opportunity to become a franchisee, to develop and operate a business which specializes in the packing, storage, and restoration of residential, commercial, and industrial contents after an event or disaster causing water, fire, storm, or other damage (the “**Franchised Business**”) in a designated territory (the “**Territory**”). The Franchised Business uses 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 facility designs, layouts, and trade dress; our specifications for equipment and inventory; our relationships with vendors; 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 otherwise in writing. We may change, improve, add to, and further develop the elements of the System from time to time.

A Franchised Business operates under the 1-800-PACKOUTS 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.

If you operate a Franchised Business, you must develop and operate a facility that includes private, permanent, climate-controlled storage, cleaning room(s), and an office that meets our minimum specifications (a “**Facility**”) within your Territory. If you elect to purchase a 1-800-PACKOUTS 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 Territory. The Territory in which you operate the Franchise Business may have a population of no more than 1,500,000 people.

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 content restoration and pack-out 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 the Facility. 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 - Stefan Figley

Mr. Figley has served as President and Chief Executive Officer of 1-800-Packouts, 1-800-Packouts Franchise, LLC, and Packout Holdings, LLC since February, 2023. He has been Chief Operating Officer of West Fork Landscaping from June 2017 to the present, in Fort Worth, Texas. And he was previously Chief Executive Officer of Westwood Contractors, Inc. from December 2020 to February 2023 in Fort Worth, Texas, and was an independent Strategy Consultant in Fort Worth, Texas, from June 2016 through December 2020.

Chief Growth Officer - J. Andrew Mengason

J. Andrew Mengason is our Chief Growth Officer, working out of Springville, Utah, and has held this role since 2022. He is CEO and President of Madison Range Investments, located in Birmingham, Michigan and has held such role since 2018. His prior roles included President and Chief Operating Officer of Mesa Systems, LLC, in Salt Lake City, Utah, from 2019 to 2021.

Senior Vice President of Franchise Development - Colt Florence

Colt Florence is our Senior Vice President of Franchise Development, working from our Springville, Utah office, and has held such role since July 2024. He was previously Vice President of Franchise Development for Authority Brands, working from the greater Salt Lake City, Utah area, from April 2021 through July 2024, and previously was Franchise Development Manager for Authority Brands from June 2020 through April 2021. He had a prior role as Vice President of Sales/Development with Better Way Franchise Group, in the greater Salt Lake City, Utah area, from June 2018 through June 2020.

Vice President of Franchise Development—Mike Miller

~~Mr. Miller has been our Vice President of Franchise Development, working out of Springville, Utah, and has held this role since July of 2023. He was previously Senior Director of Franchise Development, and held prior roles as Director of Franchise Development and Franchise Development Manager for Alliance Franchise Brands in Palmetto, Florida, from June 2017 through July 2023.~~

Franchise Relations Coordinator—Rhonda Doekery

~~Mrs. Doekery has served as the Franchise Relations Coordinator/Human Resources for 1800Packouts since July 2017. Prior to this role, Mrs. Doekery served as Accounts Receivables Representative/Human Resources and Office Manager for Nivek Services, Inc. located in Jasper, Georgia from December 2009 until present. Mrs. Doekery is currently servicing her present capacities in Jasper, Georgia.~~

ITEM 3 LITIGATION

Prior Actions

1-800-Packouts of Ohio, LLC v. ~~1800Packouts Franchise~~1-800-Packouts Holdco, LLC, No. CV-2019-CV-00389 (Court of Common Pleas Portage County, Ohio, filed May 15, 2019); ~~1800Packouts Franchise~~1-800-Packouts Holdco, LLC v. 1-800-Packouts of Ohio, LLC, and Jack Schwartz, No. 19CVE1452 (The Superior Court Of Cherokee County State Of Georgia, filed July 30, 2019).

Our franchisee, 1-800-Packouts of Ohio, LLC, filed a lawsuit against us seeking a declaratory judgment that we had breached our duties under the Akron Area Franchise Agreement and that the franchisee could review the annual unaudited statements of the ~~Advertising Fund~~Brand Fund. On July 30, 2019, we filed a lawsuit against the franchisee and Jack Schwartz alleging that they had breached the Akron Area Franchise Agreement, Cleveland Area Franchise Agreement, Akron Area Guaranty and Assumption Agreement, and Cleveland Area Guaranty and Assumption Agreement by, among other things, failing to pay all amounts due and failing to provide all necessary reports. In May 2020, we settled all claims and both lawsuits were dismissed with prejudice.

Current Actions

~~1800Packouts Franchise, LLC v. 1-800-Packouts of Central Indiana, LLC, et al., Cause No. 29D02-2311-PL-011202, Hamilton, Indiana Superior Court No. 2—Commercial Docket, filed on November 27, 2023.~~

~~We filed a lawsuit against a former franchisee for trademark infringement and breach of post-termination obligations. The case has had no response from that former franchisee, and the matter has been set for a default judgment hearing in late April 2024.~~

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Franchise Disclosure Document (202~~5~~4)~~Franchise Disclosure Document (2024) Franchise Disclosure Document (2024)~~

**ITEM 4
BANKRUPTCY**

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

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Franchise Disclosure Document (2024)

4-1 ~~1800Packouts Franchise~~ 1-800-Packouts Holdco,

Franchise Disclosure Document (~~2024~~2025)

ITEM 5 INITIAL FEES

If you are starting a new Franchised Business, you must pay a lump sum initial franchise fee of \$62,500 (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.

We provide our initial training program (“**System/Procedure Training**”) to up to four trainees without charge. If you would like more than four trainees to attend Orientation Training, you must pay us \$2,500 per additional trainee, which is non-refundable.

You will pay us a \$1,000 Annual Conference Registration Deposit, due within seven (7) days of signing your franchise agreement, 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.

You will buy from us our Quick Start Package (“QSP”), and pay us the QSP Fee applicable to your franchise size. Your QSP will include initial equipment to outfit your cleaning room, initial supplies for your operations, a starting supply of consumables (such as tags, gloves, tape, shoe covers, etc.), inventory for 1-800-Packouts branded boxes for your first jobs, and certain marketing and storage items. If you are opening a single-unit franchise, your QSP Fee will be \$5348,500 plus applicable tax and/or tariff, and which already includes freight/shipping costs.

**ITEM 6
OTHER FEES**

Type of Fee ¹	Amount	Due Date	Remarks
<u>Population National/Regional Opportunity Protection (“NROP”) Fee</u>	\$500 to \$2,000 per month based on the population in your Territory. See Note 2.	Payable on the 7 th day of each month beginning on the payment cycle following your opening (or after 180 days of signing the agreement).	If the population of your Territory changes, we will provide you with 30 days’ notice before requiring you to pay a revised <u>Population NROP</u> Fee.
Royalty Fee	7% of Gross Sales ³	Due on the 15 th of the month following receipt of payment from client.	If you allow an invoice to remain unpaid, the Accounts Receivable amount associated with that invoice shall have Royalty Fees and Marketing Fees owed upon your receipt of payment or after 180 days, whichever comes first.
Marketing Fee	3% of Gross Sales	Due upon receipt of payment from client.	You must contribute the Marketing Fee to an advertising fund that we will operate (the <u>“Advertising FundBrand Fund”</u>). See 11 for information regarding the <u>Advertising FundBrand Fund</u> .
Advertising Cooperative Contributions	Established by regional advertising cooperative (“ <u>Cooperative</u> ”) 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. Franchisor-owned outlets in such an area will have the same voting power as other outlets.
Bookkeeping Services	Established rates, presently \$200-\$500/month	As incurred	Paid for ongoing bookkeeping or basic accounting services, to designated vendor(s).

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Franchise Disclosure Document (20254) Franchise

Disclosure Document (2024)

Type of Fee ¹	Amount	Due Date	Remarks
Interest on Late Payments	Rate of 1.5% 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 Payment Fee	\$150 per returned check or payment declined or otherwise dishonored for insufficient funds.	As incurred	Payable if any payment of any amounts due us is returned or declined because of insufficient funds in your account.
Additional Orientation Training Fee	\$2,500 per additional trainee	As incurred	We provide System/Procedure Training to four trainees 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. Currently, if we provide on-site training, you must pay \$500 per trainer per day.	As incurred	We may require you, your manager and key personnel to attend additional training programs or conferences. 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	Then-current registration rate, per franchise location you own	February 1st each year.	We will host annual conferences. You will be obligated to bear the cost of wages and any travel and living expenses incurred by you or other attendees.
On-Site Opening Assistance	Our then-current reasonable fees.	As incurred	If we provide on-site opening assistance at

Type of Fee ¹	Amount	Due Date	Remarks
	Currently, \$500 per trainer.		your request, you must pay our reasonable fees and reimburse us for the travel, lodging, and per diem expenses of any personnel providing on-site assistance. If we provide on-site opening assistance and you do not request it, we will not require you to pay these fees and expenses.
Additional Guidance and Assistance	Per diem fees and charges we establish, currently \$300 per day.	As incurred	Payable if we provide additional guidance or assistance upon your request.
Testing Fee for Products and Services	Our then-current reasonable fees. Currently, we intend to charge our actual cost of testing the proposed product or evaluating the proposed service, including personnel and travel costs.	Upon demand	Payable if you wish to offer products or use any supplies, equipment, or services that we have not approved, whether or not we approve the item or service.
Renewal Fee	\$10,000	At the time of renewal	Payable if you enter into a renewal term for your license
Transfer fee	50% of the Initial Franchise Fee at the time of transfer. Note, any sales commission owed as a result of your transfer shall remain your obligation, in addition to the Transfer Fee.	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.

Type of Fee ¹	Amount	Due Date	Remarks
Accounting Software Fees	\$0 to \$250 per month	As incurred.	If we designate accounting software as a requirement for franchisee use, you must use the designated accounting software provided by our designated vendor(s). This fee is paid directly to the vendor.
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.
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.
Liquidated Damages	(i) The average of your monthly Royalty Fees and Marketing Fees due for the last 36 months (or for such shorter period of time that the	As incurred	Payable if we terminate the Franchise Agreement based on your default or if you terminate in violation of its terms.

Type of Fee ¹	Amount	Due Date	Remarks
	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.		
Systems Fee	Reasonable fees will apply for modifications or enhancement to the Management Systems.	As incurred	If we make modifications or enhancements to the Management Systems specifically for franchisee software licenses, or other maintenance and support services, a reasonable systems fee will apply.
Management Fee	10% of Gross Sales	As or if incurred.	If we assume management of your franchised business you will incur a management fee in consideration of our services to perform such management.

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. The ~~Population-National/Regional Opportunity Protection~~ (“NROP”) Fee will be determined based on the number of people located in Your Territory in accordance with the following chart:

Population of Territory Month of Agreement	Monthly Population-NROP Fee
1 to 500,000 Month 0 through Month 12	\$1,000 \$0
500,001 to 750,000 Months 13-14	\$1,500 \$500/month
750,001 to 1,000,000 Months 15-16	\$2,000 \$1,000/month

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<u>Months 17-18</u>	<u>\$1,500/month</u>
<u>Months 19 and thereafter</u>	<u>\$2,000/month</u>

The maximum initial population permitted in any Territory is 1,000,000 people. In order to determine current population we use territory mapping software. In the event the population in the Territory exceeds 1,250,000 people, you shall be required to purchase additional franchise(s) and if the population exceeds 1,000,000 people during the term of your agreement the population-NROP fee will increase at the same rate of \$500 per each 250,000 people detailed in the table above (i.e., 1,000,001 to 1,250,000 would be \$2,500 per month).

If your Territory’s population exceeds 1,000,000 during two consecutive years, you may acquire an “Add-on Territory” of up to 500,000, at an Add-on Territory Fee of \$30,000, with an immediate corresponding addition to your Population-NROP Fee of \$1,000.

3. “**Gross Sales**” means all revenue of the Franchised Business, including all sales of products and services to customers of the Franchised Business, but excluding excise, sales and use taxes, gross receipts taxes or similar taxes you pay based on revenues, if those taxes are separately stated when the customer is charged.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure ¹	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee	\$62,500	Lump sum	When the Franchise Agreement is signed	Us
Quick Start Package (“QSP”) ²	\$534 8,500	As incurred	Half of the cost is due during onboarding, with the balance due at the time of shipping	You will buy from us our Quick Start Package (“QSP”), and pay us the QSP Fee applicable to your franchise size.
Annual Conference Registration Deposit	\$1,000	Lump Sum	Within 7 days of signing of Franchise Agreement.	Us.
Rent, Security Deposit, and Utility Deposits ³	\$53,500 to \$189,000	As agreed	Before opening	Lessor and Utilities
Leasehold Improvements ⁴	\$32,500 to \$1520,000	As agreed	Before opening	Contractors and Third party vendors
Equipment ⁵	\$510,000 to \$3065,000	As agreed	Before opening	Third party vendors
Signage ⁶	\$31,050 to \$85,000	As agreed	Before opening	Third party vendors
Furniture, Office Equipment, and Software ⁷	\$64,000 to \$127,000	As agreed	Before opening	Third party vendors
Vehicles ⁸	\$3,500 - \$70,000	As agreed	Before opening	Third party vendors
Business Licenses and Permits ⁹	\$6200 to \$41,000	As agreed	Before opening	Municipalities and other Government Entities
Professional Fees ¹⁰	\$1,500 to \$52,500	As agreed	Before opening	Accountants, Lawyers, other Third Parties, including use of approved vendors (see Note 9).
Initial Inventory and Supplies ¹¹	\$12,000 to \$250,000	As agreed	Before opening	Third party vendors
Insurance ¹²	\$152,500 to \$250,000	As agreed	Before opening	Insurance Agents/Brokers

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Type of Expenditure ¹	Amount	Method of payment	When due	To whom payment is to be made
Training Expenses ¹³	\$1, 75 00 to \$ 5 8,000	As agreed	Before opening	Airlines, Hotels, Restaurants, etc.
Marketing ¹⁴	\$ 52 ,000 to \$ 103 ,000	As agreed	Before opening	Third party vendors
Additional Funds – First 5 months ¹⁵	\$ 9376,05 00 to \$ 1700 ,000	As agreed	As incurred	Employees, Suppliers, Utility Companies, and Third party vendors
Total Estimated Initial Investment¹⁶	\$269,300239,200 to \$442,500514,000			

Notes:

1. This table estimates the initial investment 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. Your QSP will include initial equipment to outfit your cleaning room, initial supplies for your operations, a starting supply of consumables (such as tags, gloves, tape, shoe covers, etc.), inventory for 1-800-Packouts branded boxes for your first jobs, and certain marketing and storage items. If you are opening a single-unit franchise, your QSP Fee will be \$~~5348~~,500, plus applicable tax and/or tariffs, but which includes freight delivery to your location.

3. We expect that you will either purchase or lease the real estate for the Facility. This estimate assumes that you will be renting a 5,000 – 20,000 square foot Facility and the approximate cost at \$10/sq ft for the security deposit, utilities deposit, and initial months of rent. 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. The estimates in this table include your pre-operations rent expenses together with estimates for rent during your initial period of operations.

4. This estimate includes a snapshot of the cost of constructing or 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, with the premises potentially requiring retrofitting to conform to the specific needs of our system. At a minimum, you will need to have electrical and plumbing installation performed for your Cleaning Station.

5. 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

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of equipment that you elect to purchase, and because your existing equipment may conform with our requirements, but if you require newly purchased equipment, the cost may be significantly more than if your prior equipment is adequate. Such equipment may include pallet jacks, forklifts, or other items to use alongside your QSP.

6. This estimate is for the cost of obtaining signage for your Facility that meets our specifications.
7. 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.
8. We require you to lease or purchase at least one 16-foot box truck and/or one 24-foot box truck. If you already own trucks 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 vehicle(s) and includes the down payment, three months of leasing expenses, and the cost of painting the vehicle to include our signage and the amounts and range of our estimate varies primarily because your current vehicle may meet our requirements and if so, you will not be required to acquire a new vehicle, but if not, you may have initial costs in the form of up-front payments to acquire such a conforming vehicle, up to the full purchase price if you choose not to finance such purchase with the vendor.
9. The range given provides our best estimate of the costs you will incur for business permits and licenses.
10. The costs of these professional fees will vary depending on your location and the professionals that you select.
11. You must purchase an initial inventory of cleaning supplies, 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.
12. You must carry insurance. The amount set forth above represents an estimate of the premiums required for general liability, workers’ compensation, 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.
13. We do not charge a fee for our training program for up to four trainees, although 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.
14. 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.

15. This is an estimate of the amount of additional operating capital that you may need during the first five months after opening your business, representing the first five months in which you are open for 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 and Marketing Fees, Population 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.

16. 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 contemplate that certain of our franchisees will be existing owners of packout 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, software and other 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 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. Our affiliate, ProNexis, provides call center, call tracking, and online marketing services and support and is an approved supplier of such services and of telephone numbers to our franchisees. Except as disclosed, 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.

You may be required to obtain certain services, including call center, call tracking, telephone number, and a number of software services set forth in the Operations Manual or in similar shared documents, drives, folders, intranet resources, etc., some from our Affiliate(s) and others from third parties, and for some of whom we will collect the funds. When such a service is set forth in the Operations Manual as a mandatory service, you must obtain it from an approved or designated vendor outlined in such manual. During fiscal year 2024, we received ~~\$77,430,366,327.79~~ from our franchisees’ required purchases, representing ~~1.780.2%~~ of our total revenue ~~of \$3,340,944 during that period~~. Our affiliate, ProNexis, received ~~\$65,357.06 in~~ revenues during fiscal year 2024 from our franchisees for required purchases.

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 third party administrators (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 from time to time. 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 (100% of replacement value of Facility and contents), (iv) bailee legal liability 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.

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. We may retain any rebates or other payments we receive from suppliers. Our affiliate, ProNexis, received \$47,500 from franchisee purchases during fiscal year 2022.

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

**ITEM 10
FINANCING**

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

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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) Review and approve or disapprove the terms of the lease or purchase contract for the premises of the Franchised Business. Your proposed location will be approved based upon factors including adequate parking for your vehicle, including any truck or trailer you use and adequate space for the storage of contents which your operations require you to store for customers. It must also be of adequate size to support your operations and must have high-speed internet access for you and any staff member(s) you retain. Outside of these factors, and the location within your Franchise Territory, 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. 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. Currently, we do not specify other required lease terms. 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) 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. We do not provide assistance in providing, delivery, or installation of equipment, signs, fixtures, opening inventory, or supplies, but we do provide written specifications for such items. (Franchise Agreement – Section 3.B)
- (3) Specify the Management Systems for the Franchised Business. (Franchise Agreement – Section 3.D)
- (4) Provide System/Procedure Training, including instruction about how you will make your decisions for employees or contractors (although we will not assist you in the hiring or training of your employees). (Franchise Agreement – Section 4.A)
- (5) 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)

- (6) Provide you with access to our Manuals. The table of contents of our Manuals is attached to this disclosure document as Exhibit D. The Manuals currently contain approximately 197 pages. The 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, including any adjustments to the minimum and/or maximum prices at which you will sell products or services. (Franchise Agreement – Section 4.G)
- (7) Approve the opening of your Franchised Business, provided that you have met all of our requirements for opening. We estimate that the typical length of time between signing a Franchise Agreement and opening your Franchised Business is approximately 120 days. 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. (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 Advertising-Brand Fund. (Franchise Agreement – Section 11.E.)

Advertising

Our Marketing. 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 not conducted media advertising for 1-800-PACKOUTS. 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.

Advertising Brand Fund. You must contribute the Marketing Fee an amount designated by us up to 3% of your Gross Sales to the Advertising FundBrand Fund. We will administer the Advertising FundBrand Fund. The Franchised Business owned by us or our affiliates will contribute to the Advertising FundBrand Fund but does not have a set amount it contributes.

We will determine, in our sole discretion, when, how and where the payments deposited into the Advertising FundBrand Fund will be spent. We select the types of media used and the location of the advertising campaigns administered through the Advertising FundBrand 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, for business development, and to otherwise obtain and build brand awareness. All advertising and marketing materials will be prepared by us or by outside advertising/public relations/promotional agencies. We will not use the advertising fund for soliciting new franchise sales.

The Advertising FundBrand 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 Advertising FundBrand Fund in that year. If we do not use all the funds in the Advertising FundBrand Fund in the year in which they accrue, we may use these amounts in the next fiscal year. We may cause the Advertising FundBrand Fund to borrow from us or other lenders to cover deficits of the Advertising FundBrand Fund or cause the Advertising FundBrand Fund to invest any surplus for future use by the Advertising FundBrand Fund. We may collect for remission to the Advertising FundBrand 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 Advertising FundBrand Fund will be used to pay advertising costs of the Advertising FundBrand Fund before other assets of the Advertising FundBrand Fund are expended. Sums paid by you to the advertising 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 advertising fund, programs, and activities. We will prepare an annual, unaudited statement of monies collected and costs incurred by the Advertising FundBrand Fund and will make it available to you on written request.

The Advertising FundBrand Fund is intended to enhance recognition of the Marks and patronage of Franchised Businesses. We are a nationwide brand and intend to use the fund to help promote the image and good will of the entire brand through local, regional and national marketing campaigns. Although we will endeavor to use the Advertising FundBrand Fund to develop advertising and marketing materials, we are not obligated to ensure that expenditures by the Advertising FundBrand Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Advertising FundBrand Fund by Franchised Businesses operating in that geographic area or that any Franchised Business will benefit directly or in proportion to its contribution to the Advertising FundBrand Fund from the development of advertising and marketing materials. We assume no direct or indirect liability or obligation to you or any other Franchised Business in connection with the maintenance, direction, or administration of the Advertising FundBrand Fund.

We have the right, in our sole discretion, to terminate the Advertising FundBrand Fund upon 30 days' written notice to you. All unspent monies on the date of termination will be distributed to us and our

franchisees in proportion to the respective contributions to the ~~Advertising Fund~~Brand Fund during the preceding 12-month period. We will have the right to reinstate the ~~Advertising Fund~~Brand Fund upon the same terms and conditions set forth in the Franchise Agreement.

During our last fiscal year, we collected monies for the ~~Advertising Fund~~Brand Fund. All of the monies collected were spent from the ~~Advertising Fund~~Brand Fund to build the nation brand for 1-800-Packouts, with the excess retained for use in the future for ~~Advertising Fund~~Brand Fund purposes. During fiscal year 202~~4~~3, we spent ~~26~~5% of the fund on Restoration Industry Tradeshows ~~and Outsourced Services~~, ~~92~~0% on produced ~~or paid~~ marketing materials, ~~9~~9% on pilot programs, sponsorships, and miscellaneous costs, ~~30~~30% on promotion, ~~10~~10% on software, and ~~46~~25% on administration (including allocated time and salary of the 1-800-Packouts corporate team working on ~~Advertising Fund~~Brand Fund matters). In the last fiscal year, none of the advertising funds were used to solicit new franchise sales.

Local Marketing. You are required to do local marketing in your area. We require that you assign an employee or member of the business to be dedicated to performing marketing in the local market for your Franchised Business. Any Marketing Fees that you contribute to the ~~Advertising Fund~~Brand Fund will not count toward your local marketing obligations. We may require you to participate in certain advertising or marketing programs at your expense, though we do not currently require you to do so.

You agree to conduct all advertising in a dignified manner and to conform to the standards and requirements we specify in the Manuals. 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 use the Marks or that relate 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 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-Packouts website, which will include basic information related to the Franchised Business. Currently, we permit you to have a Facebook

page 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 2 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. Franchise-owned outlets will have the same voting power, and be under the same obligations to contribute to any Cooperative as other outlets. No Cooperative has governing documents, and as a result, no such documents are available for review.

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, 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 currently require you to obtain Xactimate insurance repair estimating software and inventory software for processing insurance claims and at least one iPad, office computer, and printer/copier. If a TPA or carrier requires the use of some other estimating software, we may require you to use the software requested by the TPA. In addition, you must install a firewall and have up-to-date anti-virus installed on all computer hardware used in conjunction with the Franchised Business.

The cost to purchase the Management Systems will range from \$500 to \$5,000, depending on the size of your Franchised Business and the equipment that you already own. 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.

We currently do not 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 also will not be able to change or modify any data on the Management Systems.

We may, as outlined in the Operations Manual, 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 Operations Manual. 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. Our Affiliate, ProNexis, is currently an approved or designated vendor for services including supplying your telephone numbers, call center services, call tracking, and digital marketing.

Training

System/Procedure Training. We will provide you (or your Operating Principal, if you are an Entity), your Manager, and up to two additional trainees a System/Procedure Training program of approximately four (4) days in the operation of a Franchised Business at a location and time designated by us. In addition, one Owner of the Franchised Business must attend the training offered for the entire duration with the trainees from your Franchised Business. 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 Ball Ground, Georgia or at an operating Business that we designate.

We will provide System/Procedure Training, including all related training materials, to your four initial 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 four trainees attend System/Procedure Training, or if subsequent trainees attend System/Procedure Training, you must pay us a fee of \$2,500 for each such trainee to attend attending System/Procedure Training.

Our System/Procedure Training currently consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of Hands-On Job Training	Location
Orientation to the Company	1/2	1/2	Our headquarters, or other designated location
Company Objectives	1/2	1/2	Our headquarters, or other designated location
New Office Development	1	0	Our headquarters, or other designated location
Services Overview	1	2	Our headquarters, or other designated location
Operations	2	26	Our headquarters, or other designated location and a Franchised Business that we designate
Support Systems & Computer Systems	1	0	Our headquarters, or other designated location
Sales	2	0	Our headquarters, or other designated location
Marketing & Advertising	2	0	Our headquarters, or other designated location
People Management	1	4	Our headquarters, or other designated location
Tours/Vendor Information	0	2	Our headquarters, or other designated location
Certification Testing, Graduation, and Sendoff	1	1	Our headquarters, or other designated location
Totals	12	36	

Our Manuals, videos, and other handouts comprise the instructional materials for our training program. Our training program will be led by Stefan Figley, ~~Sally Davidson, and Rhonda Doekery~~ who will be the only instructors. Mr. Figley has been our President and CEO since 2023. Other instructors will be members of our corporate team and company-controlled location who have significant experience (at least five years) in their topic(s) of instruction. ~~Mrs. Doekery has served as the Franchise Relations Coordinator/Human Resources for 1800Packouts since July 2017. Prior to this role, Mrs. Doekery served as Accounts Receivables Representative/Human Resources and Office Manager for Nivek Services, Inc. located in Jasper, Georgia from December 2009 until present. Mrs. Doekery is currently servicing her present capacities in Jasper, Georgia. Ms. Davidson is our Franchise Business Coach, and has worked in the restoration industry for twelve years, including recent experience as a third party administrator to settle claims with carriers, adjusters, and contractors in large loss for commercial and residential cases.~~

At any time before the Franchised Business opens for business, you (or your Operating Principal) and your Manager (if you appoint one) must complete System/Procedure Training to our satisfaction. If we determine in our sole discretion that you or your Manager 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 key personnel 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. 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. Territories may range from 1 to 1,000,000 people. Your Territory may not exceed a population of 1,000,000 people, in the event the population exceeds 1,250,000 people you will be required to purchase an additional franchise.

You receive certain marketing protection afforded you under the Agreement, and in consideration of your participation in our national/regional programs. Such are collectively referred to as our National/Regional Opportunity Protection program or “NROP.” As we enroll insurance companies, third-party administrators, or other similar organizations in this NROP program for the benefit of the System, our objective is to benefit our franchisees; however, we cannot assure that any enrollees in our NROP program will provide you such benefits in your Territory. Your NROP Fee is owed regardless if whether you enroll in all, some, or none of the NROP programs.

Protected Advertising. No other 1-800-Packouts business may advertise in Franchisee’s Territory in print, media, door-to-door, mass electronic communication, or direct web-based advertising within such Territory. It is acknowledged that Franchisee may experience some indirect/carry-over advertising from other franchisees in media where the reach of advertising is difficult to restrict to zip codes, such as radio or indirect web-based advertising—none of which shall comprise a breach of this provision.

Protected TPA and Regional/National Referrals. Franchisee will receive TPA and Regional/National referrals for your assigned zip codes in accordance with program requirements. The Franchisor cannot guarantee the Franchisee’s participation in these programs, nor can we guarantee any number of jobs from these programs. If you are not compliant with your Franchise Agreement, program requirements (as established by such TPAs, or Regional/National account parties), or fail to perform program work adequately, the Franchisor may direct TPA or Regional/National referrals to another franchisee or itself.

Protected Call Center Referrals. You will receive Call Center leads received by the Franchisor for your assigned zip codes. If you are not compliant with your Franchise Agreement, the Franchisor may direct these leads to another franchisee or to itself.

Protected Office Location. No other 1-800-Packouts Business may establish an office location within Franchisee’s Territory. The Franchisee may not advertise or establish an office outside the Territory without Franchisor’s prior written consent. Within the Territory, the Franchisee have the right to advertise, market, solicit and service any customer desiring inventorying, packing, moving, cleaning, deodorizing and storage services except as described in this section.

Clarifying Terms (Pre-Existing Exceptions). Notwithstanding the generality of the foregoing, the Franchisor shall take reasonably available measures, including enforcement of rights under other franchise agreements, to assure that no other franchisee of Franchisor conducts advertising, marketing, and related digital campaigns or activities within the Territory under any agreement entered into from and after the date of this Addendum. The Franchisor further agrees that for so long as Franchisee remains in good standing under the Franchise Agreement and is not in default, Franchisor will not open a company-owned location in the Territory. The Franchisor shall not be in violation of this paragraph 4 in the event that rights or

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licenses in existence prior to the date of this Addendum exist permitting a franchisee of Franchisor to conduct activities that Franchisor would otherwise have obligations to curtail pursuant to paragraph 4, save that Franchisor agrees not to renew such rights or licenses at the time that they expire by their terms or are otherwise terminated.

Rights Within Your Territory. You have a right to operate a Facility in Your Territory. Your Facility will be in a location to be approved by us, unless it has already been identified and pre-approved in your agreement. You have a non-exclusive right to market to, and provide services to, any customers located in Your Territory. Your territorial protections are described above, in connection with the NROP program. Provided you are in compliance with the Franchise Agreement and any other agreements with us, (i) we or our affiliates will not establish or authorize any person or Entity other than you to establish a Franchised Business or Facility in Your Territory during the term of the Franchise Agreement and (ii) if we or our affiliates receive any leads related to jobs in Your Territory, we will promptly provide you with the relevant information.

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 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), provided that the services to such referrals are not to be performed inside Your Territory; 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; and (ii) we authorize you to provide such services to a System Account (as defined below).

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.

Reserved Rights. We and our affiliates reserve all other rights within and outside 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, provided that the services to such referrals are not to be performed 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, or (ii) you are not participating in our System Accounts program (as defined below), or (iii) a customer or Referral Source requests that they provide such services.
- (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.

We, our affiliates, our franchisees, or our designees need not compensate you if we or they engage in these activities. 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. ~~Beginning in the~~ After you have completed your second year of operations under your Franchise Agreement, (366 days after you have signed), in each Agreement Year will be reviewed, retrospectively (i.e., at your third anniversary of operations, the performance occurring during the entire second Agreement Year will be reviewed), and your Franchised Business must achieve a minimum amount of Gross Sales equal to \$1 per person in Your Territory (the "**Minimum Sales Quota**").

Each "**Agreement Year**" ~~shall~~ will begin on the anniversary of the Agreement Date and end the day before the anniversary of the Agreement Date. When you execute your Franchise Agreement we will provide you with a population count for your territory. If our population data provider, Territory Mapping Software, provides us with revised population data, we will provide you with notice of the revised population of your Territory, which will be used to determine the Minimum Sales Quota for the next

Agreement Year. If you fail to reach your Minimum Sales Quota in any Agreement Year after this review, 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 Your Territory, and/or (iii) temporarily or permanently suspend your exclusive rights within Your Territory. If you fail to reach your Minimum Sales Quota for three consecutive years, you commit a non-curable default under the Franchise Agreement, or fail to cure a curable default, we may terminate the Franchise Agreement, suspend or terminate your exclusive rights in Your Territory, or adjust the size of your Territory. Other than in the scenarios described in the previous two sentences, we will not modify your Territory.

National Accounts. ~~As part of our NROP, 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. Account-specific NROP terms will be provided to you in our Operations Manual.

If you decline to service any National Account or fail to satisfy the terms, 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. If your Territory’s population exceeds 1,000,000 during two consecutive years, you may acquire an “Add-on Territory” of up to 500,000, at an Add-on Territory Fee of \$30,000, with an immediate corresponding addition to your Population-NROP Fee of \$1,000.

Except as disclosed here, you have no options or rights or rights of first refusal to purchase additional Franchised Business franchises or territories, but we will consider any requests to obtain additional territories on a case-by-case basis.

~~**Affiliate Territory.** If you acquire a franchise from our affiliate, 1-800 Textiles Franchises, LLC, you agree that the operations of these two franchises will be inextricably linked, and agree that such acquisition of the affiliate franchise concurrent with ownership of this franchise requires as a condition that each agreement’s territory share in the boundaries of the other territory. To achieve this, you agree that we may adjust the boundaries accordingly, and agree to pay the associated territory adjustment fees as are commensurate with the revised territory boundaries at that time, and at the then current pro rata rates.~~

**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.

Packout Holdings was assigned the entire interest in of the Marks from Robin Parker on July 2, 2015. The assignment was recorded with the United States Patent and Trademark Office (the “USPTO”) on July 16, 2015. All of the Marks are licensed to us pursuant to a License Agreement with Packout Holdings dated as of July 2, 2015 (the “License Agreement”). In the License Agreement, Packout Holdings authorized us to use the Marks in connection with the offer, sale, and support of Franchised Businesses. The License Agreement does not contain any significant limitations on our right to use or license the Marks to you and is perpetual in duration and may be terminated unilaterally by either party only upon a material breach of the License Agreement. Upon termination of the License Agreement, we must immediately discontinue the use of the Marks and assign to Packout Holdings all of our franchise agreements licensing the use of the Marks, and Packout Holdings has agreed to assume all obligations under such agreements arising from and after their assignment.

Packout Holdings owns the following Marks that have been registered on the Principal Register of the USPTO, and intends to renew each registration, including filing all appropriate affidavits for each respective Mark at the times required by law:

Mark	Registration No.	Registration Date
	4,642,192	11/18/14
RECOGNIZE AN OPPORTUNITY WHEN YOU SEE IT	4,809,508	9/8/15
PACKOUTS. CLEANING. STORAGE SUCCESS!	4,809,509	9/8/15
1-800-PACKOUTS	4,908,139	3/1/16
	4,908,822	3/1/16
Mr. Packouts	6,964,832	1/24/23

Packout Holdings owns the following Mark that has been registered on the Supplemental Register of the USPTO:

Mark	Registration No.	Registration Date
THE NATIONAL PACKOUT COMPANY	4,693,604	2/24/15

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

~~13-1800Packouts Franchise~~ 1-800-Packouts Holdco,
LLC

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. We have not renewed or filed any affidavits with respect to the Marks, because none of the Marks have been eligible for renewal or for the filing of affidavits of use.

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 Facilities, 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; 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, 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, who will be your on-site supervisor, is not required to have any ownership interest in you, but must successfully complete our training, including the Orientation 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 engage in the business of fire/water mitigation and/or related construction (a “**Mitigation Business**”), provided however that (i) any portion of the services offered by the 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, and invoices of the Mitigation 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 and their spouses 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 other than authorized services and products. 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 that 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.

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.
b. Renewal or extension of the term	2.B	10 year on-going renewal terms so long as in good standing. Renewal will occur by signing the then-current franchise agreement as the end of the initial franchise term arrives. This agreement may require you to sign an agreement with materially different terms and conditions from the original franchise agreement.
c. Requirements for franchisee to renew or extend	2.B	<p>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.</p> <p>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, except that the term will be 10 years.</p>

Provision	Section in Franchise Agreement	Summary
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	Subject to applicable state law, or federal bankruptcy law, 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.
h. “Cause” defined — non-curable defaults	15.B.	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 within 180 days after signing the Franchise Agreement; you or your Operating Principal and your Manager 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 or your owners 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; you provide any services or conduct any marketing outside of Your Territory in

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Provision	Section in Franchise Agreement	Summary
		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 Minimum Sales Quota in three consecutive Agreement years.
i. Franchisee's obligations on termination/nonrenewal	16	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.
j. Assignment of contract by franchisor	14.A	The Franchise Agreement is fully transferable by us.
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

Provision	Section in Franchise Agreement	Summary
		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.E	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 services or products competitive with or similar to the services or products offered or provided by Franchised Businesses 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; use vendor relationships established through your associations with us for any other purpose besides the operation of your Franchised Business; or solicit for employment individuals employed during the past 12 months by us, our affiliates, or our franchisees.
r. Non-competition covenants after the franchise is terminated or expires	7.B and 16.D	Subject to applicable state law, for two years after the expiration of termination of your Franchise Agreement, you and your Owners may not (i) be involved in any Competitive Business that is located or operating within Your Territory or the territory of another Franchised Business or within a 50-mile radius from the borders of Your Territory, or within a 50-mile radius of a Facility operated by us or our affiliates or (ii) solicit for employment individuals

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Provision	Section in Franchise Agreement	Summary
		employed during the past 12 months 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.
u. Dispute resolution by arbitration or mediation	Not applicable	Not applicable
v. v. Choice of forum	17.A	All actions must be brought in federal or state courts located in Utah County, Utah (or the most proximate thereto) 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.B	Utah 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

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

Company-Controlled Franchise Data

The following financial data represents the performance of the franchise which operates as a company-controlled franchise. This company-controlled franchise provides training services and is controlled by us for use in pilot programs and development of operations and franchise system standards. It was in operation throughout all of 2024. It presents such data in the form of a Profit-Loss Report prepared on an accrual basis. This reflects its performance as an established outlet, and does not show expenses related to ramp-up, startup, or similar early-stage operations. It likewise reflects performance related to a territory which has unique location-specific aspects in the San Diego area, which may not all be replicated or representative of your operation in your territory.

Profit and Loss
1-800 Packouts San Diego
January-December, 2024

<u>Distribution account</u>	<u>Total</u>
<u>Income</u>	
<u>Cleaning</u>	<u>3,435.57</u>
<u>Packout</u>	<u>688,326.08</u>
<u>Storage Onsite</u>	<u>294,661.18</u>
<u>Storage</u>	<u>730,916.49</u>
<u>Takeback</u>	<u>378,509.56</u>
<u>Specialty</u>	<u>350,554.33</u>
<u>Total for Income</u>	<u>\$2,446,403.21</u>
<u>Cost of Goods Sold</u>	
<u>Breakage</u>	<u>13,271.17</u>
<u>Job Materials Purchased</u>	<u>47,862.31</u>
<u>Other Job Related Costs</u>	<u>1,687.57</u>
<u>Subcontractors Expense</u>	<u>61,188.61</u>
<u>Tech Payroll Expenses</u>	<u>17.71</u>
<u>Taxes</u>	<u>27,281.03</u>
<u>Wages</u>	<u>296,756.72</u>
<u>Total for Tech Payroll Expenses</u>	<u>\$324,055.46</u>

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Total for Cost of Goods Sold	<u>\$448,065.12</u>
Gross Profit	<u>\$1,998,338.09</u>
<u>Expenses</u>	
<u>Advertising & Marketing</u>	<u>49,365.27</u>
Total for Advertising & Marketing	<u>\$49,365.27</u>
<u>Auto</u>	<u>2,783.00</u>
<u>Bank Charges & Fees</u>	<u>1,536.17</u>
<u>Car & Truck</u>	<u>40,903.76</u>
<u>Contractors</u>	<u>32,195.01</u>
<u>Donations</u>	<u>1,945.91</u>
<u>Dues & subscriptions</u>	<u>167,825.39</u>
<u>Employee Benefits</u>	<u>5,725.54</u>
<u>Insurance</u>	<u>194,066.98</u>
<u>Interest Paid</u>	<u>708.91</u>
<u>Job Supplies</u>	<u>1,494.00</u>
<u>Legal & Professional Services</u>	<u>7,002.85</u>
<u>Meals & Entertainment</u>	<u>61,345.65</u>
<u>Office Hardware</u>	<u>979.42</u>
<u>Office Supplies & Software</u>	<u>30,839.51</u>
<u>Payroll Expenses</u>	<u>4,056.68</u>
<u>Company Contributions</u>	<u>0.00</u>
<u>Health Insurance</u>	<u>5,464.77</u>
Total for Company Contributions	<u>\$5,464.77</u>
<u>Taxes</u>	<u>20,193.45</u>
<u>Wages</u>	<u>212,884.72</u>
Total for Payroll Expenses	<u>\$233,078.17</u>
<u>QuickBooks Payments Fees</u>	<u>17,929.37</u>
<u>Reimbursable Expenses</u>	<u>292.00</u>
<u>Reimbursements</u>	<u>1,216.57</u>
<u>Rent & Lease</u>	<u>235,117.31</u>
<u>Repairs & Maintenance</u>	<u>16,914.74</u>
<u>Sales Referral</u>	<u>11,362.31</u>
<u>Taxes & Licenses</u>	<u>43,044.93</u>
<u>Textiles Costs</u>	<u>141,079.32</u>
<u>Travel</u>	<u>24,895.65</u>
<u>Uniforms</u>	<u>4,376.69</u>
<u>Utilities</u>	<u>21,415.84</u>
Total for Expenses	<u>1,358,961.72</u>
Net Operating Income	<u>\$639,376.37</u>

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Franchise Disclosure Document (20254)

<u>Other Income</u>	
<u>Other Expenses</u>	
<u>Net Other Income</u>	<u>0.00</u>
<u>Net Income</u>	<u>\$639,376.37</u>

Accrual Basis Wednesday, March 26, 2025 11:07 PM GMTZ

System-Wide Franchisee Data (Tables 1 and 2)

The following financial data represents ~~15 out of 19~~16 franchisees with twelve or more months of operations and reported data who operated for all of 2024, with data excluded only from the ~~four franchisees who were not in operational compliance throughout 2023~~ locations who were not in operation for the full year in 2024 (total of 20). Of these ~~16~~5 franchisees whose data is reported, each operated an average of ~~2.06~~9 locations/units. ~~The franchisees who were excluded did not operate for the full 2023 reporting year.~~

Table 1: Per Franchisee Performance

During the Fiscal Year ended December 31, 202~~4~~3, the per-franchisee revenues* reflected the following:

*revenues includes all sales or revenues received, without any deductions.

<u>Average Revenues</u>	<u>Median Revenues</u>	<u>High</u>	<u>Low</u>	<u>Number Exceeding Average</u>	<u>Percent Exceeding Average</u>	<u>Average Number of Locations/Units</u>
<u>\$1,983,853</u>	<u>\$819,532</u>	<u>\$9,120,164</u>	<u>\$222,419</u>	<u>4</u>	<u>25%</u>	<u>2.06</u>

~~Average Revenues: \$2,363,267,~~

~~-5 of the 15 operational franchisees exceeded this average, with a median of \$1,601,554.~~

~~-the low and high performers attained \$209,549 and \$8,804,084, respectively.~~

Table 2: System-Wide Historical Revenues*

~~*The revenues in Table 2 are the aggregate system-wide revenues, as a single data set, and as a result have no associated medians, highs, or lows. Revenues includes all sales or revenues received, without any deductions.~~

Table 2

Year	2020	2021	2022	2023
Revenues	\$26,211,604.14	\$27,560,403.53	\$20,003,735.66	\$35,449,005
Franchisees Reporting	16	21	21	15

Performance of Franchisees Operating a Single Unit in 2023 for the entire Calendar Year:
Average Revenues: \$996,742*

*Within the group of 5 single unit franchisees, 3 or 60% exceeded the average; the median was \$1,277,913, with a high of \$1,601,554 and low of \$318,762

Performance of Franchisees Operating Multiple Units in 2023 for the entire Calendar Year:*
Average Revenues: \$3,046,530 **

*The average number of units operated per reporting franchisee was 3.8 (10 franchisees operating 38 units)

**Within the group of 10 multi-unit franchisees 2 or 20% exceeded the average; the median was \$2,460,799, with a high of \$8,804,084 and a low of \$209,549

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll sell as much.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, 1-800-Packouts 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 Stefan Figley, at 761 W. 1200 N., Ste 300, Springville UT 84663, (800) 722-5688, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

All 2021, 2022 and 2023 numbers appearing in the tables below in this 20 are as of December 31 of each year.

Table No. 1
Systemwide Outlet Summary
For Years ~~2021~~ to ~~2023~~

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	6758	5853	-95
	2022	5853	5355	-5+2
	2023	5355	4548	-8-7
Company- Owned	2021	1	1	0
	2022	1	10	0-1
	2023	10	0	-10
Total Outlets	2021	6859	5954	-95
	2022	5954	5455	-5+1
	2023	5455	4548	-9-7

Table No. 2
Transfers of Outlets From Franchisees To New Owners (other than the Franchisor)
For years ~~2021~~ to ~~2023~~

State	Year	Number of Transfers
All States <u>Texas</u>	2021	0
	2022	0
	2023	10
Total Outlets	2021	0
	2022	0
	2023	10

Table No. 3
Status of Franchised Outlets
For years ~~2021~~ to ~~2023~~

State	Year	Franchises at the Start of the Year	Franchises Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operation - other reasons	End of the Year
AL	2021	<u>20</u>	0	0	<u>20</u>	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
AR	2021	1	0	0	0	0	0	1
	2022	1	0	<u>0</u>	0	0	0	<u>1</u>
	2023	<u>1</u>	0	<u>1</u>	0	0	0	0
AZ	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
CA	2021	<u>11</u>	<u>20</u>	<u>50</u>	0	0	0	11
	2022	11	<u>0</u>	0	0	0	0	<u>12</u>
	2023	<u>12</u>	<u>1</u>	<u>0</u>	0	0	0	12
DE	2021	3	0	<u>0</u>	0	0	0	<u>3</u>
	2022	<u>3</u>	0	<u>3</u>	0	0	0	0
	2023	0	0	0	0	0	0	0
FL	2021	<u>65</u>	0	0	1	0	0	<u>54</u>
	2022	<u>54</u>	<u>0</u>	<u>0</u>	<u>1</u>	0	0	<u>42</u>
	2023	<u>42</u>	<u>1</u>	1	<u>20</u>	0	0	<u>23</u>
GA	2021	4	0	0	0	0	0	4
	2022	4	<u>0</u>	0	0	0	0	<u>4</u>
	2023	<u>4</u>	<u>0</u>	0	0	0	0	5

~~20-21800Packouts~~ - Franchise 1-800-Packouts Holdco,

IL	202 21	1	0	0	0	0	0	1
	202 32	1	0	0	0	0	0	1
	202 43	1	0	0	0	0	0	1
IA								
	202 21	2	0	0	0	0	0	2
	202 32	2	0	0	0	0	0	2
IN								
	202 21	1	0	0 1	0	0	0	1 0
	202 32	1 0	0	1 0	0	0	0	0
KY								
	202 21	3	1 0	0 0	1 0	0	0	3
	202 32	3	0	0	0	0	0	3
ME								
	202 21	0	0	0	0	0	0	0
	202 32	0	0	0	0	0	0	0
MD								
	202 21	2	0	0 1	0	0	0	2 1
	202 32	2 1	0	1 0	0	0	0	1
MA								
	202 21	0	0	0	0	0	0	0
	202 32	0	0	0	0	0	0	0
MI								
	202 21	0	0	0	0	0	0	0
	202 332	0	0 2	0	0	0	0	0 2
	202 43	0 2	2 0	0	0	0	0	2

20-31800Packouts—Franchise1-800-Packouts Holdco,

LLC

Franchise Disclosure Document (202~~54~~)

MN	202 21	0	0	0	0	0	0	0
	202 32	0	<u>0</u>	0	0	0	0	<u>0</u>
	202 43	<u>0</u>	<u>0</u>	<u>0</u>	0	0	0	<u>0</u>
MS	202 21	0	<u>0</u>	0	0	0	0	<u>0</u>
	202 32	<u>0</u>	<u>0</u>	0	0	0	0	1
	202 43	1	0	0	0	0	0	1
MO	202 21	1	0	0	0	0	0	1
	202 23	1	0	<u>0</u>	0	0	0	<u>0</u>
	202 43	<u>0</u>	0	<u>0</u>	0	0	0	0
NH	202 12	0	0	0	0	0	0	0
	202 32	0	0	0	0	0	0	0
	202 34	0	0	0	0	0	0	0
NJ	202 21	0	0	0	0	0	0	0
	202 23	0	<u>0</u>	0	0	0	0	<u>0</u>
	202 43	<u>0</u>	<u>0</u>	0	0	0	0	1
NV	202 22	<u>0</u>						
	202 23	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	202 24	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NY	202 12	0	0	0	0	0	0	0
	202 32	0	0	0	0	0	0	0
	202 34	0	0	0	0	0	0	0
NC	202 21	4	<u>0</u>	<u>0</u>	0	0	0	<u>4</u>
	202 23	<u>4</u>	<u>0</u>	<u>0</u>	0	0	0	5
	202 43	5	0	<u>0</u>	0	0	0	<u>0</u>

20-41800Packouts—Franchise1-800-Packouts Holdco,

LLC

Franchise Disclosure Document (202~~54~~)

OH	202 <u>12</u>	3	0	0	0	0	0	3
	202 <u>32</u>	3	0	<u>01</u>	0	0	0	<u>32</u>
	202 <u>34</u>	<u>32</u>	0	<u>10</u>	0	0	0	2
OK	202 <u>21</u>	3	0	0	0	0	0	3
	202 <u>23</u>	3	0	<u>03</u>	0	0	0	<u>30</u>
	202 <u>43</u>	<u>30</u>	0	<u>30</u>	0	0	0	0
SC	202 <u>12</u>	6	0	0	0	0	0	6
	202 <u>32</u>	6	0	0	0	0	0	6
	202 <u>34</u>	6	0	6	0	0	0	0
TN	202 <u>21</u>	<u>41</u>	<u>10</u>	0	<u>40</u>	0	0	1
	202 <u>23</u>	1	0	0	0	0	0	1
	202 <u>43</u>	1	<u>01</u>	0	0	0	0	<u>12</u>
TX	202 <u>12</u>	4	0	0	0	0	0	4
	202 <u>32</u>	4	<u>01</u>	0	0	0	0	<u>45</u>
	202 <u>34</u>	<u>45</u>	1	0	0	0	<u>01</u>	5
UT	202 <u>21</u>	0	0	0	0	0	0	0
	202 <u>23</u>	0	<u>02</u>	0	0	0	0	<u>02</u>
	202 <u>43</u>	<u>02</u>	<u>20</u>	<u>01</u>	0	0	0	<u>21</u>
VA	202 <u>12</u>	2	0	0	0	0	0	2
	202 <u>32</u>	2	0	0	0	0	0	2
	202 <u>34</u>	2	0	0	0	0	0	2
DC	202 <u>21</u>	1	0	<u>01</u>	0	0	0	<u>10</u>
	202 <u>23</u>	<u>10</u>	0	<u>10</u>	0	0	0	0
	202 <u>43</u>	0	0	0	0	0	0	0

20-51800Packouts—Franchise1-800-Packouts Holdco,

LLC

Franchise Disclosure Document (20254)

	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
WI	2023	0	0	0	0	0	0	0
	2021	6758	4	58	81	0	0	5853
	2022	5853	411	87	12	0	0	5355
Totals	2023	5355	107	1613	20	0	0	4548

Table No. 4
Status of Company-Owned Outlets
For years ~~2020~~ to ~~2021~~

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchise	Outlets at End of Year
Georgia	2021	1	0	0	0	0	1
	2022	1	0	0	0	01	10
	2023	10	0	0	0	10	0
Total	2021	1	0	0	0	0	1
	2022	1	0	0	0	01	10
	2023	10	0	0	0	10	0

Table No. 5
Projected Openings As of December 31, ~~2021~~
For Fiscal Year Ending December 31, ~~2021~~

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Stores in the New Fiscal Year
Arizona	01	1	0

20-61800Packouts—Franchise1-800-Packouts Holdco,

LLC

Franchise Disclosure Document (20~~21~~²⁴)

California	0 +	1	0
Massachusetts	0 +	1	0
North Carolina	1	1	0
Nevada	0 +	1	0
Ohio	0 +	1	0
Oregon	0 +	1	0
Pennsylvania	0 +	1	0
Texas	0 3	3	0
Totals	1 +	11	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.

In May 2020, one former franchisee, 1-800-Packouts of Ohio, LLC, and its principal Jack Schwartz, entered into a settlement agreement resolving a contractual dispute, which settlement agreement contained confidentiality and non-disparagement provisions that restrict the former franchisee and its principal from discussing their experiences as a franchisee in our franchise system. Aside from this settlement agreement, during the last 3 fiscal years, no other current or former franchisees have signed confidentiality clauses restricting them from discussing with you their experiences as a franchisee in our franchise system.

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

ITEM 21
FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit C are our Parent's audited, fiscal year end financials for 2022~~4~~, ~~and our parent's audited financial year end statements for 2022~~3 and 2024~~3~~. Our fiscal year end is 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 C)

**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.

|
LLC
|

23-1~~1800Packouts—Franchise~~1-800-Packouts Holdco,

Franchise Disclosure Document (202~~5~~4)

EXHIBIT A
TO THE
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT



FRANCHISE AGREEMENT

FRANCHISEE:

TERRITORY:

DATE OF AGREEMENT:

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APPENDICES

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APPENDIX B -	OWNERS AND MANAGER
APPENDIX C -	NONDISCLOSURE AND NONCOMPETE AGREEMENT
APPENDIX D -	GUARANTY AND ASSUMPTION OF OBLIGATIONS
APPENDIX E -	FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

1800PACKOUTS FRANCHISE 1-800-Packouts Holdco, LLC

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 1800Packouts Franchise 1-800-Packouts Holdco, LLC, a Georgia limited liability company with its principal place of business at 761 W. 1200 N., 761 W. 1200 N., Ste 300, Springville, Utah 84663 (“**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

1. We and our affiliates have accumulated knowledge and experience in the contents 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 contents restoration businesses specializing in packing, cleaning and climate controlled storage of personal property under the service mark “1-800-PACKOUTS”. The distinguishing characteristics of the System include, but are not limited to, our Facility designs, layouts, and trade dress; our specifications for equipment and inventory; our relationships with vendors; 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 otherwise in writing. We may change, improve, add to, and further develop the elements of the System from time to time.

2. We identify the businesses operating under the System by means of the mark 1-800-PACKOUTS® 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**.”

3. 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 F (Management of the Franchised Business) of this Agreement.

4. You have applied for a franchise to operate a 1-800-PACKOUTS 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 (“**Your**”

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.

B. TERRITORIAL RIGHTS

You have an exclusive right to operate in Your Territory a facility that includes permanent climate controlled private storage units, cleaning rooms, and an office that meets our minimum specifications (a “Facility”). You have a ~~non-exclusive~~protected right to market to, and provide services to, any customers located in Your Territory. Except as otherwise provided in this Agreement and subject to your full compliance with this Agreement and any other agreement between you and us or our affiliates, (i) we or our affiliates will not establish or authorize any person or Entity other than you to establish a Franchised Business or Facility in Your Territory during the term of this Agreement and (ii) If we receive any leads relating to jobs located in Your Territory, we will promptly provide you with the relevant information.

Your marketing protections are governed by the following provisions referred to as your National/Regional Opportunity Protection (or “NROP”):

1. **Protected Advertising.** No other 1-800-Packouts business may advertise in Franchisee’s Territory in print, media, door-to-door, mass electronic communication, or direct web-based advertising within such Territory. It is acknowledged that Franchisee may experience some indirect/carry-over advertising from other franchisees in media where the reach of advertising is difficult to restrict to zip codes, such as radio or indirect web-based advertising—none of which shall comprise a breach of this provision.
2. **Protected TPA and Regional/National Referrals.** Franchisee will receive TPA and Regional/National referrals for your assigned zip codes in accordance with program requirements. The Franchisor cannot guarantee the Franchisee’s participation in these programs, nor can we guarantee any number of jobs from these programs. If you are not compliant with your Franchise Agreement, program requirements (as established by such TPAs, or Regional/National account parties), or fail to perform program work adequately, the Franchisor may direct TPA or Regional/National referrals to another franchisee or itself.
3. **Protected Call Center Referrals.** You will receive Call Center leads received by the Franchisor for your assigned zip codes. If you are not compliant with your Franchise Agreement, the Franchisor may direct these leads to another franchisee or to itself.
4. **Protected Office Location.** No other 1-800-Packouts Business may establish an office location within Franchisee’s Territory. The Franchisee may not advertise or establish an office outside the Territory without Franchisor’s prior written consent. Within the Territory, the Franchisee have the right to advertise, market, solicit and service any customer desiring inventorying, packing, moving, cleaning, deodorizing and storage services except as described in this section.
5. **Clarifying Terms (Pre-Existing Exceptions).** Notwithstanding the generality of the foregoing, the Franchisor shall take reasonably available measures, including enforcement of rights under other franchise agreements, to assure that no other franchisee of Franchisor conducts advertising, marketing, and related digital campaigns or activities within the Territory under any agreement entered into from and after the date of this Addendum. The Franchisor further agrees that for so long as Franchisee remains in good standing under the Franchise Agreement and is not in default, Franchisor will not open a company-owned location in the Territory. The Franchisor shall not be in violation of this paragraph 4 in the event that rights or licenses in existence prior to the date of this Addendum exist permitting a franchisee of Franchisor to conduct activities that Franchisor would otherwise have obligations to curtail pursuant to paragraph 4, save that Franchisor agrees not to renew such rights or licenses at the time that they expire by their terms or are otherwise terminated.

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) In a territory owned by us, our affiliates, or other franchisees (an “**Excluded Territory**”):

(a) you may only market to and solicit referrals from 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 in Section -2); and

(b) 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 may authorize or, require you to provide such services after a Catastrophic Event (as defined in Section F.); or (iii) we authorize you to provide such services to a National Accounts (as defined in Section G.).

(2) 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:

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

(b) you may provide services to customers located in such Unowned Territory.

For the avoidance of doubt, you may not (i) operate a Facility in an Excluded Territory or Unowned Territory, (ii) advertise in or directly market to customers (other than Referral Sources as provided in Section (a)) located in an Excluded Territory, or (iii) ask a Referral Source to refer customers located within an Excluded Territory.

D. RESERVATION OF RIGHTS

Except as provided in Section 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:

(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, or (iii) a customer or Referral Source requests that they provide such services;

(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.

E. MINIMUM SALES QUOTA

~~After you have completed your second year of operations under your Franchise Agreement, each Agreement Year will be reviewed, retrospectively (i.e., at your third anniversary of operations, the performance occurring during the entire second Agreement Year will be reviewed), and your Franchised Business must achieve a minimum amount of Gross Sales equal to \$1 per person in Your Territory (the “Minimum Sales Quota”). Beginning in the second Agreement Year, in each Agreement Year, your Franchised Business must achieve a minimum amount of Gross Sales equal to \$1 per person in Your Territory (the “Minimum 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. The initial population of Your Territory is specified in Appendix A. If our population data provider provides us with revised population data, we will provide you with notice of the revised population of Your Territory, which will be used to determine the Minimum Sales Quota for the next Agreement Year. If you fail to achieve the Minimum 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 Your Territory, and/or (iii) temporarily or permanently suspend your exclusive rights within Your Territory.

F. CATASTROPHIC EVENTS

In certain circumstances where there is a natural disaster, catastrophe, or other event that causes an unusual spike in customer demand (collectively, a “Catastrophic Event”) outside Your Territory, we may authorize or require you to offer services outside of Your Territory, including in the territories of Franchised Business operated by us or other franchisees. Similarly, if a Catastrophic Event occurs in Your Territory, we may, in our sole discretion, offer services, or allow franchisees or affiliates to offer services, inside Your Territory, if we believe that you do not have the capacity or personnel to adequately service the increased customer demand. If we, in our sole discretion, determine that a Catastrophic Event has occurred in Your Territory, we will provide you with notice of such event and notice that we, an affiliate, or other franchisees will provide services in Your Territory during such Catastrophic Event.

G. NATIONAL 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**”). National Accounts will be governed by provisions of our operations manuals relating to the NROP. 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.

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.

Each renewal will be effectuated 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 \$10,000 will be payable upon renewal of the License.

3. DEVELOPMENT AND OPENING OF FACILITY

A. FACILITY

You must operate your Franchised Business from a Facility located in Your Territory. You agree that you will not execute a lease or purchase contract for a Facility without our prior written approval. 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. You acknowledge that our acceptance of the location for the Facility 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 Facility meets our minimum criteria.

B. PROTOTYPE AND CONSTRUCTION PLANS AND SPECIFICATIONS

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 Facility. 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 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. 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 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.

C. DEVELOPMENT OF THE FRANCHISED BUSINESS

You agree at your own expense to do the following within a reasonable time after you have obtained possession of the Facility, 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 Facility according to the construction plans and specifications we have approved; (4) decorate the Facility in compliance with plans and specifications we have approved; (5) purchase and install all required equipment, furniture, furnishings, and signs; (6) purchase and brand the vehicles in compliance with our specifications; and (7) purchase an opening inventory of all required products, supplies and materials.

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; however, we will not be able to change or modify any data on the Management Systems. We may, as outlined in the Operations Manual, require you to use certain designated software for accounting or bookkeeping 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 Operations Manual. Such software use may include fees paid directly to such vendor(s), on such terms that they set.

(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 D 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.

E. 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. You further agree to place or display at the Facility and on any vehicles 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. See Section B. (Sourcing Restrictions) for additional sourcing requirements.

F. FRANCHISED BUSINESS OPENING

You agree not to open the Franchised Business for business until: (1) all of your obligations under Sections A through E have been fulfilled; (2) we determine that the Franchised Business has been constructed, decorated, furnished, equipped, and stocked with materials and supplies in accordance with plans and 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; and (5) you have furnished us with copies of all insurance policies required by Section H. (Insurance) of this Agreement. You shall open the Franchised Business and commence business within 180 days after the execution of this Agreement, unless you obtain a written extension of such time period from us.

G. MODIFICATION OF THE FRANCHISE PROCESS

Because complete and detailed uniformity under many varying conditions might not be possible or practical, you acknowledge that we specifically reserve the right and privilege, as we deem best, to vary the System for, and to provide different levels of service to, any franchisee based upon the peculiarities of any condition or factors that we consider important to that franchisee's successful operation. You have no right to require us to grant you a similar variation or accommodation or to provide the same level of service.

4. TRAINING AND GUIDANCE

A. SYSTEM/PROCEDURE TRAINING

We will furnish to you (or your Operating Principal, if you are an Entity), your Manager, and up to two additional trainees an initial training program ("**System/Procedure Training**") of up to four (4) days in the operation of a Franchised Business at a location and time designated by us. We will provide System/Procedure Training, including all related training materials, to your four initial trainees at no charge. The four initial trainees must be managers or supervisors at your location. **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. In addition, you or if you are an entity, one Owner, must attend and complete the training offered for the entire duration with the trainees from your Franchised Business. If any trainees repeat System/Procedure Training, if more than four trainees attend System/Procedure Training, or if subsequent trainees attend System/Procedure Training, you must pay us a fee of \$2,500 for each such trainee to attend 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.

B. SATISFACTORY COMPLETION OF TRAINING

You (or your Operating Principal, if you are an Entity) and your Manager (if you appoint one) must complete System/Procedure Training to our satisfaction. If we determine in our sole discretion that you, your Operating Principal or your Manager 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.

C. OPENING ASSISTANCE

We will provide advice, guidance and support in connection with the opening and initial operation of the Franchised Business. If we provide you with on-site assistance, you will be required to pay our reasonable fees for any on-site opening 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.

D. ADDITIONAL TRAINING PROGRAMS AND CONFERENCES

We may require that you, your Operating Principal, your Manager, 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/Retreat that we require. 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.

E. 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.**

F. 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.

G. 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. 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 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. 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, deems 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, know-how, and other confidential information relating to the System, our business, our vendor relationships, our Facilities, 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; and (vii) any other information we reasonably designate from time to time as confidential or proprietary. “Confidential Information” does not include (i) information that is part of the public domain or becomes part of the public domain through no fault of you, (ii) information disclosed to you by a third party having legitimate and unrestricted possession of such information, or (iii) 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. 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.

An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under an Federal or State trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to an attorney of the individual an use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal; and does not disclose the trade secret, except pursuant to court order.

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-PACKOUTS 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 services or products competitive with or similar to the services or products offered or provided by Franchised Businesses 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, (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) Your Territory or any territory of another Franchised Business, (ii) a 50-mile radius from the borders of Your Territory, or (iii) a 50-mile radius from any Facility operated by us or our affiliates or (b) 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. With respect to the Owners, the time period in this Section 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 now or in the future be engaged in the business of fire/water mitigation and/or related construction (a “**Mitigation Business**”), provided however that (i) any portion of the services offered by the 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 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 C. (Willful Misconduct or Gross Negligence). "**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 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 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 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 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 C. limits your obligation to defend us and the other Indemnified Parties under Section B.

9. FEES AND OTHER CHARGES

A. INITIAL FRANCHISE FEE

You agree to pay to us a nonrecurring initial franchise fee in the amount specified in 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. If your Territory’s population exceeds 1,250,000 during each of two consecutive calendar years, in the following year you will have an option of acquiring an “Add-on Territory” for an “Add-on Territory Fee” of \$30,000.

B. ANNUAL CONFERENCE REGISTRATION DEPOSIT

You will pay us a \$1,000 Annual Conference Registration Deposit, due within seven (7) days of the execution of this Agreement, 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.

C. ~~POPULATION-NROP FEE~~

You must pay us a monthly ~~population-NROP~~ fee (the “~~Population-NROP~~ Fee”) based on the number of people located in Your Territory in accordance with the following chart:

<u>Month of Agreement</u>	<u>Monthly NROP Fee</u>
<u>Month 0 through Month 12</u>	<u>\$0</u>
<u>Months 13-14</u>	<u>\$500/month</u>
<u>Months 15-16</u>	<u>\$1,000/month</u>
<u>Months 17-18</u>	<u>\$1,500/month</u>
<u>Months 19 and thereafter</u>	<u>\$2,000/month</u>
<u>Population of Your Territory</u>	<u>Monthly Population Fee</u>
<u>1 to 500,000</u>	<u>\$1,000</u>
<u>500,001 to 750,000</u>	<u>\$1,500</u>
<u>750,001 to 1,000,000</u>	<u>\$2,000</u>

The initial population of Your Territory is specified in Appendix A. If our population data provider provides us with updated data for Your Territory, we will notify you of any change in your Population NROP Fee at least 30 days before you must begin paying the revised Population Fee. You agree that the maximum initial population permitted in any Territory is 1,500,000 people. In order to determine current population we use territory mapping software. In the event the population in the Territory exceeds 1,250,000 people during each of two consecutive years, you shall be required to purchase an Add-on Territory or an additional franchise(s) to maintain the 1,500,000 person population limit. Should the population exceed 1,250,000 people during the term of your agreement the population fee will increase at the same rate of \$500 per each 250,000 people detailed in the table above (i.e., 1,000,001 to 1,250,000 would be \$2,500 per month). Your NROP Fee is owed regardless if whether you enroll in all, some, or none of the NROP programs.

D. ROYALTY FEES

You must pay us a monthly royalty fee (the “**Royalty Fee**”) equal to 7% of the monthly Gross Sales of the Franchised Business. “**Gross Sales**” means all revenue of the Franchised Business, including all sales of products and services to customers of the Franchised Business, but excluding excise, sales and use taxes, gross receipts taxes or similar taxes you pay based on revenues, if those taxes are separately stated when the customer is charged, and also excluding bona fide refunds actually paid to customers. 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. The Royalty Fees do not represent payment for the referral of customers to you, and you acknowledge and agree that the services we offer to you and our other franchisees do not include the referral of customers.

E. MARKETING FEE

You must contribute 3% of the monthly Gross Sales of the Franchised Business (the “**Marketing Fee**”) to a national advertising fund (the “Advertising FundBrand Fund”) that we will administer. See Section E. (Advertising FundBrand Fund) for a description of the Advertising FundBrand Fund.

F. Quick Start Packate or “QSP” and QSP Fee

You will buy from us our Quick Start Package (“QSP”), and pay us the QSP Fee applicable to your franchise size. Your QSP will include initial equipment to outfit your cleaning room, initial supplies for your operations, a starting supply of consumables (such as tags, gloves, tape, shoe covers, etc.), inventory

for 1-800-Packouts branded boxes for your first jobs, and certain marketing and storage items. If you are opening a single-unit franchise, your QSP Fee will be \$53,500 plus applicable tax and/or tariff, and which already includes freight/shipping costs.

F.G. PAYMENT SCHEDULE

Royalty Fees and the Marketing Fee will be due and payable by Electronic Funds Transfer (“EFT”), or such other method as we may prescribe, upon the earlier occurring of i) when payment is received from the client or ii) 180 days following the initial service date with the client. You must notify us within no more than three (3) days of any payment being received by uploading a copy of the check into the tracking system. In the event that it is discovered you have not properly notified us of payments, we shall have the right to charge any interest or penalties proscribed by this agreement. 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 in any Royalty Fees or Marketing Fee payments three times in any 12-month period.

G.H. 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 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 F.

H.I. METHOD AND APPLICATION OF PAYMENTS

We will have sole discretion to apply any payments from you to any of your past due indebtedness for Royalty Fees, Marketing Fees, interest or any other indebtedness. You must make payments with the approved method of payment, including use of any designated authorization, as set forth in the operations manual.

H.J. 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 the Royalty Fee and the Marketing Fee, 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 any Royalty Fee or Marketing Fee, not including any tax measured on our income.

10. OPERATING STANDARDS

A. 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).

B. 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, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals. You agree to participate in any purchasing or distribution cooperatives that we may establish.

(2) 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.

(3) We and our affiliates have the right to receive payments 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.

C. 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-out leasehold improvements and Operating Assets; periodic painting; 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) appearance of vehicles and Facilities;
- (f) qualifications, training, dress and appearance of Franchised Business employees (subject to applicable law);
- (g) use of the Marks and protection of Confidential Information;
- (h) materials and supplies used in the Franchised Business;
- (i) sales, marketing and promotional materials and programs;
- (j) use of standard formats and similar items;
- (k) use of the Management Systems and other computer software;
- (l) adoption of technological developments or advances;
- (m) the addition or deletion of new products and/or services;
- (n) customer invoicing timing and procedures;
- (o) hours of operation; and
- (p) 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.

(2) You acknowledge that accurate and appropriately timed invoicing of customers is a key System Standard necessary to protect the reputation of Franchised Businesses. You may not invoice, bill, or otherwise charge a customer for returning their contents from your Facility to a customer's location (which we refer to as a "takeback") until after the delivery has been completed.

(3) You may only store customers' property in permanent, non-mobile, secure, climate controlled storage units designed in accordance with our specifications at your Facility. You may not use storage pods or off-site storage units of any kind.

D. 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, as if they were part of this Agreement as of the Agreement Date.

E. 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 Your 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. The Franchised Business must in all dealings with its clients, 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. You must notify us in writing within five days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect your operation or financial condition or that of the Franchised Business and of any notice of violation of any law, ordinance, or regulation relating to the Franchised Business.

F. 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.

G. 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.

H. 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, public liability and property damage, professional liability, business interruption and general 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 30 days after execution of this Agreement 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.

I. 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.

11. ADVERTISING AND PROMOTION

A. ADVERTISING BY FRANCHISEE

(1) During the Term, you are required to do local advertising and marketing. Your advertising should be tailored to your specific Territory. You must assign an employee or member of the business to be dedicated to performing marketing in the local market. This local advertising obligation is in addition to the Marketing Fee you must pay to us. 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. 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 in Section A. (Advertising By Franchisee).

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. ADVERTISING FUND

(1) We will determine, in our sole discretion, when, how, and where the payments deposited into the ~~Advertising Fund~~Brand Fund will be spent. We select the types of media used and the location of the advertising campaigns administered through the ~~Advertising Fund~~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, or other channels. All advertising and marketing materials will be prepared by us or by outside advertising/public relations/promotional agencies.

(2) The ~~Advertising Fund~~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 ~~Advertising Fund~~Brand Fund in that year. If we do not use all the funds in the ~~Advertising Fund~~Brand Fund in the year in which they accrue, we may use these amounts in the next fiscal year. We may cause the ~~Advertising Fund~~Brand Fund to borrow from us or other lenders to cover deficits of the ~~Advertising Fund~~Brand Fund or cause the ~~Advertising Fund~~Brand Fund to invest any surplus for future use by the ~~Advertising Fund~~Brand Fund. We may collect for remission to the ~~Advertising Fund~~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 ~~Advertising Fund~~Brand Fund will be used to pay advertising costs of the ~~Advertising Fund~~Brand Fund before other assets of the ~~Advertising Fund~~Brand Fund are expended. Sums paid by you to the advertising 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 advertising fund, programs, and activities. We will prepare an annual, unaudited statement of monies collected and costs incurred by the ~~Advertising Fund~~Brand Fund and will make it available to you on written request.

(3) You understand and acknowledge that the ~~Advertising Fund~~Brand Fund is intended to maximize recognition of the Marks and patronage of Franchised Businesses. Although we will endeavor to use the ~~Advertising Fund~~Brand Fund to develop advertising and marketing materials, we are not obligated to ensure that expenditures by the ~~Advertising Fund~~Brand Fund in or affecting any geographic area are proportionate or equivalent to contributions to the ~~Advertising Fund~~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 ~~Advertising Fund~~Brand Fund from the development of advertising and marketing materials. Advertising produced by the ~~Advertising Fund~~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 ~~Advertising Fund~~Brand Fund.

(4) We may terminate the ~~Advertising Fund~~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 ~~Advertising Fund~~Brand Fund.

F. DIGITAL MARKETING

(1) 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 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.

(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.

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.

B. REPORTS AND TAX RETURNS

(1) You must furnish to us the following reports: (a) concurrently with the payment of the 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; and (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.

(2) You must furnish to us any other periodic reports we prescribe and such other information and supporting records as we from time to time prescribe. 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. 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) Within five (5) days of your receipt, you must provide us a copy of any legal notices, legal claims, legal demands, legal proceedings, legal actions, or other litigation, regulatory or administrative proceedings, or similar matters involving you or potentially relating to or relevant to us.

(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 \$25.00 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 Mitigation 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; I 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:

- (1) the transferee has sufficient business experience, aptitude and financial resources to operate the Franchised Business;
- (2) you have paid all Royalty Fees, Marketing Fees, and 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;
- (5) you or the transferee pay us a transfer fee equal to 50% of the initial franchise fee then being charged for Franchised Businesses, 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 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 C (Confidential Information) and 16.D (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 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 a corporation, partnership or limited liability company which conducts no business other than the Franchised Business and, if applicable, other Franchised Businesses, in which you maintain management control and of which you own and control 100% of the equity and voting power of all issued and outstanding capital stock or ownership interests. Transfers of ownership interests in such corporation, partnership or limited liability company will be subject to the provisions of Section C. Notwithstanding any such transfer, you agree to remain personally liable under this Agreement as if the transfer to such corporation, partnership or limited liability company 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 3 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 3 years commencing on the date of the closing, you and they will be bound by the noncompetition covenant contained in Section D (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 B. (Transfer by Franchisee) and C. (Conditions for Approval of Transfer), provided that, if the sale to such purchaser is not completed within 120 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 120 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 you are in substantial compliance with this Agreement and we materially breach this Agreement and: (a) fail to cure such breach within 60 days after written notice of that breach is delivered to us; or (b) 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 Franchised Business within 180 days after the execution of this Agreement;

(3) you (or your Operating Principal, if you are an Entity) and your Manager (if you appoint one) fails to satisfactorily complete System/Procedure Training as provided in Section B (Satisfactory Completion of Training);

(4) you surrender or transfer control of the Franchised Business without our advance prior written consent;

(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 or any of your Owners are convicted of or plead no contest to a felony or are convicted of or plead no contest to any crime or offense that is likely, in our sole discretion, to adversely affect the reputation of the Franchised Business and the goodwill associated with the Marks;

(7) 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 E. (Your Death or Disability);

(8) you or any of your Owners make any unauthorized use or disclosure of the Confidential Information;

(9) 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;

(10) 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;

(11) 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;

(12) you fail to achieve the Minimum Sales Quota in three consecutive Agreement Years;

(13) you provide any services or conduct any marketing or advertisements outside of Your Territory, except as otherwise permitted in this Agreement;

(14) 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;

(15) 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;

(16) where there is more than one agreement in existence between the parties (or their respective affiliates), you agree that we have the right to treat a material breach or default of any one agreement as a material breach or default of all or any of the other agreements and any such material breach or default of any one agreement shall be treated, in respect of any of the other agreements as a material breach or default of each such agreement; or

(17) 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 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 your right to participate in one or more programs or benefits that the ~~Advertising Fund~~ Brand Fund provides;

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

(5) 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);

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

(7) 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; and/or

(8) 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 equal to 10% 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.

D. EXERCISE OF OTHER REMEDIES

Our exercise of our rights under Section C. (Other Remedies) will not (a) 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, (b) constitute an actual or constructive termination of this Agreement, or

(c) be our sole or exclusive remedy for your default. You must continue to pay all fees and otherwise comply with all of your obligations under this Agreement (except as set forth in Section -8 (our assumption of management)) following our exercise of any of these rights. If we exercise any of our rights under Section 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.

E. BUYOUT

If you and we mutually agree to terminate this Agreement, and you are not at such time in material breach of any of your obligations under this Agreement or any other agreement with us, you pay us all amounts owed prior to termination, you pay us the Buyout Fee described in this Section E and 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, we will waive the restriction in Section -1(a) prohibiting you and your Owners from directly or indirectly having any involvement in any Competitive Business after the termination of this Agreement. The “Buyout Fee” shall be equal to an initial franchise fee of Sixty Thousand Dollars (\$60,000) plus an additional fee of Two-Thousand Five Hundred Dollars (\$2,500) per month for each month remaining on the term of your franchise agreement. If the buyout option in this Section E is exercised, you and your Owners still will be restricted from soliciting 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 for a period of two years after the termination of this Agreement. For the avoidance of doubt, this buyout option will not apply if this Agreement is transferred to a new franchisee or if the Franchise Agreement is terminated by us for cause pursuant to Section B above.

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 Royalty Fees, Marketing Fees, amounts owed for purchases by you from us or our affiliates, 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 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 B. If you or one of your affiliates owns the Facility, we may elect to include a fee simple interest in the Facility and its premises as part of the Purchased Assets or, at our option, lease the Facility 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 Facility 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.

(2) While we are deciding whether to exercise our option under this Section 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 -8.

(3) 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). However, 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. If we and you cannot agree on fair market value for the Purchased Assets, we will select an independent appraiser after consultation with you, and his or her determination of fair market value will be the final and binding purchase price.

(4) If we elect to exercise our purchase option, we will pay the purchase price at the closing, which will take place within 60 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 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 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 -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;

(4) 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 customer contents at your expense until delivery can be arranged, (c) arrange for the delivery and storage of customers’ contents at your expense at another secure climate-controlled storage facility that we approve, (d) arrange for the delivery of customers’ contents to their location at your expense using providers that we approve, and/I(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;

(5) if we do not exercise our right to acquire the lease for the Facility or the Facility, you will 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, but not limited to, 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 -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; and

(6) 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, all of your Customer Information, and all other Confidential Information (and all copies thereof) in your possession or control. You may not use 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.

An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law.

An individual shall not be held criminally or civilly liable under an Federal or State trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to an attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal; and does not disclose the trade secret, except pursuant to court order.

E. COVENANT NOT TO COMPETE

You and your Owners must comply with the non-compete provisions of Section B. (After Termination, Expiration, or Transfer).

F. LIQUIDATED DAMAGES

In addition to any other claims we may have (other than claims for lost future Royalty Fees and Marketing 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 Marketing 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), (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 Marketing 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

17.1 Intent, Meeting, and Mediation

You and we believe that it is important to resolve disputes amicably, quickly, cost-effectively, and professionally and return to business as soon as possible. You agree that you will communicate professionally with us and with our team at all times, including when communicating any dispute. You and we agree that the provisions of this Article support these mutual, practical business objectives, and, therefore, agree as follows:

a. All provisions of this Franchise Agreement (including the language of this Article) will be fully enforced, including those relating to arbitration, waiver of jury trial, limitation of damages, venue, choice of laws, and shortened periods in which to bring claims.

b. All of the terms, covenants, and conditions of this Article, including the choice of law, choice of venue, and use of arbitration are mandatory and not permissive.

c. The Parties rely on the federal preemption of state laws under the Federal Arbitration Act (9 U.S.C. §1 et seq.) (FAA) with the understanding that the FAA and not state law will control any

matters concerning mediation and arbitration and, as a result, the provisions of this Franchise Agreement will be enforced only according to its terms and through the alternative dispute mechanism found in this Article. The Parties further agree that each Party intends that any state law attempting to prohibit arbitration or attempting to void out-of-state forums for arbitration are preempted by the Federal Arbitration Act and that arbitration will be held as provided in this Article.

d. Except as expressly provided in this Franchise Agreement, EACH PARTY KNOWINGLY WAIVES ALL RIGHTS TO A COURT OR JURY TRIAL AND, INSTEAD, SELECTS FACE-TO-FACE MEETINGS, MEDIATION AND FINALLY BINDING ARBITRATION AS THE SOLE MEANS TO RESOLVE DISPUTES UNDERSTANDING THAT FACE-TO-FACE MEETINGS, MEDIATION AND ARBITRATION MAY BE LESS FORMAL THAN A COURT OR JURY TRIAL, MAY USE DIFFERENT RULES OF PROCEDURE AND EVIDENCE, THAT AN APPEAL PROCESS IS GENERALLY LESS AVAILABLE, AND THAT THE FEES AND COSTS ASSOCIATED WITH MEDIATION AND ARBITRATION MAY BE SUBSTANTIALLY GREATER THAN IN CIVIL LITIGATION.

Initials as to the above three subsections:

Initials of Franchisee

Initials of Franchisee

Initials of Franchisor

i. Notwithstanding the fact that a Party is or may become a party to a court action or special proceeding with a third party or otherwise, and whether or not such pending court action or special proceeding: (i) may include issues of law, fact, or otherwise that arise out of the same transaction (or series of related transactions) as any arbitrable matter between or involving the Parties; (ii) involves a possibility of conflicting rulings on issues of law, fact, or otherwise; and (iii) such pending court action or special proceeding may involve a third party who cannot be compelled to arbitrate the terms, covenants, and conditions of this Franchise Agreement, the Parties still agree any dispute between the Parties to this Franchise Agreement will be enforced according to the terms found herein, including the obligation to perform under this Article.

ii. Before arbitration, each Party agrees to adhere to the following procedure:

- 1. First, in the event of a disagreement between us, we agree to meet face-to-face within 30 days after one Party gives written notice to the other;
- 2. Second, if the issues between us cannot be so resolved, then the disagreement must be submitted to non-binding mediation before the Judicial Arbitration and Mediation Service (JAMS) or its successor (or an organization designated by JAMS or its

successor). If JAMS is unable or unwilling to conduct such proceedings, and the Parties to the dispute cannot agree on an appropriate organization or person to conduct such proceedings, mediation will be heard by the American Arbitration Association. (AAA).

A. You and we will agree upon a single mediator. If we cannot agree upon the mediator, then the senior-most officer, director, or manager of the association under which the mediation is to take place will choose a neutral and disinterested mediator, and such choice will be final and binding.

B. Mediation must begin 30 days after the face-to-face meeting. Any Party may be represented by counsel and may bring persons appropriate to the proceeding with permission of the mediator.

C. Each Party will bear the Person's costs associated with attending mediation. Each Party will equally split the cost of the mediator.

3. If mediation does not resolve the matter, you and we agree that the disagreement will be submitted to and finally resolved by binding arbitration.

17.2 Resolution under Arbitration

a. Subject to the terms of this Article, Arbitration must begin by the earlier of 90 days after the end of mediation or the last day of the one year identified in this Article.

b. Arbitration will be held before and under the arbitration rules of JAMS or its successor (or an organization designated by JAMS or its successor). If JAMS is unable or unwilling to conduct such proceedings, and the Parties cannot agree on an appropriate organization or person to conduct such proceedings, the arbitration will be heard by a single arbitrator from the AAA. The arbitrator must be experienced in franchising. If the Parties cannot agree upon the arbitrator, the senior-most officer, director, or manager of the association under which the arbitration is to take place will choose a neutral and disinterested arbitrator, and such choice will be final and binding upon the Parties.

c. Any Party may be represented by counsel and may, with permission of the arbitrator, bring persons appropriate to the proceeding.

d. The arbitrator's judgment on any preliminary matter and the final arbitration award will be final and binding and may be entered in any court having jurisdiction.

i. The arbitrator's award will be in writing. On request by any party to the arbitration, the arbitrator will provide to all disputants a reasoned opinion with findings of fact and conclusions of law, and the Party so requesting will pay the arbitrator's fees and costs.

ii. There will be no right to appeal any preliminary finding or ruling, and there is no right to appeal the final award.

e. The Parties agree that they will equally split the fees paid to start arbitration and the fees paid to the arbitrator until the arbitrator awards fees and other costs to the Prevailing Party.

17.3 Confidentiality:

The Parties to any meeting, mediation, or arbitration will sign confidentiality agreements, excepting only public disclosures and filings as are required by law.

17.4 Choice of Law, Venue and Jurisdiction

a. Any meeting, mediation, or arbitration will be conducted exclusively at a neutral location within 15 miles of our then-current headquarters without regard to conflict of law provisions or *forum non-conveniens* demand to the contrary.

b. The arbitrator will apply all applicable laws and equity permitted under the laws of the state of Utah, without regard to conflicts of law provisions. Any dispute requiring resolution before a court shall be brought in the appropriate state or federal court situated in Utah County, Utah, or the most proximate thereto, with the parties hereby irrevocably consenting to the exclusive jurisdiction and venue therein.

c. The terms of this Section and the terms of this Article generally **are mandatory and not permissive** and will control any matters of jurisdiction, venue, and choice of law; and by initialing below, you and we have agreed to the mandatory terms of this Article generally and to the mandatory terms of this Section specifically.

Initials as to this entire Section

Initials of Franchisee

Initials of Franchisee

Initials of Franchisor

a. Scope, Discovery, other Procedural Matters, Fees, and Costs

a. The arbitrator will decide any factual, procedural, or legal questions relating to the dispute, including any decision as to whether there is a franchise contract between the Parties; whether this Article is applicable and enforceable; and all other matters, including issues relating subject matter, timeliness, scope, remedies, unconscionability, and any alleged fraud in the inducement.

b. The Parties to the dispute have the same discovery rights as are available under the rules of the arbitration association hosting the arbitration.

c. Each participant must submit or file any claim which would constitute a “compulsory counter-claim” (as defined by the applicable rule under the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such compulsory counter-claim that is not submitted or filed in such proceeding will be forever barred.

d. The arbitrator may issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable, interim or final relief.

i. Each Party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction.

ii. The arbitrator has subpoena powers limited only by the laws of the state of Utah.

e. In addition to any other remedy, the arbitrator will award the “**Prevailing Party**” their costs, fees, reasonable attorney’s fees, expert witness fees, and the like that Party expended in preparation for and the prosecution of the case at arbitration. The Prevailing Party will be the Party that has obtained the greatest “**net judgment**” in terms of money or money equivalent. If money or money equivalent has not been awarded, then the Prevailing Party will be that Party that has prevailed on a majority of the material issues decided. The “**net judgment**” is determined by subtracting the smallest award of money or money equivalent from the largest award. If there is a mixed decision involving an award of money or money equivalent and equitable relief, or if the arbitrator deems it to be in the best interest of justice, the arbitrator using their reasonable judgment, will award the above fees to the Party that it deems has prevailed over the other Party. This award applies to all matters decided by the arbitrator, including matters concerning misrepresentation or fraud.

b. Disputes Not Subject to the Mediation or Arbitration

a. Claims or disputes relating primarily to the Marks, to any intellectual property licensed to you, to any matter governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.), are subject to court proceedings in a court of competent jurisdiction. Only the portion of any claim or dispute identified in this Section is subject to court action, but only to the extent that such action is necessary to protect the Marks, the intellectual property, and any matters governed by the Lanham Act.

b. Matters relating solely to the collection of money by one Party against the other are not subject to a face-to-face meeting, mediation, or arbitration. Such matters include collection efforts against you or us solely for the failure to make timely payment of any amount due to the other. In such an event, such matter may be brought in a court of competent jurisdiction and venue. If, however, one Party to such action pleads another claim, cross-claim, counter-claim or affirmative defense based on anything other than the mere collection of money, or if the other Party alleges facts concerning fraud or any other equitable defense, then the entire matter, including the collection-of-money effort will be subject to the alternative dispute resolution procedures of this Article.

c. To the extent that either of us seeks injunctive relief before the face-to-face meeting or mediation, the same may be applied to a court of competent jurisdiction. The court will hear only the application for injunctive relief, and the mere fact that the court exercised jurisdiction in considering the injunction will not serve to eliminate the alternative dispute resolution requirements of this Article. If the temporary injunction is granted, then the Party that made the application must begin the alternative dispute resolution process under this Article.

17.5 Other Matters

We each understand and specifically agree that any matters concerning the relationship between us and any dispute arising, as a result, will be determined on an individual basis and will not be brought as a class action or with multiple unrelated franchisees (whether as a result of attempted consolidation, joinder, or otherwise). This is prudent from a business standpoint because (a) the mediation and arbitration procedures function most effectively on an individual case basis; (b) there are significant factors present in each individual franchisee’s situation which should be respected; and (c) class-wide or multiple plaintiff disputes do not foster quick, amicable, and economic dispute resolutions.

17.6 One Year Limitation of Action

a. Except for an alleged violation of the Marks or any intellectual property licensed to you (which may be brought at any time), and except for the enforcement of our right to indemnification under Article 14 and subsection (c) just below, **YOU AND WE ARE LIMITED TO BRINGING ANY ARBITRATION AGAINST THE OTHER WITHIN ONE YEAR OF THE DATE THAT THE FACTS WHICH GIVE RISE TO THE CLAIM WERE DISCOVERED, OR ONE YEAR FROM THE DATE THAT SUCH FACTS REASONABLY SHOULD HAVE BEEN DISCOVERED.** The one-year period begins to run and will not be tolled merely because the claiming party was unaware of legal theories, statutes, regulations, or case law upon which the claim might be based. If the Parties have begun mediation on the day that the one-year expires, then the one-year will be extended by 90 days from the unsuccessful end of mediation within which a Party must bring arbitration. If arbitration is not brought by 5:00 p.m. Mountain Time on the 90th day after mediation ends, then the right to bring arbitration expires, and the Parties will have no other opportunity to try, arbitrate or receive any other relief because of the action, matter, dispute, or disagreement underlying the claim.

b. Notwithstanding the foregoing, if any federal or state law provides for a shorter limitation period than is described in this Section, then such a shorter period will govern.

c. This Section will not apply to issues of indemnification, and such actions under the indemnification covenant may be brought within the period provided by any limitation-of-action statute under the laws of the state in which our headquarters is then located.

Initials as to this entire Section

Initials of Franchisee

Initials of Franchisee

Initials of Franchisor

17.7 Survival of Obligations

~~Each provision of this Article 17 is self-executing and will continue in full force and effect after a Transfer, expiration, termination, rescission, or finding of unenforceability of this Agreement (or any part of it).~~

~~**A. JURISDICTION AND VENUE**~~

~~You and your Owners must file any suit against us or our affiliates, and we or our affiliates may file any suit against you, in the federal or state courts situated in Utah County, Utah, or the most proximate thereto, or in federal or state courts with jurisdiction over the county in which our principal place of business is located at the time any litigation commences. The parties waive all questions of personal jurisdiction and venue for the purpose of carrying out this provision.~~

~~**B. GOVERNING LAW**~~

~~This Agreement will be governed by, construed, and enforced in accordance with the laws of the State of Utah. In the event of any conflict of law question, the laws of Utah 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 C. (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

(1) 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.

(2) 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.

(3) 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:

~~1800Packouts Franchise~~ 1-800-Packouts Holdco, LLC
~~761 W. 1200 N.~~ 761 W. 1200 N., Ste 300
Springville, Utah 84663
Attn: Franchise Development
E-mail: info@1800Packouts.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 acknowledge that you have read this Agreement and our Franchise Disclosure Document and that you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at all Franchised Businesses and to protect and preserve the goodwill of the Marks and the System.

(2) You further acknowledge that you have conducted an independent investigation of the Franchised Business contemplated by this Agreement and recognize that, like any other business, the nature of the business conducted by Franchised Businesses may evolve and change over time, that an investment in a Franchised Business involves business risks and that the success of a Franchised Business is largely dependent upon the business abilities and efforts of you and your Owners. You also acknowledge and agree that you have investigated the laws applicable to the operation of a Franchised Business, including professional licenses necessary for you to operate a Franchised Business.

(3) You have applied for a franchise to own and operate a Franchised Business and understand that we have approved your application in reliance upon all of the representations made in that application and in this Agreement.

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

~~1800PACKOUTS~~ **FRANCHISEE1-800-Packouts**(IF ENTITY):
Holdco, LLC

By: _____

Name: _____

Title: _____

Date: _____

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

[Signature]

[Print Name]

Date: _____

[Signature]

[Print Name]

Date: _____

**APPENDIX A
TO THE
FRANCHISE AGREEMENT**

FRANCHISEE-SPECIFIC TERMS and DATA SHEET

(a) **Agreement Date:** _____

(b) **Franchisee's Name:** _____

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

(d) **Your Territory (Section A.):** _____

(e) **Number of Territories:** _____

(f) **Initial Franchise Fee (Section A.):** _____

(g) **Initial Population (Section B.):** _____

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

Signature Page for Appendix A (Franchisee-Specific Terms)

FRANCHISOR

FRANCHISEE

~~1800PACKOUTS~~ ~~FRANCHISE~~ 1-800-Packouts (IF ENTITY):
Holdco, LLC

By: _____
Name: _____
Title: _____
Date: _____

[Name]
By: _____
Name: _____
Title: _____
Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

[Signature]

[Print Name]

Date: _____

[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

<u>Owner's Name and Address</u>	<u>Description of Interest</u>
_____	_____
_____	_____
_____	_____
_____	_____

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

**APPENDIX C
TO THE
FRANCHISE AGREEMENT**

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 ~~1800Packouts Franchise~~ 1-800-Packouts Holdco, LLC (“Franchisor”) under a ~~1800Packouts Franchise~~ 1-800-Packouts Holdco, LLC Franchise Agreement dated [DATE] (the “Franchise Agreement”). We have a license to operate a 1-800-PACKOUTS 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

(e) directly or indirectly 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.

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-PACKOUTS storage 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. [Acknowledgements 7(i), (ii), (iii), and (iv) are inapplicable to Washington franchisees.] 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

**APPENDIX D
TO THE
FRANCHISE AGREEMENT**

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 ~~1800Packouts Franchise~~1-800-Packouts Holdco, 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]

[Date]

EXHIBIT B

**TO THE
NONDISCLOSURE AND NONCOMPETE AGREEMENT**

YOUR TERRITORY

“Your Territory” is:

STANDARD LEASE RIDER

This Standard Lease Rider (this "Rider") is made and entered into on _____ by and among _____ (the "Landlord"), _____ (the "Tenant"), and 1800 Packouts Franchise LLC, ("Packouts").

RECITALS

A. This Rider supplements and forms part of the attached Lease Agreement between Landlord and Tenant dated _____ (the "Lease") for the premises located at _____ (the "Premises") to be used by the Tenant as a 1-800-Packouts business.

B. This Rider is entered into in connection with Packouts' approval of the location of the Premises as a "1-800-Packouts" business and the grant of a franchise to the Tenant pursuant to a Franchise Agreement dated _____ (the "Franchise Agreement").

C. As a condition to PACKOUTS granting a franchise to a franchisee, PACKOUTS 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. **PACKOUTS' NOTICE AND CURE RIGHTS** Concurrently with giving any Notice of Default to Tenant, Landlord also agrees to send a copy of such Notice to PACKOUTS. In the event Tenant fails to cure any default within the time required in the Lease, Landlord shall promptly give written notice to PACKOUTS specifying the nature of Tenant's defaults and granting PACKOUTS an additional thirty (30) days from the date PACKOUTS receives such notice to exercise its right, in PACKOUTS's 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 PACKOUTS (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 PACKOUTS or its parents, subsidiaries or affiliates (PACKOUTS, its parents, subsidiaries or affiliates are collectively referred to as "PACKOUTS Entities"), or to an authorized franchisee of PACKOUTS (provided that such franchisee shall be required to execute any such documentation as required by the Landlord). In the event of an assignment to an PACKOUTS entity, PACKOUTS 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 PACKOUTS (provided that such franchisee shall be required to execute any such documentation as required by the Landlord) and Packouts 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 PACKOUTS or to an authorized franchisee.

3. **USE CLAUSE** Tenant shall only use the Premises for the purpose of operating a "1-800-Packouts" 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 Packouts on the building façade as detailed in the signage criteria of the Lease, subject to Landlord's approval which shall

[EXHIBIT B] ~~1800Packouts~~ Franchise 1-800-Packouts

Holdco, LLC

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 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 PACKOUTS's 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 PACKOUTS. 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.

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

Landlord 1800Packouts Franchise 1-800-Packouts Holdco, LLC Tenant ~~1800Packouts Franchise 1-800-~~

By: _____ By: _____ By: _____

Name: _____ Name: _____ Name: _____

Title: _____ Title: _____ Title: _____

COLLATERAL ASSIGNMENT OF CONTACT AND ELECTRONIC INFORMATION

This Collateral Assignment of Contact and Electronic Information (Agreement) is made on the date that it is signed by all Parties (Effective Date) between ~~1800Packouts Franchise~~ 1-800-Packouts Holdco, LLC (Franchisor) and _____ (Franchisee). Any capitalized term not defined here will have the meaning given it in the Franchise Agreement.

RECITALS

On _____, Franchisor and Franchisee executed a “**Franchise Agreement**” pursuant to the terms of which Franchisee obtained a franchise from Franchisor to operate a Business at the Franchised Location. As part of the Franchise Agreement, the Franchisee agreed that upon the Transfer, expiration, or termination of the Franchise Agreement, Franchisor would have the right, title, and interest in and to all contact and electronic information relating to the Franchisee’s Business;

NOW THEREFORE, for and in consideration of the covenants found in the Franchise Agreement and for other good and valuable consideration the adequacy of which is admitted by all parties hereto, it is agreed as follows:

COVENANTS

1. Franchisee acknowledges that, as between Franchisor, the public, and any other Person, the Franchisor has the sole rights to and interest in all telephone, telecopy or facsimile machine numbers, directory listings, domains, URL’s web page identifiers, blogs, vlogs, email addresses, social network addresses or profiles (including Twitter, Facebook, Google My Business, Instagram, etc.) and any other collateral, profiles, online presences, or other listings, that are associated with any Mark and Franchisee assigns to Franchisor all of Franchisee’s right, title, and interest to the same.

2. Should Franchisee fail to assign voluntarily all right, title and interest to Franchisor, Franchisee authorizes Franchisor to, and hereby appoints Franchisor and any of its officers, as Franchisee’s attorney-in-fact, coupled with an interest, to direct the telephone company, all telephone directory publishers, any electronic transfer agent, any URL or webpage host, and any other electronic business, company, transfer agent, host, webmaster, and the like to transfer to the Franchisor all telephone, facsimile machine numbers, and directory listings, and all electronic listings, web pages, social network pages or identities (including Twitter and Facebook), URL’s, blogs, vlogs, email addresses and the like that relate to the Franchised Business, to assign the same to Franchisor. Any party identified above may accept this direction under this Agreement as conclusive of Franchisor’s exclusive rights in and to such information, site, URL, electronic media, telephone numbers, directory listings, and the like and Franchisor’s authority to direct their transfer. If your state requires you to sign a separate agreement or agree to specific language as part of a grant of a power of attorney, you will sign such agreement or agree to such specific language as though it was incorporated into this Agreement at the time of execution.

3. This Agreement is only effective at such time as the Franchise Agreement is terminated for any reason, and then only if the Franchisee fails or refuses to make the necessary assignments as contemplated by this Agreement.

4. The Recitals are incorporated into this Agreement by this reference.

FRANCHISOR

FRANCHISEE

Holdco, LLC

[EXHIBIT B] ~~1800Packouts~~ Franchise 1-800-Packouts

Franchise Disclosure Document (20254)

~~1800PACKOUTS FRANCHISE~~1-800-Packouts Holdco, LLC

By: _____
President
date: _____

By: _____
Print Name: _____
Date: _____

IF FRANCHISEE IS/ARE INDIVIDUALS

Signature _____
Print Name: _____
Date: _____

Signature: _____
Print Name: _____
Date: _____

**EXHIBIT C TO THE
FRANCHISE DISCLOSURE DOCUMENT**

STATE ADDENDA AND AGREEMENT RIDERS

**ADDITIONAL DISCLOSURES FOR THE
MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF
~~1800PACKOUTS FRANCHISE~~1-800-Packouts Holdco, LLC**

The following are additional disclosures for the Franchise Disclosure Document of ~~1800Packouts Franchise~~1-800-Packouts Holdco, 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.1800packouts.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.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 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.

4. 5. The following paragraphs are added at the end of 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 extends 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).

Questionnaire. 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.

4. 6. The following paragraph is added at the end of Item 21 of the Disclosure Document:

The California Department of Business Oversight has required us to submit an undertaking committing to maintaining a balance of at least \$50,000 in business account that we use to meet our pre-opening obligations for the duration of the registration period. We have infused cash into our business account sufficient to meet our pre-opening obligations to franchisees without relying on any additional initial franchise fees.

ADDENDUM REQUIRED BY THE STATE ILLINOIS

4. 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 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 void.

4. 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 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 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.

5. The following language is added to the Special Risks sheet:

Ownership Change. The franchisor recently had a change of ownership. The support provided by the franchisor may be different from previous owners. Therefore, the expenses related to operating the franchise and the potential revenue you might achieve may be different from past performance.

6. 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.

[EXHIBIT B] ~~1800Packouts~~ Franchise 1-800-Packouts

7. The Franchise Disclosure Document and Franchise Agreement are amended as pertaining to initial fees and payments, as follows:

A. The Franchise Agreement is amended as follows: The initial franchise fee and payments owed by franchisee 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 any applicable development agreement opens.

B. The Franchise Disclosure Document is amended at Item 5 to state: 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 area development fees and initial payments by area developers shall be deferred until the first franchise under the area development agreement opens.

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

(1) The following language is added at the end of 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.

(2) The following is added at the end of the chart in 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 allows.

(3) 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 with the franchise.

The FDD is amended at the Specific Risks sheet to additionally disclose the following:

Turnover Rate. During the last 3 years, a high percentage of franchised outlets (more than 25%) were terminated, not renewed, re-acquired, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

Spousal Liability. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse’s marital and personal assets, perhaps including your house, at risk if your franchise fails.

ADDENDUM REQUIRED BY THE STATE NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

- 2. The following is to be added at the end of Item 3: Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective Rev. March 17, 2021 2 injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” section of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”: However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”: The foregoing choice of law 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” section 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 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 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 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 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 the 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. 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 may 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, may not be enforceable.

Transfer fees are collectable to the extent that they reflect our reasonable estimate 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 franchise, 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.

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

**RIDER TO THE ~~1800PACKOUTS FRANCHISE~~1-800-Packouts Holdco, 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, ~~1800Packouts Franchise~~1-800-Packouts Holdco, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____ (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).

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[Signatures on following page]

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

FRANCHISOR

FRANCHISEE

~~1800PACKOUTS~~ ~~FRANCHISE~~ 1-800-Packouts (IF ENTITY):
Holdco, LLC

By: _____

Name: _____

Title: _____

Date: _____

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE ~~1800PACKOUTS FRANCHISE~~1-800-Packouts Holdco, 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, ~~1800Packouts Franchise~~1-800-Packouts Holdco, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____ (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 appended to the Franchise Agreement:

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 with the franchise.

In connection with such appended language, the Franchise Agreement Acknowledgement sections contained at Sections 20.1 and 20.2 are hereby deleted.

[EXHIBIT B] ~~1800Packouts~~ Franchise 1-800-Packouts

7. **Fee Deferral.** 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 and the outlet is opened.

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

FRANCHISOR

FRANCHISEE

~~1800PACKOUTS~~ ~~FRANCHISE~~ 1-800-Packouts (IF ENTITY):
Holdco, LLC

By: _____

Name: _____

Title: _____

Date: _____

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE ~~1800PACKOUTS FRANCHISE~~1-800-Packouts Holdco, 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, ~~1800Packouts Franchise~~1-800-Packouts Holdco, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____ (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.

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 with the franchise.

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

FRANCHISOR

FRANCHISEE

~~1800PACKOUTS~~ ~~FRANCHISE~~ 1-800-Packouts (IF ENTITY):
Holdco, LLC

By: _____
Name: _____
Title: _____
Date: _____

[Name]

By: _____
Name: _____
Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE ~~1800PACKOUTS FRANCHISE~~1-800-Packouts Holdco, 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, ~~1800Packouts Franchise~~1-800-Packouts Holdco, 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

FRANCHISEE

~~1800PACKOUTS~~ ~~FRANCHISE~~ 1-800-Packouts (IF ENTITY):
Holdco, LLC

By: _____
Name: _____
Title: _____
Date: _____

[Name]
By: _____
Name: _____
Title: _____
Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]
Date: _____

**RIDER TO THE ~~1800PACKOUTS FRANCHISE~~1-800-Packouts Holdco, 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, ~~1800Packouts Franchise~~1-800-Packouts Holdco, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____ (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

FRANCHISEE

~~1800PACKOUTS~~ ~~FRANCHISE~~ 1-800-Packouts (IF ENTITY):
Holdco, LLC

By: _____

Name: _____

Title: _____

Date: _____

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE ~~1800PACKOUTS FRANCHISE~~1-800-Packouts Holdco, 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, ~~1800Packouts Franchise~~1-800-Packouts Holdco, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____ (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

FRANCHISEE

~~1800PACKOUTS~~ ~~FRANCHISE~~ 1-800-Packouts (IF ENTITY):
Holdco, LLC

By: _____

Name: _____

Title: _____

Date: _____

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

**RIDER TO THE ~~1800PACKOUTS FRANCHISE~~1-800-Packouts Holdco, 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, ~~1800Packouts Franchise~~1-800-Packouts Holdco, LLC, a Georgia limited liability company, as Franchisor.

1. **Background.** We and you are parties to that certain Franchise Agreement effective as of _____ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider and all related agreements, collectively referred to singularly as the Franchise Agreement. 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 may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

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.

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.

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.

The post-termination non-competition provision of Section 15.B may not be enforceable in Washington.

For Washington franchisees, the provisions of Section 16.F for Liquidated Damages (see Item 6 of the FDD) shall not include marketing fees in calculation of the applicable Liquidated Damages.

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

FRANCHISOR

FRANCHISEE

~~1800PACKOUTS~~ ~~FRANCHISE~~ 1-800-Packouts (IF ENTITY):
Holdco, LLC

By: _____

Name: _____

Title: _____

Date: _____

[Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

EXHIBIT D
TO THE
FRANCHISE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

Right Answers, Right Here.



TANNER

Accountants & Advisors



FS PEP HOLDCO, LLC and SUBSIDIARIES

**Consolidated Financial Statements As
of December 31, 2024 and 2023 and
For the Years Then Ended**



TANNER

Independent Auditors' Report

(1) To the Board of Managers of FS
PEP Holdco, LLC

Opinion

We have audited the accompanying consolidated financial statements of FS PEP Holdco, LLC and subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, members' equity, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FS PEP Holdco, LLC and subsidiaries as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Due to the March 2024 acquisition of an entity under common control, CMY Holdco, LLC (Note 2), the historical activity prior to the acquisition of CMY Holdco, LLC and its wholly-owned subsidiary, Card my Yard Franchising, LLC, have been retrospectively combined in the consolidated financial statements of the Company. We did not audit the 2023 financial statements of Card my Yard Franchising, LLC, which statements reflect total assets of

\$10,040,671, and total revenues of \$3,521,565. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Card my Yard Franchising, LLC as of December 31, 2023, and for the year then ended, is based solely on the report of the other auditors.

(2) Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(3) 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

3300 N. Triumph Blvd., Suite 410, Lehi, UT 84043

(4) Auditors' 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 auditors' 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 the Company'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 the Company'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.

Tanner LLC

April 23, 2025

ITEM 24 Consolidated Balance Sheets*As of December 31,***(1)** **2024** **2023****Assets****Current assets:**

<u>Cash</u>	\$ 3,690,691	\$ 1,455,349
<u>Restricted cash</u>	=	840,143
<u>Accounts receivable, net of an allowance for credit losses of \$74,296 and \$105,953, respectively</u>	6,102,611	3,565,178
<u>Other current receivable</u>	820,000	=
<u>Current portion of contract assets</u>	1,797,429	1,382,859
<u>Prepaid and other current assets</u>	1,803,912	1,537,556
<u>Total current assets</u>	14,214,643	8,781,085

<u>Goodwill, net</u>	52,556,496	66,184,756
<u>Intangible assets, net</u>	45,678,810	50,358,496
<u>Contract assets, net of current portion</u>	13,317,603	10,981,453
<u>Operating lease right-of-use assets</u>	1,603,081	1,272,436
<u>Other assets</u>	2,206,748	828,551
<u>Total assets</u>	\$ 129,577,381	\$ 138,406,777

Liabilities and Members' Equity**Current liabilities:**

<u>Accounts payable</u>	\$ 1,515,669	\$ 713,523
<u>Accrued expenses</u>	2,383,578	2,656,030
<u>Current portion of contract liabilities</u>	3,227,336	2,517,756
<u>Current portion of operating lease liabilities</u>	360,394	256,163
<u>Revolving credit facility</u>	1,100,000	=
<u>Current portion of long-term debt, net of debt issuance costs</u>	206,519	851,000
<u>Total current liabilities</u>	8,793,496	6,994,472

<u>Contract liabilities, net of current portion</u>	20,994,540	17,393,479
<u>Operating lease liabilities, net of current portion</u>	1,321,919	1,070,182
<u>Long-term debt, net of current portion and debt issuance costs</u>	46,197,321	46,148,366
<u>Deferred income tax liabilities</u>	4,942,067	5,507,405

<u>Total liabilities</u>	<u>82,249,343</u>	<u>77,113,904</u>
<u>Commitments and contingencies (Notes 4, 5 & 6)</u>		
<u>Members' equity</u>	<u>47,328,038</u>	<u>61,292,873</u>
<u>Total liabilities and members' equity</u>	<u>\$ 129,577,381</u>	<u>\$ 138,406,777</u>

ITEM 25 Consolidated Statements of Operations*For the Years Ended December 31,*

	<u>2024</u>	<u>2023</u>
<u>Revenues</u>	\$ 47,493,372	\$ 38,119,222
<u>Cost of revenues</u>	<u>14,071,864</u>	<u>10,711,574</u>
<u>Gross profit</u>	<u>33,421,508</u>	<u>27,407,648</u>
<u>Operating expenses:</u>		
<u>Selling, general, and administrative</u>	<u>28,732,110</u>	<u>24,077,839</u>
<u>Depreciation and amortization</u>	<u>11,953,138</u>	<u>12,782,735</u>
<u>Total operating expenses</u>	<u>40,685,248</u>	<u>36,860,574</u>
<u>Loss from operations</u>	<u>(7,263,740)</u>	<u>(9,452,926)</u>
<u>Other income (expense):</u>		
<u>Interest expense</u>	<u>(5,462,474)</u>	<u>(5,530,375)</u>
<u>Other income (expense)</u>	<u>43,809</u>	<u>(218,954)</u>
<u>Total other expense, net</u>	<u>(5,418,665)</u>	<u>(5,749,329)</u>
<u>Loss before income taxes</u>	<u>(12,682,405)</u>	<u>(15,202,255)</u>
<u>Income tax benefit (provision)</u>	<u>432,399</u>	<u>(765,698)</u>
<u>Net loss</u>	<u>\$ (12,250,006)</u>	<u>\$ (15,967,953)</u>

ITEM 26 Consolidated Statements of Members' Equity

For the years ended December 31, 2024 and 2023

	<u>(1) Members' Equity</u>
<u>Balance as of January 1, 2023</u>	<u>\$ 77,059,237</u>
<u>Equity-based compensation</u>	<u>201,589</u>
<u>Net loss</u>	<u>(15,967,953)</u>
<u>Balance as of December 31, 2023</u>	<u>61,292,873</u>
<u>Equity-based compensation</u>	<u>163,300</u>
<u>Member units issued for acquisition (Note 2)</u>	<u>3,000,000</u>
<u>Repurchase of member units</u>	<u>(4,878,129)</u>
<u>Net loss</u>	<u>(12,250,006)</u>
<u>Balance as of December 31, 2024</u>	<u>\$ 47,328,038</u>

ITEM 27 Consolidated Statements of Cash Flows*For the Years Ended December 31,*

	<u>2024</u>	<u>2023</u>
<u>Cash flows from operating activities:</u>		
Net loss	\$ (12,250,006)	\$ (15,967,953)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of goodwill and intangible assets	11,662,770	12,639,099
Depreciation of fixed assets	290,368	143,636
Amortization of deferred financing costs	255,474	237,783
Amortization of operating lease right-of-use assets	378,441	263,663
Equity-based compensation	163,300	201,589
Gain on disposal of fixed assets	(2,189)	(11,390)
Credit loss expense	466,027	47,293
Decrease (increase) in:		
Accounts receivable	(2,952,504)	(1,251,872)
Contract assets	(2,750,720)	(1,396,460)
Other assets	516,161	(385,204)
Increase (decrease) in:		
Accounts payable and accrued expenses	480,916	4,506
Contract liabilities	4,310,641	3,834,331
Operating lease liabilities	(353,118)	(243,367)
Deferred income taxes	(565,338)	424,255
Net cash used in operating activities	<u>(349,777)</u>	<u>(1,460,091)</u>
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(1,813,949)	(441,815)
Net cash paid for acquisition	(991,946)	-
Proceeds from acquisition related legal settlement	4,950,000	-
Proceeds from sale of property and equipment	-	83,000
Purchase of intangibles	-	(5,355)
Net cash provided by (used in) investing activities	<u>2,144,105</u>	<u>(364,170)</u>
<u>Cash flows from financing activities:</u>		
Borrowing on line of credit	1,100,000	-
Borrowing on long-term debt	-	245,000
Repayment of long-term debt	(851,000)	(481,000)
Purchase of membership units	(648,129)	-
Net cash used in financing activities	<u>(399,129)</u>	<u>(236,000)</u>
Net change in cash and restricted cash	1,395,199	(2,060,261)
Cash and restricted cash at beginning of year	2,295,492	4,355,753
Cash and restricted cash at end of year	<u>\$ 3,690,691</u>	<u>\$ 2,295,492</u>

ITEM 28 Consolidated Statements of Cash Flows - Continued

	<i>For the Years Ended December 31,</i>	
	2024	2023
<u>Supplemental disclosure of cash flow information:</u>		
<u>Cash paid for interest</u>	\$ 5,748,129	\$ 5,102,711
<u>Cash paid for income taxes</u>	<u>644,566</u>	<u>110,538</u>
<u>Supplemental disclosure of non-cash investing and financing information:</u>		
<u>Operating lease right-of-use assets and liabilities added through new contracts</u>	\$ 489,629	\$ 357,822
<u>Reduction of of member units and related assets due to legal settlement</u>	<u>4,230,000</u>	<u>=</u>
<u>Reconciliation of cash and restricted cash:</u>		
<u>Cash</u>	\$ 3,690,691	\$ 1,455,349
<u>Restricted cash</u>	<u>=</u>	<u>840,143</u>
<u>Cash and restricted cash at end of year</u>	<u>\$ 3,690,691</u>	<u>\$ 2,295,492</u>

ITEM 29 Notes to Consolidated Financial Statements

Description of Organization and Summary of Significant Accounting Policies

a. Organization

FS PEP Holdco, LLC is a holding company established for the purpose of acquiring and operating home services related franchisor companies. Through its franchisor entities located throughout the United States, the Company seeks to establish profitable and sustainable franchise systems that provide franchise partners the tools to profitably operate and own a successful home service business.

b. Basis of Presentation and Principles of Consolidation

The consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States of America (US GAAP) and include the accounts of FS PEP Holdco, LLC and its wholly owned subsidiaries: Five Star Connect, Inc.; Gotcha Covered Franchising, LLC; Ringside Development Company; Bio-One IP Group, LLC; Ringside Group, LLC; Mosquito Shield Franchise, LLC; 1-800-Packouts Holdco, LLC; CMY Holdco, LLC; Five Star Bath, Inc; Five Star Franchising, LLC; and its wholly owned subsidiary Five Star Bath, LLC.

FS PEP Holdco, LLC was formed on April 9, 2021, (date of inception) and during 2021 began acquiring operating companies. The consolidated financial statements reflect the operations of FS PEP Holdco, LLC and all of its subsidiaries (collectively the Company). All intercompany balances and transactions have been eliminated in consolidation.

c. Use of Estimates

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

d. Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. To date, the Company has not experienced a loss or lack of access to its invested cash and cash equivalents; however, no assurance can be provided that access to the Company's invested cash will not be impacted by adverse conditions in the financial markets.

e. Restricted Cash

Restricted cash balances relate to cash franchisees contribute to the Company's national branding funds. Cash contributed by franchisees to the national branding funds are to be used in accordance with the franchise agreements with a focus on marketing and advertising.

f. Accounts Receivable, net

Accounts receivable consist of amounts due on franchisee accounts for various fees including royalties, support fees, branding fees, insurance, training, and expendable equipment. The allowance for credit losses and other reserves are based upon the Company's historical experience with franchisees and considers the age of the receivable and the franchisees' ability to pay. Accounts are written-off when determined to be uncollectible and all reasonable efforts to collect the receivable have been exhausted. Accounts receivable do not include any amounts for interest.

The balances in accounts receivable and the allowance for credit losses were as follows as of December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<u>Accounts receivable</u>	<u>\$ 6,176,907</u>	<u>\$ 3,671,131</u>	<u>\$ 2,419,259</u>
<u>Allowance for credit losses</u>	<u>(74,296)</u>	<u>(105,953)</u>	<u>(58,660)</u>

g. Notes Receivable

Some franchise agreements allow for the financing of initial franchising fees over a term of one to five years. These receivables bear interest ranging from 4% to 10% and are reviewed for collectability by assessing the franchisee's completion of training, commencing operations, and revenue generation. As of December 31, 2024 and 2023, the Company had \$66,850 and \$239,770 outstanding on notes receivable, which have been included in the other assets account on the accompanying consolidated balance sheets. Management has determined that no allowance for credit loss is necessary for these notes receivable as of December 31, 2024 or 2023.

h. Contract Assets

The Company incurs broker and sales commission expenses paid to third parties to obtain franchise agreements with franchisees. The commissions are related to franchise fee revenue and are capitalized as contract assets and recognized over the term of the respective franchise agreement.

i. Goodwill and Intangible Assets

Goodwill represents the excess purchase price over fair value of net assets acquired that is not allocable to separately identifiable intangible assets. Other identifiable intangible assets primarily consist of trade names and franchise agreements in place. These assets are amortized using the straight-line method over the estimated useful life of the asset acquired.

The Company amortizes goodwill over a period of ten years. The Company evaluates the recoverability of the carrying amount of goodwill at the entity level whenever events or circumstances indicate the carrying amount may not be recoverable. Management has determined there was no impairment as of December 31, 2024 and 2023.

j. Debt Issuance Costs

The Company defers costs related to issuing debt and amortizes the costs using the effective interest method, to interest expense over the term of the related debt.

k. Revenue Recognition

The Company primarily derives revenue from royalties, call center services, franchise and license fees, equipment and product sales, and advertising services. Revenue is recognized from these contracts with customers by applying the following steps:

- Identification of the contract, or contracts, with a customer.
- Identification of the performance obligations in a contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations in the contract.

-
- Recognition of revenue when, or as, performance obligations are satisfied.

Royalties

The Company sells individual franchises as well as territory agreements (Franchise Agreements) that grant the right to operate a location, using the Company's software and trademarks, generally for a period of five or ten years. The franchisees are equipped with certain equipment and samples and are trained at the Company's facilities. The Franchise Agreements require franchisees to pay continuing fees, or royalties, on a monthly basis based on the terms of the Franchise Agreement. Royalty income is based on either a percentage (generally ranging from 6% to 25%) of franchisee gross sales, minimum monthly payments, or other calculated amounts as defined in the Franchise Agreement and is recognized as the royalties are at the franchisees' point of sale.

Call Center Services

The Company provides certain sales and marketing support services for franchisees, including the operation of a call center for inbound-customer and marketing related calls. The fees associated with the call center are structured as either a fixed monthly fee or a variable fee based on the monthly usage of the call center. Revenue for call center services are recognized during the month that the services are performed.

Franchise Fees

The Franchise Agreements require the franchisee to pay an initial fee to obtain the rights associated with the Franchise Agreements. Initial franchise fee revenue is partially recognized upon substantial completion of the startup services required of the Company. The remainder of the franchise fee revenue is recognized over the term of the Franchise Agreement. All fees collected in advance are deferred until performance obligations are met, and revenue is earned. Deferred amounts are classified as contract liabilities in the accompanying consolidated balance sheets. The balance of contract liabilities was \$24,221,876,

\$19,911,235, and \$15,968,514, as of December 31, 2024, 2023, and 2022, respectively.

Franchise sales resulting from leads furnished by independent franchise brokers are subject to a sales commission. The costs of commissions paid to franchise brokers are capitalized and recognized over the same period as the related revenue.

Equipment and Product Sales

Revenue from the sale of equipment and products is recognized when title and risk of loss transfers to the buyer, which is generally upon shipment.

Advertising Services

Under the terms of the Franchise Agreements, the Company may establish national branding funds and charge a fee of up to 3% of the franchisees' gross receipts to pay for marketing costs that benefit multiple franchises and are used to promote the brands. Marketing revenues and expenses are recognized in equal amounts as marketing expenses are incurred. Any amounts collected but unspent at the end of the year are accrued for as a liability on the accompanying consolidated balance sheets until the related expense has been incurred.

Installation Sales

Company-operated franchises provide shower and bath installations that are generally completed within 1-2 days. Revenue is recognized at the point-in-time the product installation is completed and accepted by the customer.

Vendor Rebates

The Company receives rebates from certain vendors used by franchisees. Vendor rebate revenue is recognized at the point-in-time the associated sales to vendors are recorded and the rebate is earned.

Other Revenues

Other revenues include fees generated by consulting services, monthly technology access fees and other miscellaneous fees allowable under the terms of the Franchise Agreements. Consulting and other fees are recognized as revenue once the consulting or other services have been performed, these services are short term in nature and provided on a month-to-month basis. Monthly technology access fees are recognized during the month that services are performed.

Amounts recognized as revenue for the different revenue types were as follows for the years ended December 31, 2024 and 2023:

EXHIBIT B	2024	2023
<u>Royalties</u>	<u>\$ 16,760,701</u>	<u>\$ 13,797,504</u>
<u>Advertising services</u>	<u>8,154,242</u>	<u>7,184,067</u>
<u>Other revenues</u>	<u>6,665,981</u>	<u>5,113,894</u>
<u>Franchise fees</u>	<u>5,798,078</u>	<u>5,023,575</u>
<u>Equipment and product sales</u>	<u>3,878,525</u>	<u>2,414,926</u>
<u>Call center services</u>	<u>3,018,653</u>	<u>2,799,481</u>
<u>Vendor rebates</u>	<u>2,782,697</u>	<u>1,785,775</u>
<u>Installation sales</u>	<u>434,495</u>	<u>=</u>
	<u>\$ 47,493,372</u>	<u>\$ 38,119,222</u>

a. Contract Liabilities

Contract liabilities represent billings made to or payments received from franchisees for which the related performance obligation has not yet been fulfilled. This primarily consists of franchise fees that have been received but are deferred to be recognized over the term of the franchise agreement. Deposits for conferences and trainings are also deferred until the point at which the service has been provided.

b. Leases

Management determines if a contract is or contains a lease at inception or modification of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset. Such assets are classified as ROU assets with a corresponding lease liability.

For all arrangements where it is determined that a lease exists, the related ROU assets and lease liabilities are recorded as either operating or finance leases. At inception or modification, the Company calculates the present value of lease payments using the implicit rate determined from the contract or the Company's incremental borrowing rate applicable to the lease, which is determined by estimating what it would cost the Company to borrow a collateralized amount equal to the total lease payments over the lease term based on the contractual terms of the lease and the location of the leased asset. The present value is adjusted for prepaid lease payments, lease incentives, and initial direct costs. Lease expense is recognized for these leases on a straight-line basis over the expected lease term. Non-lease costs, such as common-area maintenance costs, taxes, and insurance, are not included in the measurement of the ROU assets and lease liabilities. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

c. Sales Tax

The Company accounts for sales tax on a net basis and excluded from revenues.

d. Shipping and Handling Costs

The Company classifies freight billed to customers as sales revenue and the related freight costs as cost of sales.

e. Advertising and Marketing

Advertising and marketing costs included in operating expenses primarily consist of collateral marketing materials and are expensed as incurred. These costs are included in selling, general, and administrative expenses and were \$1,995,154 and \$2,089,788 during the years ended December 31, 2024 and 2023, respectively.

f. Income Taxes

The Company is a limited liability company under provisions of the Internal Revenue Code and has elected to be treated as a partnership for income tax purposes. As such, the payment and recognition of income taxes are the responsibility of the members of the Company.

The Company files income tax returns in the US federal and state jurisdictions. The Company is generally subject to US federal, state and local income tax examination by tax authorities for a period of three years from the date of filing. The Company is not currently under examination in any jurisdiction in which it operates.

The Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. The tax benefits recognized are measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2024. The Company does not expect that its assessment regarding unrecognized tax benefits will materially change over the next 12 months.

Certain subsidiaries of the Company recognize deferred income tax assets and liabilities for the expected future tax consequences of events that have been included in the subsidiary financial statements or tax returns. Under this method, deferred income tax assets and liabilities are determined based on the difference between financial statement and tax bases of assets and liabilities using estimated tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are recognized only if it is more likely than not that the asset will be realized in future years.

g. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through April 23, 2025, which is the day the consolidated financial statements were available to be issued.

2. Acquisitions of Subsidiary Entities

h. CMY Holdco, LLC

On March 26, 2024, the Company entered into a contribution and exchange agreement to acquire 100% of the membership interests in CMY Holdco, LLC (CMY) from a common owner wherein the common owner was granted additional ownership interest in the Company. The agreement also includes contingent consideration of up to \$5,605,000 to be paid if CMY reaches certain system sales metrics over the 36 month period after the acquisition. Management has determined that it is not probable that the metrics will be achieved, and no liability related to the contingent consideration has been recorded in the accompanying consolidated balance sheets.

The acquisition of CMY qualified as a commonly controlled transaction which requires retrospective combination of the entities for all periods presented. In accordance with US GAAP, as of January 1, 2023, the beginning balances of assets, liabilities, and members' equity have been adjusted to include the historical cost values of CMY. The Company's consolidated statements of operations for the years ended December 31, 2024 and 2023, include all of CMY's operations as if CMY had been combined as of January 1, 2023.

i. Five Star Bath, Inc.

On December 13, 2024, the Company entered into a securities purchase agreement to acquire 100% of the shares of a franchisee, Five Star Bath, Inc. The securities purchase agreement included payment of rollover ownership interest of \$3,000,000 wherein the former owner was granted an ownership interest in the Company, and a cash payment of \$1,100,000.

The purchase consideration has been allocated based on the assessment of the fair market values of the acquired assets and liabilities assumed. The excess of the purchase price over the fair value of the net assets gives rise to goodwill.

The following table sets forth the allocation of the purchase consideration to the assets acquired and liabilities assumed:

<u>Total consideration</u>	<u>\$ 4,100,000</u>
<u>Rollover equity</u>	<u>(3,000,000)</u>
<u>Cash acquired</u>	<u>(108,054)</u>
<u>Net cash paid</u>	<u>\$ 991,946</u>
<u>Cash</u>	<u>\$ 108,054</u>
<u>Accounts receivable</u>	<u>50,956</u>
<u>Prepays and other assets</u>	<u>634,944</u>
<u>Operating lease right-of-use asset</u>	<u>219,457</u>
<u>Goodwill</u>	<u>3,354,824</u>
<u>Operating lease liability</u>	<u>(219,457)</u>
<u>Other liabilities assumed</u>	<u>(48,778)</u>
<u>Total purchase price</u>	<u>\$ 4,100,000</u>

j. Legal Settlement

During 2024, the Company entered into a settlement agreement for claims made under the indemnity clause of the purchase agreement for the 2022 acquisition agreement of 1-800 Packouts, LLC (Packouts). The Company claimed they incurred losses due to alleged breaches of franchise-related representations and warranties by the former owner of Packouts and member of the Company. In March 2024, both parties entered into a settlement agreement to resolve these claims. Under the terms of the agreement, the Company received a total settlement of \$10,000,000. The settlement stipulated that the Company would repurchase the former owner's membership interest in the Company in exchange for a reduction of the legal settlement receivable at an agreed value of \$4,230,000. The remaining settlement amount would be received as periodic cash payments. During the year ended December 31, 2024, the Company received cash payments totaling \$4,950,000 and the remaining receivable amount of \$820,000 is due in September 2025.

The Company determined that since this settlement was related to the acquisition of Packouts, the settlement of amount would be treated as a reduction in the related purchase price and the acquired assets.

Goodwill and Intangible Assets

Goodwill and intangible assets consist of the following as of December 31:

EXHIBIT C	2024	2023
<u>Trade name</u>	<u>\$ 27,550,000</u>	<u>\$ 27,550,000</u>
<u>Franchise agreements</u>	<u>30,900,000</u>	<u>30,900,000</u>
<u>Goodwill</u>	<u>80,483,637</u>	<u>87,128,812</u>
<u>Total intangible assets</u>	<u>138,933,637</u>	<u>145,578,812</u>
<u>Less: accumulated amortization</u>	<u>(40,698,331)</u>	<u>(29,035,560)</u>
<u>Intangible assets, net</u>	<u>\$ 98,235,306</u>	<u>\$ 116,543,252</u>

Amortization expense resulting from goodwill and intangible assets was \$11,662,770 and \$12,639,099 for the years ended December 31, 2024 and 2023, respectively.

The future aggregate amounts of amortization expense to be recognized related to definite-lived intangible assets as of December 31, 2024, are as follows:

<u>Years Ending December 31,</u>	
<u>2025</u>	<u>\$ 11,668,434</u>
<u>2026</u>	<u>11,668,434</u>
<u>2027</u>	<u>11,668,434</u>
<u>2028</u>	<u>11,668,434</u>
<u>2029</u>	<u>11,668,434</u>
<u>Thereafter</u>	<u>39,893,136</u>
	<u>\$ 98,235,306</u>

Long-Term Debt and Revolving Credit Facility

In connection with the acquisitions of subsidiary companies in prior years, the Company entered into a financing arrangement with Deerpath Fund Services, LLC (Deerpath) that matures on September 3, 2026. Under the financing arrangement, the Company received an initial term loan with a principal amount of \$28,000,000, to be used for acquisitions which occurred in 2021, as well as amounts available for future transactions as follows: (1) up to an aggregate of \$15,000,000 available as delayed draw term loans, and (2)

contingent amounts of up to \$25,000,000 available for future financing to be negotiated. The loans bear an interest rate of a 3-month term SOFR plus 5.65% (10.24% as of December 31, 2024). As of December 31, 2024 and 2023, the total amount that has been drawn on the facility was \$48,100,000. The arrangement also provides for a revolving credit facility with available draws up to \$2,000,000, of which the Company had drawn \$1,100,000 as of December 31, 2024.

As of December 31, 2024, the Company had future maturities of notes payable as follows:

Years Ending December 31,

<u>2025</u>	<u>\$ 481,000</u>
<u>2026</u>	<u>46,416,500</u>
	<u>46,897,500</u>
<u>Less: debt issuance costs</u>	<u>(493,660)</u>
	<u>\$ 46,403,840</u>

Future amortization of debt issuance costs for the Company's notes payables as of December 31, 2024, are as follows: Years Ending

<u>December 31,</u>	
<u>2025</u>	<u>\$ 274,481</u>
<u>2026</u>	<u>219,179</u>
	<u>\$ 493,660</u>

5. Operating Leases

The Company has entered into certain operating leases for office space under operating lease arrangements. As of December 31, 2024, there was a weighted average of 4.3 years remaining on the original lease terms. The Company estimated their incremental borrowing rate in calculating the ROU asset and operating lease liability as the rate implicit in the leases were not known. The weighted average incremental borrowing rate used was 5.77%.

The following table reconciles the undiscounted future cash flows to the operating lease liability recorded on the accompanying consolidated balance sheet as of December 31, 2024:

<u>Years Ending December 31,</u>	
<u>2025</u>	<u>\$ 511,334</u>
<u>2026</u>	<u>456,597</u>
<u>2027</u>	<u>312,535</u>
<u>2028</u>	<u>231,112</u>
<u>2029</u>	<u>203,190</u>
<u>Thereafter</u>	<u>213,394</u>
<u>Total lease payments</u>	<u>1,928,162</u>
<u>Less: interest</u>	<u>(245,849)</u>
	<u>\$ 1,682,313</u>

The Company elected the short-term lease recognition exemption and short-term leases, which have an initial term of 12 months or less, are not included in right-of-use assets or corresponding lease liabilities. The components of lease cost were as follows for the years ended December 31:

EXHIBIT D

	<u>2024</u>	<u>2023</u>
<u>Operating lease cost</u>	<u>\$ 425,914</u>	<u>\$ 406,131</u>

Short-term lease cost	133,893	200,074
<u>Total</u>	<u>\$ 559,807</u>	<u>\$ 606,205</u>

6. Commitments and Contingencies

a. Litigation

The Company is involved in legal proceedings from time to time arising in the normal course of business. Management, after consultation with legal counsel, believes that the outcome of these proceedings will not have a material impact on the Company's consolidated financial position, results of operations, or liquidity.

b. Employee Agreements

The Company has entered into employment agreements with certain officers and employees of the Company, which require that certain severance payments are made in the event of termination without cause.

c. Indemnification Agreements

Under the Company's organizational documents, the Company's officers, employees and directors are indemnified against certain liabilities arising out of the performance of their duties. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects any risk of loss to be remote. The Company also has an insurance policy for its directors and officers to insure them against liabilities arising from the performance of their duties in their positions with the Company or its subsidiaries.

d. Related Party Transactions

The Company pays a management fee to a certain member of the Company on an annual basis based on revenues. The Company made payments of management fees of \$784,283 and \$870,389 for services rendered during the years ended December 31, 2024 and 2023, respectively.

The Company provided call center and other management services to another franchisor that is under common ownership. Additionally, the Company incurred certain expenses on behalf of that related franchisor and billed them for costs incurred. Amounts charged for services performed during the years ended December 31, 2024 and 2023, amounted to \$0 and \$250,031, respectively, and are included in revenues. As of December 31, 2024 and 2023, accounts receivable due from this related party were \$0 and \$250,031, respectively. As of March 2024, this franchisor was no longer under common ownership.

e. Income Taxes

The benefit (provision) for income taxes consists of the following for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<u>Current:</u>		
<u>Federal</u>	\$ (133,183)	\$ (262,480)
<u>State</u>	244	(78,963)
<u>Total current</u>	<u>(132,939)</u>	<u>(341,443)</u>

<u>Deferred:</u>		
<u>Federal</u>	<u>453,482</u>	<u>(292,567)</u>
<u>State</u>	<u>111,856</u>	<u>(131,688)</u>
<u>Total deferred</u>	<u>565,338</u>	<u>(424,255)</u>
<u>Total benefit (provision) for income taxes</u>	<u>\$ 432,399</u>	<u>\$ (765,698)</u>

Significant components of the Company's deferred income tax assets (liabilities) are as follows as of December 31:

	<u>2024</u>	<u>2023</u>
<u>Deferred income tax assets (liabilities):</u>		
<u>Intangible assets</u>	\$ (5,284,048)	\$ (5,747,86)
<u>Deferred costs</u>	(153,662)	(16,11)
<u>Fixed assets</u>	(36,969)	(44,54)
<u>Deferred revenue</u>	249,196	140,94
<u>NOL carryforwards</u>	287,562	166,61
<u>Other</u>	(4,146)	(6,44)
	<u>\$ (4,942,067)</u>	<u>\$ (5,507,40)</u>

The benefit (provision) for income taxes attributable to income before benefit (provision) for income taxes differed from the amount obtained by applying the federal statutory income tax rate to income (loss) before income taxes due to tax rate adjustments, state taxes, permanent differences in deductible goodwill amortization, and prior period adjustments and true-ups.

As of December 31, 2024, the Company had U.S. federal and state tax-basis net operating loss carryforwards (NOLs) of approximately \$1,182,000 and \$1,045,000, respectively. The federal and state NOLs will begin to expire in 2038 and 2036, respectively.

The Company has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

9. Subsequent Events

In February 2025, the Company completed an acquisition of a Bio-One franchisee, Phillips & O'Brien, LLC, for a purchase price of \$300,000.

Right Answers, Right Here.



TANNER

Accountants & Advisors

FS PEP HOLDCO, LLC and SUBSIDIARIES

**Consolidated Financial Statements
As of December 31, 2023 and 2022
and For the Years Then Ended**

Together with Independent Auditors' Report



Independent Auditors' Report

To the Board of Managers of
FS PEP Holdco, LLC

Opinion

We have audited the accompanying consolidated financial statements of FS PEP Holdco, LLC and subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, members' equity, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FS PEP Holdco, LLC and subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Company 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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:

3300 N. Triumph Blvd., Suite 410, Lehi, UT 84043

-
- 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 the Company'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 the Company'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.

Tanner LLC

April 5, 2024

Consolidated Balance Sheets

As of December 31,

	2023	2022
Assets		
Current assets:		
Cash	\$ 1,338,811	\$ 3,760,121
Restricted cash	840,143	543,616
Accounts receivable, net of an allowance for credit losses of \$105,953 and \$58,660, respectively	3,532,277	2,360,599
Current portion of contract assets	1,382,859	1,350,919
Prepaid and other current assets	1,460,144	792,682
Total current assets	8,554,234	8,807,937
Goodwill, net	56,518,636	63,918,327
Intangible assets, net	50,358,496	54,137,918
Contract assets, net of current portion	10,981,453	9,616,933
Operating lease right-of-use assets	1,246,432	1,153,787
Other assets	706,855	703,934
Total assets	\$ 128,366,106	\$ 138,338,836
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	\$ 655,035	\$ 602,708
Accrued expenses	1,997,785	2,643,685
Current portion of contract liabilities	2,371,381	1,960,914
Current portion of operating lease liabilities	229,780	154,246
Current portion of long-term debt	481,000	491,176
Total current liabilities	5,734,981	5,852,729
Contract liabilities, net of current portion	17,138,458	13,714,594
Operating lease liabilities, net of current portion	1,070,182	1,031,261
Long-term debt, net of current portion and debt issuance costs	46,148,366	46,381,407
Deferred income taxes	5,507,405	5,083,150
Total liabilities	75,599,392	72,063,141
Commitments and contingencies (Notes 4, 6 & 7)		
Members' equity	52,766,714	66,275,695
Total liabilities and members' equity	\$ 128,366,106	\$ 138,338,836

See accompanying notes to consolidated financial statements.

1

Consolidated Statements of Operations

	<i>For the Years Ended December 31,</i>	
	2023	2022
Revenues	\$ 34,597,657	\$ 26,026,524
Cost of revenues	10,001,056	5,463,228
Gross profit	24,596,601	20,563,296
Operating expenses:		
Selling, general and administrative	20,522,378	18,837,743
Depreciation and amortization	11,307,800	10,597,574
Total operating expenses	31,830,178	29,435,317
Loss from operations	(7,233,577)	(8,872,021)
Other income (expense):		
Interest expense	(5,506,427)	(3,821,499)
Gain on sale of unconsolidated subsidiary	-	1,025,637
Other income (expense)	(204,868)	(51,463)
Total other expense, net	(5,711,295)	(2,847,325)
Loss before income taxes	(12,944,872)	(11,719,346)
Income tax benefit (provision)	(765,698)	1,280,676
Net loss	\$ (13,710,570)	\$ (10,438,670)

See accompanying notes to consolidated financial statements.

2

Consolidated Statements of Operations

	<i>For the Years Ended December 31,</i>	
	2023	2022
Revenues	\$ 34,597,657	\$ 26,026,524
Cost of revenues	10,001,056	5,463,228
Gross profit	24,596,601	20,563,296
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Loss from operations	(7,233,577)	(8,872,021)
Other income (expense):		
Interest expense	(5,506,427)	(3,821,499)
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Total other expense, net	(5,711,295)	(2,847,325)
Loss before income taxes	(12,944,872)	(11,719,346)
Income tax benefit (provision)	(765,698)	1,280,676
Net loss	\$ (13,710,570)	\$ (10,438,670)

See accompanying notes to consolidated financial statements.

2

Consolidated Statements of Cash Flows

	For the Years Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (13,710,570)	\$ (10,438,670)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of goodwill and intangible assets	11,179,113	10,568,470
Depreciation of fixed assets	128,687	29,104
Amortization of deferred financing costs	237,783	213,726
Amortization of operating lease right-of-use assets	265,177	108,253
Equity-based compensation	201,589	-
Gain on sale of unconsolidated subsidiary	-	(1,025,637)
Loss (gain) on disposal of fixed assets	(11,390)	43,615
Provision for bad debt	47,293	25,950
Decrease (increase) in:		
Accounts receivable	(1,218,971)	(777,114)
Contract assets	(1,396,460)	(2,540,535)
Other assets	(428,865)	(535,234)
Increase (decrease) in:		
Accounts payable and accrued expenses	(593,573)	2,012,196
Contract liabilities	3,834,331	3,647,786
Operating lease liabilities	(243,367)	(76,533)
Deferred taxes	424,255	(1,269,181)
Net cash used in operating activities	<u>(1,284,968)</u>	<u>(13,804)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(441,815)	(238,771)
Proceeds from sale of property and equipment	83,000	-
Contingent consideration paid	-	(1,200,000)
Proceeds from sale of unconsolidated subsidiary	-	1,623,174
Net cash paid for acquisitions	<u>-</u>	<u>(46,109,861)</u>
Net cash used in investing activities	<u>(358,815)</u>	<u>(45,925,458)</u>
Cash flows from financing activities:		
Member contributions	-	29,025,980
Borrowing on long-term debt	-	20,100,000
Payment of debt issuance costs	-	(307,500)
Repayment of long-term debt	(481,000)	(378,894)
Member distributions	-	(250,000)
Net cash provided by (used in) financing activities	<u>(481,000)</u>	<u>48,189,586</u>
Net change in cash and restricted cash	(2,124,783)	2,250,324
Cash and restricted cash at beginning of year	4,303,737	2,053,413
Cash and restricted cash at end of year	<u>\$ 2,178,954</u>	<u>\$ 4,303,737</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 5,102,711	\$ 3,053,817
Cash paid for income taxes	110,538	1,916
Supplemental disclosure of non-cash investing and financing information:		
Operating lease right-of-use assets and liabilities added through new contracts	\$ 357,822	\$ -
Operating lease right-of-use assets and liabilities recorded upon adoption of ASC Topic 842, Leases	-	1,175,322
Cash acquired through acquisition	-	124,418
Contingent consideration settled through issuance of equity	-	300,000
Measurement period adjustment to goodwill	-	1,474,328
Rollover equity contributions in acquisitions	-	6,230,000

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

Organization

FS PEP Holdco, LLC is a holding company established for the purpose of acquiring and operating home services related franchisor companies. Through its franchisor entities located throughout the United States, the Company seeks to establish profitable and sustainable franchise systems that provide franchise partners the tools to profitably operate and own a successful home service business.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements presented in conformity with accounting principles generally accepted in the United States of America (US GAAP) and include the accounts of FS PEP Holdco, LLC and its wholly owned subsidiaries: Five Star Connect, Inc.; Gotcha Covered Franchising, LLC; Ringside Development Company; Bio-One IP Group; LLC, Ringside Group, LLC; Mosquito Shield Franchise, LLC; 1-800-Packouts Holdco, LLC; and Five Star Franchising, LLC and its wholly owned subsidiary Five Star Bath, LLC.

FS PEP Holdco, LLC was formed on April 9, 2021 (date of inception) and during 2021 began acquiring operating companies. The consolidated financial statements reflect the operations of FS PEP Holdco, LLC and all of its subsidiaries (collectively the Company). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. To date, the Company has not experienced a loss or lack of access to its invested cash and cash equivalents; however, no assurance can be provided that access to the Company's invested cash will not be impacted by adverse conditions in the financial markets.

Restricted Cash

Restricted cash balances relate to cash franchisees contribute to the Company's national branding funds. Cash contributed by franchisees to the national branding funds are to be used in accordance with the franchise agreements with a focus on marketing and advertising.

Accounts Receivable

Accounts receivable consist of amounts due on franchisee accounts for various fees including royalties, support fees, branding fees, insurance, training, and expendable equipment. The allowance for credit losses and other reserves are based upon the Company's historical experience with franchisees and considers the age of the receivable and the franchisees' ability to pay. Accounts are written-off when determined to be uncollectible and all reasonable efforts to collect the receivable have been exhausted. Accounts receivable do not include any amounts for interest. An allowance for credit losses of \$105,953 and \$58,660 was accrued as of December 31, 2023 and 2022, respectively.

Notes Receivable

Some franchise agreements allow for the financing of initial franchising fees over a term of one to five years. These receivables bear interest ranging from 4.00% to 10.00% and are reviewed for collectability by assessing the franchisee's completion of training, commencing operations, and revenue generation. As of December 31, 2023 and 2022, the Company had \$239,770 and \$436,865 outstanding on notes receivable, which have been included in the other assets account on the accompanying consolidated balance sheets.

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Contract Assets

The Company incurs broker or sales commission expenses paid to third parties to obtain franchise agreements with franchisees. The commissions are related to franchise fee revenue and are capitalized as contract assets and recognized over the term of the respective franchise agreement.

Goodwill and Intangible Assets

Goodwill represents the excess purchase price over fair value of net assets acquired that is not allocable to separately identifiable intangible assets. Other identifiable intangible assets primarily consist of trade names and franchise agreements in place. These assets are amortized using the straight-line method over the estimated useful life of the asset acquired.

The Company amortizes goodwill over a period of ten years. The Company evaluates the recoverability of the carrying amount of goodwill at the entity level whenever events or circumstances indicate the carrying amount may not be recoverable. Management has determined there was no impairment as of December 31, 2023 and 2022.

Investment in Unconsolidated Subsidiary

The Company's investment in Joe Homebuyer Franchising, LLC, was owned 50% by Five Star Franchising, LLC and 50% by an outside party. The investment was accounted for under the equity method of accounting. On March 9, 2022, the Company completed the sale of its equity interests in Joe Homebuyer Franchising, LLC to the existing equity partner for \$1,623,174. As a result of this sale, the Company recognized a gain of \$1,025,637.

Debt Issuance Costs

The Company defers costs related to issuing debt and amortizes the costs using the effective interest method, to interest expense over the term of the related debt.

Revenue Recognition

The Company primarily derives revenue from royalties, call center services, franchise and license fees, equipment and product sales, and advertising services. Revenue is recognized from these contracts with customers by applying the following steps:

- Identification of the contract, or contracts, with a customer.
- Identification of the performance obligations in a contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of revenue when, or as, performance obligations are satisfied.

Royalties

The Company sells individual franchises as well as territory agreements (Franchise Agreements) that grant the right to operate a location, using the Company's software and trademarks, generally for a period of five or ten years. The franchisees are equipped with certain equipment and samples and are trained at the Company's facilities. The Franchise Agreements require franchisees to pay continuing fees, or royalties, on a monthly basis based on the terms of the Franchise Agreement. Royalty income is based on either a percentage (generally ranging from 2% to 7%) of franchisee gross sales, minimum monthly payments, or other calculated amounts as defined in the Franchise Agreement and is recognized as the royalties are at the franchisees' point of sale.

Call Center Services

The Company provides certain sales and marketing support services for franchisees, including the operation of a call center for inbound-customer and marketing related calls. The fees associated with the call center are structured as either a fixed monthly fee or a variable fee based on the monthly usage of the call center. Revenue for call center services are recognized during the month that the services are performed.

Franchise Fees

The Franchise Agreements require the franchisee to pay an initial fee to obtain the rights associated with the Franchise Agreements. Initial franchise fee revenue is partially recognized upon substantial completion of the startup services required of the Company. The remainder of the franchise fee revenue is recognized over the term of the Franchise Agreement. All fees collected in advance are deferred until performance obligations are met, and revenue is earned. Deferred amounts are classified as contract liabilities in the accompanying consolidated balance sheets.

Franchise sales resulting from leads furnished by independent franchise brokers are subject to a sales commission. The costs of commissions paid to franchise brokers are capitalized and recognized over the same period as the related revenue.

Equipment and Product Sales

Revenue from the sale of equipment and products is recognized when title and risk of loss transfers to the buyer, which is generally upon shipment.

Advertising Services

Under the terms of the Franchise Agreements, the Company may establish national branding funds and charge a fee of up to 3% of the franchisees' gross receipts to pay for marketing costs that benefit multiple franchises and are used to promote the brands. Marketing revenues and expenses are recognized in equal amounts as marketing expenses are incurred. Any amounts collected but unspent at the end of the year are accrued for as a liability on the accompanying consolidated balance sheets until the related expense has been incurred.

Other Revenues

Other revenues include vendor rebates, fees generated by consulting services, monthly technology access fees and other miscellaneous fees allowable under the terms of the Franchise Agreements. Consulting and other fees are recognized as revenue once the consulting or other services have been performed, these services are short term in nature and provided on a month-to-month basis. Monthly technology access fees are recognized during the month that services are performed.

Amounts recognized as revenue for the different revenue types were as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Royalties	\$ 11,447,971	\$ 10,191,623
Call center services	2,799,481	2,977,806
Franchise fees	4,622,915	3,823,573
Equipment and product sales	2,414,926	3,830,583
Advertising services	7,184,067	3,683,755
Other revenues	6,128,297	1,519,184
	<u>\$ 34,597,657</u>	<u>\$ 26,026,524</u>

7

Contract Liabilities

Contract liabilities represent billings made to or payments received from franchisees for which the related performance obligation has not yet been fulfilled. This primarily consists of franchise fees that have been received but are deferred to be recognized over the term of the franchise agreement. Deposits for conferences and trainings are also deferred until the point at which the service has been provided.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13 or ASC 326). ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. During 2019, the FASB issued additional ASUs amending certain aspects of ASU 2016-13.

On January 1, 2023, the Company adopted ASC 326 and all the related amendments using the modified retrospective method. The Company's adoption did not result in a significant impact to the opening balance of retained earnings and the comparative information has not been adjusted or restated.

Leases

Management determines if a contract is or contains a lease at inception or modification of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset. Such assets are classified as ROU assets with a corresponding lease liability.

For all arrangements where it is determined that a lease exists, the related ROU assets and lease liabilities are recorded as either operating or finance leases. At inception or modification, the Company calculates the present value of lease payments using the implicit rate determined from the contract or the Company's incremental borrowing rate applicable to the lease, which is determined by estimating what it would cost the Company to borrow a collateralized amount equal to the total lease payments over the lease term based on the contractual terms of the lease and the location of the leased asset. The present value is adjusted for prepaid lease payments, lease incentives, and initial direct costs. Lease expense is recognized for these leases on a straight-line basis over the expected lease term. Non-lease costs, such as common-area maintenance costs, taxes, and insurance, are not included in the measurement of the ROU assets and lease liabilities. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

Sales Tax

The Company accounts for sales tax on a net basis and excluded from revenues.

Shipping and Handling Costs

The Company classifies freight billed to customers as sales revenue and the related freight costs as cost of sales.

Advertising and Marketing

Advertising and marketing costs included in operating expenses primarily consist of collateral marketing materials and are expensed as incurred. These costs are included in general and administrative expenses and were \$1,963,625 and \$2,153,360 during the years ended December 31, 2023 and 2022, respectively.

Income Taxes

The Company is a limited liability company under provisions of the Internal Revenue Code and has elected to be treated as a partnership for income tax purposes. As such, the payment and recognition of income taxes are the responsibility of the members of the Company.

The Company files income tax returns in the US federal and state jurisdictions. The Company is generally subject to US federal, state and local income tax examination by tax authorities for a period of three years from the date of filing. The Company is not currently under examination in any jurisdiction in which it operates.

The Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. The tax benefits recognized are measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2023. The Company does not expect that its assessment regarding unrecognized tax benefits will materially change over the next 12 months.

Certain subsidiaries of the Company recognize deferred income tax assets and liabilities for the expected future tax consequences of events that have been included in the subsidiary financial statements or tax returns. Under this method, deferred income tax assets and liabilities are determined based on the difference between financial statement and tax bases of assets and liabilities using estimated tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are recognized only if it is more likely than not that the asset will be realized in future years.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through April 5, 2024, which is the day the consolidated financial statements were available to be issued.

2. Acquisitions of Subsidiary Entities

During the year ended December 31, 2022, the Company entered into the following acquisition agreements:

On January 31, 2022, the Company entered into a securities purchase agreement to acquire 100% of the equity interests in 1-800-Packouts, LLC (Packouts). The securities purchase agreement included payment of rollover interest of \$4,230,000 wherein the former owner was granted an ownership interest in the Company, which was included in the total consideration paid for the acquisition. The securities purchase agreements also included two delayed cash payments of \$1,000,000 made in June 2023 and December 2023. These payments were valued at present value of \$1,795,418 as of the acquisition date. This amount was accrued and included in the 2022 issued financials.

On March 11, 2022, the Company entered into a securities purchase agreement to acquire 100% of the equity interests in Mosquito Shield Finance Corporation (Mosquito Shield). The securities purchase agreement included payment of rollover interest of \$2,000,000 wherein the former owner was granted an ownership interest in the Company, which was included in the total consideration paid for the acquisition.

In relation to these acquisitions, the Company elected to early adopt Accounting Standards Update 2021-08, *Business Combinations* (ASU 2021-08). ASU 2021-08 allows a Company to recognize and measure contract assets and contract liabilities in accordance with ASC 606, *Revenue from Contracts with Customers*. Accordingly, the contract assets and contract liabilities were recognized at carryover value from the predecessor, rather than at fair value.

The following is a summary of the estimated fair values of the assets acquired and the liabilities assumed with each acquisition during the year ended December 31, 2022:

	Packouts	Mosquito Shield
Cash	\$ 5,966	\$ 118,452
Accounts receivable	117,678	584,222
Contract assets	-	7,878,108
Other assets	49,810	392,928
Operating lease right-of-use asset	86,718	-
Trade name	4,380,000	6,600,000
Franchise agreements	1,790,000	11,200,000
Goodwill	18,214,963	12,067,365
Liabilities assumed	(86,718)	(10,935,213)
Total purchase price	\$ 24,558,417	\$ 27,905,862

Each of these transactions have been accounted for as a business combination using the acquisition method and the operations of the acquired entities have been consolidated with the operations of the Company as of the respective dates of the transactions.

The assets acquired and liabilities assumed were recorded based on their estimated fair values as of the date of acquisition as determined by management. The excess of the purchase price over the fair values of assets acquired and liabilities assumed was recorded as goodwill. The value of goodwill recognized in connection with the transactions can be attributed to a number of business factors including, but not limited to, the ability of the Company to grow given the additional capital and strategic expertise brought to the Company by the new ownership group.

Trade names were valued using a relief from royalty discounted cash flows method. Franchise agreements were valued using excess of earnings discounted cash flows method. The estimated useful lives of trade names is 15 years, franchise agreements is 13 to 15 years, and goodwill is 10 years.

3. Goodwill and Intangible Assets

Goodwill and intangible assets consist of the following as of December 31:

	2023	2022
Trade name	\$ 27,550,000	\$ 27,550,000
Franchise agreements	30,900,000	30,900,000
Goodwill	72,717,748	72,717,748
Total intangible assets	131,167,748	131,167,748
Less: accumulated amortization	(24,290,616)	(13,111,503)
Intangible assets, net	\$ 106,877,132	\$ 118,056,245

Amortization expense resulting from goodwill and intangible assets was \$11,179,113 and \$10,568,470 for the years ended December 31, 2023 and 2022, respectively.

The future aggregate amounts of amortization expense to be recognized related to definite-lived intangible assets as of December 31, 2023 are as follows:

Years Ending December 31,	
2024	\$ 11,186,801
2025	11,186,801
2026	11,186,801
2027	11,186,801
2028	11,186,801
Thereafter	<u>50,943,127</u>
	<u>\$ 106,877,132</u>

4. Long-Term Debt

In connection with the acquisitions of the subsidiary companies, the Company entered into a financing arrangement with Deerpath Fund Services, LLC (Deerpath) that matures on September 3, 2026. Under the financing arrangement, the Company received an initial term loan with a principal amount of \$28,000,000, to be used for the 2021 acquisitions as well as amounts available for future transactions as follows: (1) up to an aggregate of \$15,000,000 available as delayed draw term loans, which was fully used for the Packouts and Mosquito Shield acquisitions in 2022, and (2) contingent amounts of up to \$25,000,000 available for future financing to be negotiated, of which \$5,100,000 had been drawn for the Mosquito Shield acquisition. The loans bear interest rate of a 3-month term SOFR plus 5.65% (11.04% as of December 31, 2023). As of December 31, 2023 and 2022, the amount drawn on the facility was \$48,100,000. The facility also provides for a revolving line with available draws up to \$2,000,000, which had not been drawn on as of December 31, 2023 and 2022.

During 2022, the Company had also entered into short term notes payable with former owners of the subsidiary entities in the amount of \$78,594. These amounts have no specific maturity date or repayment schedule, but were fully repaid in 2022. As part of the acquisition of Mosquito Shield, the Company acquired \$59,801 of notes payable to a financial institution that were fully repaid during 2022.

As of December 31, 2023 the Company had future maturities of notes payable as follows:

Years Ending December 31,	
2024	\$ 481,000
2025	481,000
2026	<u>46,416,500</u>
	47,378,500
Less: debt issuance costs	<u>(749,134)</u>
	<u>\$ 46,629,366</u>

Future amortization of debt issuance costs for the Company's notes payables as of December 31, 2023 are as follows:

Years Ending December 31,	
2024	\$ 255,474
2025	274,481
2026	219,179
	<u>\$ 749,134</u>

5. Operating Leases

The Company has entered into certain operating leases for office space under operating lease arrangements with original lease terms ranging from 36 to 120 months. As of December 31, 2023, there was a weighted average of 5.5 years remaining on the original lease terms. The Company estimated their incremental borrowing rate in calculating the ROU asset and operating lease liability as the rate implicit in the leases were not known, the weighted average incremental borrowing rate used was 5.79%.

The following table reconciles the undiscounted future cash flows to the operating lease liability recorded on the accompanying balance sheet as of December 31, 2023:

Years Ending December 31,	
2024	\$ 297,565
2025	266,383
2026	260,354
2027	179,048
2028	166,598
Thereafter	<u>378,010</u>
Total lease payments	1,547,958
Less: interest	<u>(247,996)</u>
	<u>\$ 1,299,962</u>

Operating lease payments in the table above and operating ROU asset and lease liability on the accompanying balance sheets are shown net of sublease income. Rent expense under the operating leases totaled was \$302,043 and \$162,279 for the years ended December 31, 2023 and 2022, respectively.

6. Commitments and Contingencies

Litigation

The Company is involved in legal proceedings from time to time arising in the normal course of business. Management, after consultation with legal counsel, believes that the outcome of these proceedings will not have a material impact on the Company's consolidated financial position, results of operations, or liquidity.

Employee Agreements

The Company has entered into employment agreements with certain officers and employees of the Company, which require that certain severance payments are made in the event of termination without cause.

Indemnification Agreements

Under the Company's organizational documents, the Company's officers, employees and directors are indemnified against certain liabilities arising out of the performance of their duties. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects any risk of loss to be remote. The Company also has an insurance policy for its directors and officers to insure them against liabilities arising from the performance of their duties in their positions with the Company or its subsidiaries.

7. Related Party Transactions

The Company pays a management fee to a certain member of the Company on an annual basis based on revenues. The Company made payments of management fees of \$570,389 and \$1,613,745 for services rendered during the years ended December 31, 2023 and 2022, respectively.

The Company provides call center and other management services to another franchisor that is under common ownership. Additionally, the Company incurs certain expenses on behalf of that related franchisor and bills them for costs incurred. Amounts charged for services performed during the years ended December 31, 2023 and 2022, amounted to \$250,031 and \$86,101, respectively, and are included in revenues. As of December 31, 2023 and 2022, accounts receivable due from this related party were \$250,031 and \$86,101, respectively.

8. Income Taxes

The benefit (provision) for income taxes consists of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Current:		
Federal	\$ (262,480)	\$ 8,833
State	(78,963)	2,662
Total current	<u>(341,443)</u>	<u>11,495</u>
Deferred:		
Federal	(292,567)	1,048,721
State	(131,688)	220,460
Total deferred	<u>(424,255)</u>	<u>1,269,181</u>
Total benefit (provision) for income taxes	<u>\$ (765,698)</u>	<u>\$ 1,280,676</u>

Significant components of the Company's deferred income tax assets (liabilities) are as follows as of December 31:

	2023	2022
Deferred income tax assets (liabilities):		
Intangible assets	\$ (5,747,861)	\$ (5,340,652)
Deferred costs	(16,114)	(62,708)
Fixed Assets	(44,540)	(35,068)
Deferred revenue	140,945	30,312
NOL carryforwards	166,613	290,452
Other	(6,448)	34,514
	\$ (5,507,405)	\$ (5,083,150)

Associated with the acquisition of Ringside Development Company, there were \$27.5 million of identifiable intangible assets that were acquired. Ringside Development Company is structured as a C-Corporation for income tax purposes and thus is responsible for accruing the provision (benefit) for income taxes attributable to operations. This transaction was not a taxable transaction for income tax purposes and thus the tax liabilities associated with intangible assets are classified as permanent differences because they are not timing differences that will eventually be recognized in the tax return. This liability is recorded to accrue for the future tax effect that would occur if the intangible assets were to be recovered at the recorded carrying value as there is an assumption that all assets will be used in service or sold, thus a deferred tax liability is established to account for the future tax effect of recovery.

The benefit (provision) for income taxes attributable to loss before income taxes differed from the amount obtained by applying the federal statutory income tax rate to loss before income taxes due to tax rate adjustments, state taxes, permanent differences in deductible goodwill amortization, and prior period adjustments and true-ups.

Note that for U.S. Federal income tax purposes, given the change in control that occurred pursuant to the acquisition of Five Star Connect, Inc. and Ringside Development Company, the Company's net operating loss carryforwards are subject to Internal Revenue Code (IRC) Section 382 which, as determined by IRC Section 382, the net operating loss carryforwards and tax credits generated as of the acquisition date may be limited in their annual usage in the future.

As the acquisitions that occurred in 2021 were structured as stock purchases, the resulting definite-lived intangible assets recognized carried a tax basis of \$0. Accordingly, the amortization expense recognized for U.S. GAAP purposes is not deductible for income tax purposes and is considered a permanent difference.

The Company has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

9. Subsequent Events

In March 2024, the Company completed an acquisition of the brand, Card My Yard, from a related party. The acquisition was settled primarily for an exchange of equity in the Company.

Right Answers, Right Here.



TANNER

Accountants & Advisors

FS PEP HOLDCO, LLC and SUBSIDIARIES

**Consolidated Financial Statements
As of December 31, 2022 and 2021
and For the Year Ended December 31, 2022
and For the Period From Inception (April 9, 2021) through December 31, 2021**

Together with Independent Auditors' Report



Independent Auditors' Report

**To the Board of Managers of
FS PEP Holdco, LLC**

Opinion

We have audited the accompanying consolidated financial statements of FS PEP Holdco, LLC and subsidiaries (collectively, the Company), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of operations, members' equity, and cash flows for the year then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FS PEP Holdco, LLC and subsidiaries as of December 31, 2022, and the results of their operations and their 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 responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Company 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.

Prior Period Financial Statements

The financial statements of the Company as of December 31, 2021 and for the period from inception (April 9, 2021) through December 31, 2021, were audited by other auditors whose report dated December 5, 2022, expressed an unmodified opinion on those financial statements. We were not engaged to audit, review, or apply any procedures on the 2021 financial statements of the Company, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

3300 N. Triumph Blvd., Suite 410, Lehi, UT 84043

Auditors' 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 auditors' 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 the Company'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 the Company'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.

Tanner LLC

April 30, 2023

3300 N. Triumph Blvd., Suite 410, Lehi, UT 84043

Consolidated Balance Sheets

As of December 31,

	2022	2021
<u>Assets</u>		
Current assets:		
Cash	\$ 3,760,121	\$ 1,614,389
Restricted cash	543,616	439,024
Accounts receivable, net of an allowance for doubtful accounts of \$58,660 and \$32,710, respectively	2,360,599	907,535
Current portion of contract assets	1,350,919	169,463
Prepaid and other current assets	792,682	33,886
Total current assets	8,807,937	3,164,297
Goodwill, net	63,918,327	39,262,725
Intangible assets, net	54,137,918	33,635,333
Investment in unconsolidated subsidiary	-	597,537
Contract assets, net of current portion	9,616,933	379,746
Operating lease right-of-use asset	1,153,787	-
Other assets	703,934	293,037
Total assets	\$ 138,338,836	\$ 77,332,675
<u>Liabilities and Members' Equity</u>		
Current liabilities:		
Accounts payable	602,708	\$ 333,610
Accrued expenses	2,643,685	336,864
Current portion of contract liabilities	1,960,914	297,574
Current portion of operating lease liabilities	154,246	-
Current portion of long-term debt	491,176	55,314
Total current liabilities	5,852,729	1,023,362
Contract liabilities, net of current portion	13,714,594	1,418,461
Operating lease liabilities, net of current portion	1,031,261	-
Long-term debt, net of current portion and debt issuance costs	46,381,407	27,130,136
Deferred income taxes	5,083,150	6,352,331
Total liabilities	72,063,141	35,924,290
Commitments and contingencies		
Members' equity	66,275,695	41,408,385
Total liabilities and members' equity	\$ 138,338,836	\$ 77,332,675

See accompanying notes to consolidated financial statements.

1

Consolidated Statements of Operations

	For the year ended December 31, 2022	For the period from April 9, 2021 (inception) through December 31, 2021
Revenues	\$ 26,026,524	\$ 7,457,362
Cost of revenues	<u>5,463,228</u>	<u>2,490,615</u>
Gross profit	<u>20,563,296</u>	<u>4,966,747</u>
Operating expenses:		
Selling, general and administrative	18,837,743	8,259,143
Depreciation and amortization	<u>10,597,574</u>	<u>2,548,873</u>
Total operating expenses	<u>29,435,317</u>	<u>10,808,016</u>
Loss from operations	<u>(8,872,021)</u>	<u>(5,841,269)</u>
Other income (expense):		
Interest expense	(3,821,499)	(647,029)
Earnings from unconsolidated subsidiary	-	77,537
Gain on sale of unconsolidated subsidiary	1,025,637	-
Other income (expense)	<u>(51,463)</u>	<u>(112,956)</u>
Total other expense, net	<u>(2,847,325)</u>	<u>(682,448)</u>
Loss before income taxes	(11,719,346)	(6,523,717)
Income tax benefit	<u>1,280,676</u>	<u>374,421</u>
Net loss	<u>\$ (10,438,670)</u>	<u>\$ (6,149,296)</u>

See accompanying notes to consolidated financial statements.

2

Consolidated Statements of Members' Equity

Balance as of April 9, 2021 (inception)	\$ -
Contributions	47,557,681
Net loss	<u>(6,149,296)</u>
Balance as of December 31, 2021	41,408,385
Contributions	35,555,980
Distributions	(250,000)
Net loss	<u>(10,438,670)</u>
Balance as of December 31, 2022	<u>\$ 66,275,695</u>

See accompanying notes to financial statements.

3

Consolidated Statements of Cash Flows

	For the year ended December 31, 2022	For the period from April 9, 2021 (inception) through December 31, 2021
Cash flows from operating activities:		
Net loss	\$ (10,438,670)	\$ (6,149,296)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of goodwill and intangible assets	10,568,470	2,543,033
Depreciation of fixed assets	29,104	5,840
Amortization of deferred financing costs	213,726	38,998
Amortization of operating lease right-of-use asset	108,253	-
Gain on sale of unconsolidated subsidiary	(1,025,637)	-
Loss on disposal of fixed assets	43,615	-
Provision for bad debt	25,950	32,710
Decrease (increase) in:		
Accounts receivable	(777,114)	34,410
Contract assets	(2,540,535)	(169,463)
Other assets	(535,234)	(216,538)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,012,196	472,458
Contract liabilities	3,647,786	768,118
Operating lease liabilities	(76,533)	-
Deferred taxes	(1,269,181)	(409,393)
Net cash used in operating activities	<u>(13,804)</u>	<u>(3,049,123)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(238,771)	(5,840)
Contingent consideration paid	(1,200,000)	-
Proceeds from sale of unconsolidated subsidiary	1,623,174	-
Net cash paid for acquisitions	<u>(46,109,861)</u>	<u>(62,103,632)</u>
Net cash used in investing activities	<u>(45,925,458)</u>	<u>(62,109,472)</u>
Cash flows from financing activities:		
Member contributions	29,025,980	40,065,556
Borrowing on long-term debt	20,100,000	28,000,000
Payment of debt issuance costs	(307,500)	(932,140)
Repayment of long-term debt	(378,894)	-
Borrowing on short-term debt	-	3,078,592
Repayment of short-term debt	-	(3,000,000)
Member distributions	(250,000)	-
Net cash provided by financing activities	<u>48,189,586</u>	<u>67,212,008</u>
Net change in cash and restricted cash	2,250,324	2,053,413
Cash and restricted cash at beginning of year.	2,053,413	-
Cash and restricted cash at end of year.	<u>\$ 4,303,737</u>	<u>\$ 2,053,413</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,053,817	\$ 608,031
Cash paid for income taxes	1,916	-
Supplemental disclosure of non-cash investing and financing information:		
Cash acquired through acquisition	\$ 124,418	\$ 784,941
Contingent consideration settled through issuance of equity	300,000	-
Measurement period adjustment to goodwill	1,474,328	-
Rollover equity contributions in acquisitions	6,230,000	7,492,125

See accompanying notes to consolidated financial statements.

4

Notes to Consolidated Financial Statements

1. Description of Organization and Summary of Significant Accounting Policies

Organization

FS PEP Holdco, LLC is a holding company established for the purpose of acquiring and operating home services related franchisor companies. Through its franchisor entities located throughout the United States, the Company seeks to establish profitable and sustainable franchise systems that provide franchise partners the tools to profitably operate and own a successful home service business.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements presented in conformity with accounting principles generally accepted in the United States of America (US GAAP) and include the accounts of FS PEP Holdco, LLC and its wholly owned subsidiaries: Five Star Connect, Inc.; Gotcha Covered Franchising, LLC; Ringside Development Company; Bio-One IP Group; LLC, Ringside Group, LLC; Mosquito Shield Franchise, LLC; 1-800-Packouts Holdco, LLC; and Five Star Franchising, LLC and its wholly owned subsidiary Five Star Bath, LLC.

FS PEP Holdco, LLC was formed on April 9, 2021 (date of inception) and during 2021 began acquiring operating companies. The consolidated financial statements reflect the operations of FS PEP Holdco, LLC and all of its subsidiaries (collectively the Company). All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Key management estimates include allowances for doubtful accounts, useful lives for property and equipment and intangible assets, fair value of assets acquired and liabilities assumed in acquisitions, and the income tax provision for net deferred taxes.

Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. To date, the Company has not experienced a loss or lack of access to its invested cash and cash equivalents; however, no assurance can be provided that access to the Company's invested cash will not be impacted by adverse conditions in the financial markets.

Restricted Cash

Restricted cash balances relate to cash franchisees contribute to the Company's national branding funds. Cash contributed by franchisees to the national branding funds are to be used in accordance with the franchise agreements with a focus on marketing and advertising.

Accounts Receivable

Accounts receivable consist of amounts due on franchisee accounts for various fees including royalties, support fees, branding fees, insurance, training, and expendable equipment. The allowance for bad debts and other reserves are based upon the Company's historical experience with franchisees and considers the age of the receivable and the franchisees' ability to pay. Accounts are written-off when determined to be uncollectible and all reasonable efforts to collect the receivable have been exhausted. Accounts receivable do not include any amounts for interest. An allowance for doubtful accounts of \$58,660 and \$32,710 was accrued as of December 31, 2022 and 2021, respectively.

Notes Receivable

Some franchise agreements allow for the financing of initial franchising fees over a term of one to five years. These receivables bear interest ranging from 4.00% to 10.00% and are reviewed for collectability by assessing the franchisee's completion of training, commencing operations, and revenue generation. As of December 31, 2022 and 2021, the Company had \$436,865 and \$293,037 outstanding on notes receivable, which have been included in the other assets account on the accompanying consolidated balance sheets.

Contract Assets

The Company incurs broker or sales commission expenses paid to third parties to obtain franchise agreements with franchisees. The commissions are related to franchise fee revenue and are capitalized and recognized over the term of the respective franchise agreement.

Goodwill and Intangible Assets

Goodwill represents the excess purchase price over fair value of net assets acquired that is not allocable to separately identifiable intangible assets. Other identifiable intangible assets primarily consist of trade names and franchise agreements in place. These assets are amortized using the straight-line method over the estimated useful life of the asset acquired.

The Company amortizes goodwill over a period of ten years. The Company evaluates the recoverability of the carrying amount of goodwill at the entity level whenever events or circumstances indicate the carrying amount may not be recoverable. Management has determined there was no impairment as of December 31, 2022 and 2021.

Investment in Unconsolidated Subsidiary

The Company's investment in Joe Homebuyer Franchising, LLC, was owned 50% by Five Star Franchising, LLC and 50% by an outside party. The investment was accounted for under the equity method of accounting. On March 9, 2022, the Company completed the sale of its equity interests in Joe Homebuyer Franchising, LLC to the existing equity partner for \$1,623,174. As a result of this sale, the Company recognized a gain of \$1,025,637.

Deferred Issuance Costs

The Company defers costs related to issuing debt and amortizes the costs using the effective interest method, to interest expense over the term of the related debt.

Revenue Recognition

The Company primarily derives revenue from royalties, call center services, franchise and license fees, equipment and product sales, and advertising services. Revenue is recognized from these contracts with customers by applying the following steps:

- Identification of the contract, or contracts, with a customer.
- Identification of the performance obligations in a contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of revenue when, or as, performance obligations are satisfied.

Royalties

The Company sells individual franchises as well as territory agreements (Franchise Agreements) that grant the right to operate a location, using the Company's software and trademarks, generally for a period of five or ten years. The franchisees are equipped with certain equipment and samples and are trained at the Company's facilities. The Franchise Agreements require franchisees to pay continuing fees, or royalties, on a monthly basis based on the terms of the Franchise Agreement. Royalty income is based on either a percentage (generally ranging from 2% to 7%) of franchisee gross sales, minimum monthly payments, or other calculated amounts as defined in the Franchise Agreement and is recognized as the royalties are at the franchisees' point of sale.

Amounts recognized as royalties revenue for year ended December 31, 2022 and for the period from inception (April 9, 2021) through December 31, 2021 were \$10,191,623 and \$2,867,475, respectively.

Call Center Services

The Company provides certain sales and marketing support services for franchisees, including the operation of a call center for inbound-customer and marketing related calls. The fees associated with the call center are structured as either a fixed monthly fee or a variable fee based on the monthly usage of the call center. Revenue for call center services are recognized during the month that the services are performed.

Amounts recognized as call center services revenue for year ended December 31, 2022 and for the period from inception (April 9, 2021) through December 31, 2021 were \$2,977,806 and \$2,260,582, respectively.

Franchise Fees

The Franchise Agreements require the franchisee to pay an initial fee to obtain the rights associated with the Franchise Agreements. Initial franchise fee revenue is partially recognized upon substantial completion of the startup services required of the Company. The remainder of the franchise fee revenue is recognized over the term of the Franchise Agreement. All fees collected in advance are deferred until performance obligations are met, and revenue is earned. Deferred amounts are classified as contract liabilities in the accompanying consolidated balance sheet.

Franchise sales resulting from leads furnished by independent franchise brokers are subject to a sales commission. The costs of commissions paid to franchise brokers are capitalized and recognized over the same period as the related revenue.

Amounts recognized as franchise fee revenue for the year ended December 31, 2022 and for the period from inception (April 9, 2021) through December 31, 2021 were \$3,823,573 and \$655,100, respectively.

Equipment and Product Sales

Revenue from the sale of equipment and products is recognized when title and risk of loss transfers to the buyer, which is generally upon shipment.

Amounts recognized as equipment and product sales revenue for the year ended December 31, 2022 and for the period from inception through December 31, 2021 were \$3,830,583 and \$585,520, respectively.

Advertising Services

Under the terms of the Franchise Agreements, the Company may establish national branding funds and charge a fee of up to 3% of the franchisees' gross receipts to pay for marketing costs that benefit multiple franchises and are used to promote the brands. Marketing revenues and expenses are recognized in equal amounts as marketing expenses are incurred. Any amounts collected but unspent at the end of the year are accrued for as a liability on the accompanying consolidated balance sheets until the related expense has been incurred.

Amounts recognized as advertising services revenue for the year ended December 31, 2022 and for the period from inception (April 9, 2021) through December 31, 2021 was \$3,683,755 and \$467,575, respectively.

Other Revenues

Other revenues include vendor rebates, fees generated by consulting services, monthly technology access fees and other miscellaneous fees allowable under the terms of the Franchise Agreements. Consulting and other fees are recognized as revenue once the consulting or other services have been performed, these services are short term in nature and provided on a month-to-month basis. Monthly technology access fees are recognized during the month that services are performed.

Amounts recognized as other revenue for the year ended December 31, 2022 and for the period from inception (April 9, 2021) through December 31, 2021 were \$1,519,184 and \$621,110, respectively.

Contract Liabilities

Contract liabilities represent billings made to or payments received from franchisees for which the related performance obligation has not yet been fulfilled. This primarily consists of franchise fees that have been received but are deferred to be recognized over the term of the franchise agreement. Deposits for conferences and trainings are also deferred until the point at which the service has been provided.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases* (ASC Topic 842). This guidance replaces the prior lease accounting guidance in its entirety. The underlying principle of the new standard is the recognition of lease assets and liabilities by lessees for substantially all leases. The Company has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Company accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 31, 2021) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

On January 1, 2022, the Company recognized \$1,175,322 in operating lease liabilities and right-of-use (ROU) assets. The adoption of this guidance did not have a material impact on net loss.

Leases

Management determines if a contract is or contains a lease at inception or modification of a contract. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Control over the use of the identified asset means the lessee has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset. Such assets are classified as ROU assets with a corresponding lease liability.

For all arrangements where it is determined that a lease exists, the related ROU assets and lease liabilities are recorded as either operating or finance leases. At inception or modification, the Company calculates the present value of lease payments using the implicit rate determined from the contract or the Company's incremental borrowing rate applicable to the lease, which is determined by estimating what it would cost the Company to borrow a collateralized amount equal to the total lease payments over the lease term based on the contractual terms of the lease and the location of the leased asset. The present value is adjusted for prepaid lease payments, lease incentives, and initial direct costs. Lease expense is recognized for these leases on a straight-line basis over the expected lease term. Non-lease costs, such as common-area maintenance costs, taxes, and insurance, are not included in the measurement of the ROU assets and lease liabilities. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

Sales Tax

The Company accounts for sales tax on a net basis and excluded from revenues.

Shipping and Handling Costs

The Company classifies freight billed to customers as sales revenue and the related freight costs as cost of sales.

Advertising and Marketing

Advertising and marketing costs included in operating expenses primarily consist of collateral marketing materials and are expensed as incurred. These costs are included in general and administrative expenses and were \$2,153,360 and \$368,136 during the year ended December 31, 2022 and for the period from inception (April 9, 2021) through December 31, 2021, respectively.

Income Taxes

The Company is a limited liability company under provisions of the Internal Revenue Code and has elected to be treated as a partnership for income tax purposes. As such, the payment and recognition of income taxes are the responsibility of the members of the Company.

The Company files income tax returns in the US federal and state jurisdictions. The Company is generally subject to US federal, state and local income tax examination by tax authorities for a period of three years from the date of filing. The Company is not currently under examination in any jurisdiction in which it operates.

The Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, based on the technical merits of the position. The tax benefits recognized are measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authorities. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2022. The Company does not expect that its assessment regarding unrecognized tax benefits will materially change over the next 12 months.

Certain subsidiaries of the Company recognize deferred income tax assets and liabilities for the expected future tax consequences of events that have been included in the subsidiary financial statements or tax returns. Under this method, deferred income tax assets and liabilities are determined based on the difference between financial statement and tax bases of assets and liabilities using estimated tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are recognized only if it is more likely than not that the asset will be realized in future years.

Reclassifications

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform with the current year presentation.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through April 30, 2023, which is the day the consolidated financial statements were available to be issued.

2. Acquisitions of Subsidiary Entities

During the year ended December 31, 2022, the Company entered into the following acquisition agreements:

On January 31, 2022, the Company entered into a securities purchase agreement to acquire 100% of the equity interests in 1-800-Packouts, LLC (Packouts). The securities purchase agreement included payment of rollover interest of \$4,230,000 wherein the former owner was granted an ownership interest in the Company, which was included in the total consideration paid for the acquisition. The securities purchase agreements also included two delayed cash payments of \$1,000,000 each to be made in June 2023 and December 2023. These payments were valued at present value of \$1,795,418 as of the acquisition date. This amount was accrued and included in the 2022 issued financials.

On March 11, 2022, the Company entered into a securities purchase agreement to acquire 100% of the equity interests in Mosquito Shield Finance Corporation (Mosquito Shield). The securities purchase agreement included payment of rollover interest of \$2,000,000 wherein the former owner was granted an ownership interest in the Company, which was included in the total consideration paid for the acquisition.

In relation to these acquisitions, the Company elected to early adopt Accounting Standards Update 2021-08, *Business Combinations* (ASU 2021-08). ASU 2021-08 allows a Company to recognize and measure contract assets and contract liabilities in accordance with ASC 606, *Revenue from Contracts with Customers*. Accordingly, the contract assets and contract liabilities were recognized at carryover value from the predecessor, rather than at fair value.

The following is a summary of the estimated fair values of the assets acquired and the liabilities assumed with each acquisition during the year ended December 31, 2022:

	Packouts	Mosquito Shield
Cash	\$ 5,966	\$ 118,452
Accounts receivable	117,678	584,222
Contract assets	-	7,878,108
Other assets	49,810	392,928
Operating lease right-of-use asset	86,718	-
Trade name	4,380,000	6,600,000
Franchise agreements	1,790,000	11,200,000
Goodwill	18,214,963	12,067,365
Liabilities assumed	(86,718)	(10,935,213)
Total purchase price	\$ 24,558,417	\$ 27,905,862

During the period from inception through December 31, 2021 the Company entered into the following acquisition agreements.

On June 15, 2021, the Company entered into a securities purchase agreement to acquire 100% of the equity interests in Five Star Franchising, LLC which included the 100% owned subsidiary Five Star Bath, LLC, and the 50% owned subsidiary Joe Homebuyer Franchising, LLC (collectively, Five Star). The securities purchase agreement included payment of rollover interest of \$2,000,000 wherein the former owner was granted an ownership interest in the Company, which was included in the total consideration paid for the acquisition. The securities purchase agreement also includes provisions for the payment of earn-out payments upon reaching certain Royalty Revenue thresholds for the period from January 1, 2021 through December 31, 2021. The contingent consideration of 25,000 Class B units of FS PEP Holdco, LLC had an estimated value of \$2,349,000 as of the acquisition date. These units were included in the total consideration paid for the acquisition, and were effectively issued in 2021.

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On June 15, 2021, the Company entered into a securities purchase agreement to acquire 100% of the equity interests in Five Star Connect, LLC (Connect). The securities purchase agreement also includes provisions for the payment of earn-out payments upon reaching certain Royalty Revenue thresholds for the period from January 1, 2021 through December 31, 2021. The contingent consideration of 25,000 Class B units of FS PEP Holdco, LLC had an estimated value of \$2,349,000 as of the acquisition date. These units were included in the total consideration paid for the acquisition, and were effectively issued in 2021.

On July 23, 2021, the Company entered into a securities purchase agreement to acquire 100% of the equity interests in Gotcha Covered Franchising, LLC (Gotcha Covered). The securities purchase agreement included payment of rollover interest of \$824,125 wherein the former owner was granted an ownership interest in the Company, which was included in the total consideration paid for the acquisition. The securities purchase agreement also included provisions for the payment of earn-out payments upon reaching certain Royalty Revenue thresholds for a twelve-month period commencing on the closing date and ending on the one-year anniversary of the closing date. The contingent consideration called for payments of up to \$1,200,000 and issuance of \$300,000 worth of FS PEP Holdco, LLC. The contingent consideration had an estimated value of \$1,500,000 as of the acquisition date. This amount was accrued and included in the total consideration paid for the acquisition. The full amount of cash was paid and the units issued during 2022.

On September 3, 2021, the Company entered into a securities purchase agreement to acquire 100% of the equity interests in Ringside Development Company, Ringside Group, LLC and Bio-One IP Group, LLC (collectively Bio-One).

The following is a summary of the estimated fair values of the assets acquired and the liabilities assumed with each acquisition during the period from inception through December 31, 2021:

	Five Star	Connect	Gotcha Covered	Bio One
Cash	\$ 184,570	\$ 230,525	\$ 344,031	\$ 25,815
Accounts receivable	163,663	97,386	248,099	465,507
Contract assets	333,973	-	25,960	111,755
Other assets	605,948	389,315	-	4,192
Trade name	2,020,000	-	2,050,000	12,500,000
Franchise agreements	1,630,000	-	1,280,000	15,000,000
Goodwill	5,327,767	9,233,140	2,107,506	24,292,677
Liabilities assumed	(764,309)	(101,366)	(32,010)	(7,393,447)
Total purchase price	\$ 9,501,612	\$ 9,849,000	\$ 6,023,586	\$ 45,006,499

Each of these transactions have been accounted for as a business combination using the acquisition method and the operations of the acquired entities have been consolidated with the operations of the Company as of the respective dates of the transactions. The Company has made certain measurement period adjustments to the valuation of purchase consideration for the 2021 acquisitions of Gotcha Covered and Bio One resulting in an approximately \$1,500,000 increase and a \$25,000 decrease to goodwill, respectively. These measurement period adjustments have been made in 2022.

The assets acquired and liabilities assumed were recorded based on their estimated fair values as of the date of acquisition as determined by management. The excess of the purchase price over the fair values of assets acquired and liabilities assumed was recorded as goodwill. The value of goodwill recognized in connection with the transactions can be attributed to a number of business factors including, but not limited to, the ability of the Company to grow given the additional capital and strategic expertise brought to the Company by the new ownership group.

Trade names were valued using a relief from royalty discounted cash flows method. Franchise agreements were valued using an excess of earnings discounted cash flows method. The estimated useful lives of trade names is 15 years, franchise agreements is 13 to 15 years, and goodwill is 10 years.

3. Goodwill and Intangible Assets

Goodwill and intangible assets consist of the following as of December 31:

	2022	2021
Trade name	\$ 27,550,000	\$ 16,570,000
Franchise agreements	30,900,000	17,910,000
Goodwill	72,717,748	40,961,091
Total intangible assets	131,167,748	75,441,091
Less: accumulated amortization	(13,111,503)	(2,543,033)
Intangible assets, net	\$ 118,056,245	\$ 72,898,058

Amortization expense resulting from goodwill and intangible assets was \$10,568,470 and \$2,543,033 for the year ended December 31, 2022 and for the period from inception through December 31, 2021, respectively.

The future aggregate amounts of amortization expense to be recognized related to definite-lived intangible assets as of December 31, 2022 is as follows:

Years Ending December 31,		
2023	\$	11,186,801
2024		11,186,801
2025		11,186,801
2026		11,186,801
2027		11,186,801
Thereafter		62,122,240
	\$	118,056,245

4. Long-Term Debt

In connection with the acquisitions of the subsidiary companies, the Company entered into a financing arrangement with Deerpath Fund Services, LLC (Deerpath) that matures on September 3, 2026. Under the financing arrangement, the Company received an initial term loan with a principal amount of \$28,000,000, to be used for the 2021 acquisitions as well as amounts available for future transactions as follows: (1) up to an aggregate of \$15,000,000 available as delayed draw term loans, which was fully used for the Packouts and Mosquito Shield acquisitions in 2022, and (2) contingent amounts of up to \$25,000,000 available for future financing to be negotiated, of which \$5,100,000 had been drawn for the Mosquito Shield acquisition. The loans bear interest rate of LIBOR plus 5.50% (9.24% as of December 31, 2022). As of December 31, 2022 and 2021, the amounts drawn on the facility were \$48,100,000 and \$23,000,000, respectively. The facility also provides for a revolving line with available draws up to \$2,000,000, which had not been drawn on as of December 31, 2022 and 2021.

The Company had also entered into short term notes payable with former owners of the subsidiary entities in the amount of \$78,594. These amounts have no specific maturity date or repayment schedule, but were fully repaid in 2022. As part of the acquisition of Mosquito Shield, the Company acquired \$59,801 of notes payable to a financial institution that were fully repaid during 2022.

As of December 31, 2022 the Company had future maturities of notes payable as follows:

Years Ending December 31,	
2023	\$ 481,000
2024	481,000
2025	481,000
2026	46,416,500
	<u>47,859,500</u>
Less: debt issuance costs	<u>(986,917)</u>
	<u>\$ 46,872,583</u>

Future amortization of debt issuance costs for the Company's notes payables as of December 31, 2022 are as follows:

Years Ending December 31,	
2023	\$ 237,783
2024	255,474
2025	274,481
2026	219,179
	<u>986,917</u>

5. Operating Leases

The Company has entered into certain operating leases for office space under an operating lease with original lease terms ranging from 36 to 120 months. As of December 31, 2022, there was a weighted average of 6.6 years remaining on the original lease terms. The Company estimated their incremental borrowing rate in calculating the ROU asset and operating lease liability as the rate implicit in the leases were not known, the weighted average incremental borrowing rate used was 5.7%.

The following table reconciles the undiscounted future cash flows to the operating lease liability recorded on the accompanying balance sheet as of December 31, 2022:

Years Ending December 31,	
2023	\$ 227,717
2024	240,730
2025	217,143
2026	219,907
2027	128,565
Thereafter	<u>403,705</u>
Total lease payments	1,437,767
Less: interest	<u>(252,260)</u>
	<u>\$ 1,185,507</u>

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Operating lease payments in the table above and operating ROU asset and lease liability on the accompanying balance sheet are shown net of sublease income. Rent expense under the operating leases totaled was \$162,279 and \$65,195 for the year ended December 31, 2022 and for the period from inception through December 31, 2021, respectively. Sublease income was immaterial for the year ended December 31, 2022 and for the period from inception through December 31, 2021.

6. Commitments and Contingencies

Litigation

The Company is involved in legal proceedings from time to time arising in the normal course of business. Management, after consultation with legal counsel, believes that the outcome of these proceedings will not have a material impact on the Company's consolidated financial position, results of operations, or liquidity.

Employee Agreements

The Company has entered into employment agreements with certain officers and employees of the Company, which require that certain severance payments are made in the event of termination without cause.

Indemnification Agreements

Under the Company's organizational documents, the Company's officers, employees and directors are indemnified against certain liabilities arising out of the performance of their duties. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects any risk of loss to be remote. The Company also has an insurance policy for its directors and officers to insure them against liabilities arising from the performance of their duties in their positions with the Company or its subsidiaries.

7. Related Party Transactions

The Company pays a management fee to a certain member of the Company on an annual basis based on revenues. The Company made payments of management fees of \$1,613,745 and \$1,344,448 for services rendered during the year ended December 31, 2022 and for the period from inception (April 9, 2021) through December 31, 2021, respectively.

The Company provides call center and other management services to another franchisor that is under common ownership. Additionally, the Company incurs certain expenses on behalf of that related franchisor and bills them for costs incurred. Amounts charged for services performed during the year ended December 31, 2022 and for the period from inception (April 9, 2021) through December 31, 2021 amounted to \$86,101 and \$0, respectively, and are included in revenues. As of December 31, 2022 and 2021, accounts receivable due from this related party were \$86,101 and \$0, respectively.

8. Income Taxes

The benefit (provision) for income taxes consists of the following for the year ended December 31, 2022 and for the period from inception through December 31, 2021:

	2022	2021
Current:		
Federal	\$ 8,833	\$ (121,208)
State	2,662	(21,112)
Total current	11,495	(142,320)
Deferred:		
Federal	1,048,721	408,225
State	220,460	108,516
Total deferred	1,269,181	516,741
Total benefit (provision) for income taxes	\$ 1,280,676	\$ 374,421

Significant components of the Company's deferred income tax assets (liabilities) are as follows as of December 31:

	2022	2021
Deferred income tax assets (liabilities):		
Intangible assets	\$ (5,340,652)	\$ (7,067,500)
Deferred costs	(62,708)	(17,109)
Fixed Assets	(35,068)	-
Deferred revenue	30,312	23,736
NOL carryforwards	290,452	708,542
Other	34,514	-
	\$ (5,083,150)	\$ (6,352,331)

Associated with the acquisition of Ringside Development Company, there were \$27.5 million of identifiable intangible assets that were acquired. Ringside Development Company is structured as a C-Corporation for income tax purposes and thus is responsible for accruing the provision (benefit) for income taxes attributable to operations. This transaction was not a taxable transaction for income tax purposes and thus the tax liabilities associated with intangible assets are classified as permanent differences because they are not timing differences that will eventually be recognized in the tax return. This liability is recorded to accrue for the future tax effect that would occur if the intangible assets were to be recovered at the recorded carrying value as there is an assumption that all assets will be used in service or sold, thus a deferred tax liability is established to account for the future tax effect of recovery.

The benefit (provision) for income taxes attributable to income before benefit (provision) for income taxes differed from the amount obtained by applying the federal statutory income tax rate to income (loss) before income taxes due to tax rate adjustments, state taxes, prior period true-up, setting up the initial deferred tax assets, and use of a net operating loss carry back.

Note that for U.S. Federal income tax purposes, given the change in control that occurred pursuant to the acquisition of Five Star Connect, Inc. and Ringside Development Company, the Company's net operating loss carryforwards are subject to Internal Revenue Code (IRC) Section 382 which, as determined by IRC Section 382, the net operating loss carryforwards and tax credits generated as of the acquisition date may be limited in their annual usage in the future.

As the acquisitions that occurred in 2021 were structured as a stock purchase, the resulting definite-lived intangible assets recognized carried a tax basis of \$0. Accordingly, the amortization expense recognized for U.S. GAAP purposes is not deductible for income tax purposes and is considered a permanent difference.

The Company has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

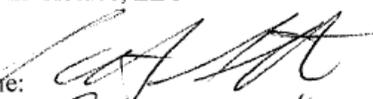
Exhibit C-1 – Parent’s Guarantee of Performance

GUARANTEE OF PERFORMANCE

For value received, FS PEP Holdco, LLC, a Delaware limited liability company (the “Guarantor”), located at 761 W 1200 N, Ste 200, Springville UT 84663, absolutely and unconditionally guarantees to assume the duties and obligations of 1800Packouts Franchise, LLC, located at 110 Bruner Way, Ball Ground GA 30107 (the “Franchisor”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2023 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at ^{Springville} ~~Utah~~ on the 30th day of April, 2023

Guarantor:
FS PEP Holdco, LLC

By: 
Name:
Title: Scott Anhalt
CEO

1800Packouts Franchise, LLC
Audited Financial Statements
December 31, 2021

1800Packouts Franchise, LLC
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December 31, 2021

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Independent Auditor's Report

To the Members
1800Packouts Franchise, LLC
Ball Ground, Georgia

Opinion

We have audited the accompanying financial statements of 1800Packouts Franchise, LLC, which comprise the balance sheet as of December 31, 2021, and the related statements of income and members' 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 respects, the financial position of 1800Packouts Franchise, LLC as of December 31, 2021, 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 (GAAS). 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 1800Packouts Franchise, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 1800Packouts Franchise, LLC's ability to continue as a going concern within one year after the financial statements are 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 misstatements, 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material, if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 1800Packouts Franchise, 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 1800Packouts Franchise, 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 findings, and certain internal control-related matters that we identified during the audit.

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

March 30, 2022

1800Packouts Franchise, LLC
Balance Sheet
December 31, 2021

Assets

Current Assets

Cash	\$	29,455
Accounts Receivable		<u>223,401</u>
Total Current Assets		252,856

Property and Equipment, net 50,602

Other Assets

Organizational Cost		<u>65,110</u>
Total Assets	\$	<u><u>368,568</u></u>

Liabilities and Members' Equity

Liabilities	\$	-
Members' Equity		<u>368,568</u>
Total Liabilities and Members' Equity	\$	<u><u>368,568</u></u>

1800Packouts Franchise, LLC
Statement of Income and Members' Equity
For the Year Ended December 31, 2021

Revenue	\$ 1,876,454
Expenses	
Advertising and Promotional	47,470
Bank Charges	19,299
Computer and Internet	5,052
Conferences and Tradeshows	55,879
Depreciation	8,701
Insurance	16,185
Marketing fees waived	373,964
Other Expenses	4,213
Outside Services	312,000
Postage	1,443
Professional Fees	135,845
Rent	99,000
Salaries & Wages	142,492
Telephone	1,030
Travel	2,829
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Total Expenses	1,225,402
Net Income	651,052
Members' Equity	
Beginning Members' Equity	1,577,943
Distributions to Member	(1,860,427)
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Ending Members' Equity	\$ 368,568

1800Packouts Franchise, LLC
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows from Operating Activities	
Net Income	\$ 651,052
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,702
Change in Accounts Receivable	1,023,149
Change in Prepaid Expenses	86,185
Change in Accounts Payable	<u>(139)</u>
Total Adjustments	<u>1,117,897</u>
Net Cash Provided By Operating Activities	<u>1,768,949</u>
Cash Flows Used by Financing Activities	
Distributions to Member	<u>(1,860,427)</u>
Net Cash Used by Financing Activities	<u>(1,860,427)</u>
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Net Change in Cash	(91,478)
Cash, Beginning of Year	<u>120,933</u>
Cash, End of Year	<u>\$ 29,455</u>

1800Packouts Franchise, LLC
Notes to Financial Statements
December 31, 2021

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

1800Packouts Franchise, LLC, ("the Company"), a Georgia limited liability company, is a franchisor of contents restoration, packaging, cleaning, and climate-controlled storage businesses under the service mark "1-800-PACKOUTS".

The Company, as the franchisor, has various commitments and obligations to franchisees resulting from franchise agreements including orientation training up front, ongoing guidance and assistance, administration of the advertising fund, maintaining trademarks and ongoing use of intellectual property.

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 is 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 10 years.

1800Packouts Franchise, LLC
Notes to Financial Statements
December 31, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Company provides standardized content handling 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. In previous years, upon completion of the deliverables (usually upon the franchisees' company opening) the initial franchise fee was recognized as revenue. The royalty was recognized when the franchisee completes a job.

On January 1, 2021, the Company adopted ASC No. 2014-09, *Revenue Recognition (Topic 606), Revenue from Contracts with Customers* using the modified retrospective transition method. 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.

On January 1, 2021, 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 designing facilities and preparing the facilities for their intended use, (2) training of the franchisee's personnel or the franchisee, and (3) preparation and distribution of manuals and similar material concerning operations, administration, and record keeping.

1800Packouts Franchise, LLC
Notes to Financial Statements
December 31, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

The Company has the following performance obligations:

When performance obligations are typically satisfied. Performance obligations for pre-opening services are satisfied upon completion of the services (upon opening of the business). Royalty related performance obligations are typically satisfied as the ongoing monthly services are rendered.

Payment terms. The franchisee pays an upfront fixed price for pre-opening services, as stated above, at the time the franchise agreement is signed, plus 7% of job revenue (royalty fees) due monthly, as jobs revenue is collected. A marketing fee of 3% of the job revenue is also payable by the franchisee. Marketing fees were suspended temporarily during 2021 due to the COVID-19 pandemic.

Nature of the services the entity has promised to transfer. For the fixed price, the Company provides orientation training upfront and for the royalty fees the Company provides ongoing guidance and assistance, administration of the advertising fund, maintaining trademarks and ongoing use of intellectual property.

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.

1800Packouts Franchise, LLC
Notes to Financial Statements
December 31, 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Advertising

Advertising costs are expensed when the charge is incurred.

Income Taxes

The company, with consent of its members, has elected under the Internal Revenue Code to be taxed as an S-Corporation as of January 1, 2018. In lieu of Company level income taxes, the members of the Company are taxed on their proportionate share of the Company's taxable income.

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>
Operating Account	\$ 8,600	\$ 33,600
Marketing Fees Account	2,672	2,672
Population Fees Account	7,301	72,128
Royalty Fees Account	7,691	1,687,691
Wire Account	1,190	1,190
Triple A Account	1,000	1,000
Total Cash	<u>\$ 29,455</u>	<u>\$1,799,282</u>

Cash in the amount of \$29,455 is covered by federal depository insurance.

1800Packouts Franchise, LLC
Notes to Financial Statements
December 31, 2021

Note 3 – Accounts Receivable and Revenue

Contracts with customer revenue has been recognized as follows based on the timing of the transfer of goods or services:

Revenue Description	Revenue Recognition Timing	Revenue Recognized
Initial Franchise fees	Upon completion of pre-opening services	\$ 116,000
Marketing fees	Monthly, when job completed by franchisee	12,563
Population fees	Monthly, based on franchisee territory census	571,933
Royalty fees	Monthly, when job completed by franchisee	1,162,958
Other income		13,000
Total operating revenue		<u>\$ 1,876,454</u>

Receivables from contacts with customers are as follows:

Accounts Receivable	Beginning Balance	Ending Balance
Royalty	\$ 872,586	\$ 223,401
Marketing	373,964	-
Total	<u>\$ 1,246,550</u>	<u>\$ 223,401</u>

Note 4 – Property and Equipment

Property and equipment at December 31, 2021, consists of equipment with a cost of \$91,145 and accumulated depreciation of \$40,543. Depreciation expense for the current year is \$8,701. Depreciation is calculated on the straight-line basis using useful lives of 8 – 15 years.

Note 5 - Related Party Activity

Fees for services in the amount of \$312,000 were paid to family members of the owner of the company and are included in outside services expense.

1800Packouts Franchise, LLC
Notes to Financial Statements
December 31, 2021

Note 6 – Member Interests and Personal Liability

The Company has only one class of member interests.

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

Note 7 – Change in Accounting Principle

The adoption of ASC No. 2014-09, *Revenue Recognition (Topic 606), Revenue from Contracts with Customers* is considered to be a change in accounting principle and has been applied retroactively. However, management has determined that there is no significant effect on the prior year financial statement balances because all previous performance obligations had been satisfied prior to the revenue being recognized.

Note 8 - Subsequent Events and COVID-19 Pandemic

The COVID-19 pandemic developed rapidly in 2020 and continues, with a significant number of cases. Measures taken by various governments to contain the virus has affected economic activity. Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Company could experience negative results and liquidity restraints. The exact impact on the Company in the subsequent year cannot be predicted.

On February 1, 2022, the Company was sold to FS PEP Holdco, LLC.

Subsequent events have been evaluated through March 30, 2022, the date the financial statements were available to be issued.

CONSENT

Valenti, Rackley & Associates, LLC consents to the use in the Franchise Disclosure Document issued by 1800Packouts Franchise, LLC ("Franchisor"), with issuance date of April 15, 2022, of our report dated March 30, 2022, relating to the financial statements of Franchisor for the period ending December 31, 2021.

VALENTI, RACKLEY & ASSOCIATES, LLC

By: 

Name: Nicholas J. Valenti, Jr, CPA, CFP®

Title: Managing Member

1800Packouts Franchise, LLC

Audited Financial Statements

December 31, 2020

1800Packouts Franchise, LLC
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December 31, 2020

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Independent Auditor's Report

To the Member
1800Packouts Franchise, LLC
Ball Ground, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of 1800Packouts Franchise, LLC, which comprise the balance sheet as of December 31, 2020, 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.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1800Packouts Franchise, LLC as of December 31, 2020, 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.

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

April 8, 2021

1800Packouts Franchise, LLC
Balance Sheet
December 31, 2020

Assets

Current Assets

Cash \$ 120,933

Accounts Receivable 1,246,550

Prepaid Expenses 86,185

Total Current Assets 1,453,668

Property and Equipment, net 59,304

Other Assets

Organizational Cost 65,110

Total Assets \$ 1,578,082

Liabilities and Member's Equity

Liabilities \$ 139

Member's Equity 1,577,943

Total Liabilities and Member's Equity \$ 1,578,082

1800Packouts Franchise, LLC
Statement of Income and Member's Equity
For the Year Ended December 31, 2020

Revenue	\$ 2,204,757
Expenses	
Outside Services	610,000
Salaries & Wages	131,881
Advertising and Promotional	234,632
Professional Fees	185,256
Rent	99,000
Conferences and Tradeshow	93,330
Charitable Contributions	21,420
Bank Charges	20,110
Depreciation	8,701
Insurance	8,652
Computer and Internet	5,500
Other Expenses	7,548
Total Expenses	1,426,030
<hr/>	
Net Income from Operating	778,727
Other Income	2,000
Net Income	780,727
Member's Equity	
Beginning Member's Equity	1,866,821
Distributions to Member	(1,069,605)
Ending Member's Equity	\$ 1,577,943

See Accompanying Notes to Financial Statements

1800Packouts Franchise, LLC
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash Flows from Operating Activities	
Net Income	\$ 780,727
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,701
Change in Accounts Receivable	296,882
Change in Prepaid Expenses	(2,431)
Change in Accounts Payable	<u>(343)</u>
Total Adjustments	302,809
Net Cash Provided By Operating Activities	<u>1,083,536</u>
Cash Flows Used by Financing Activities	
Distributions to Member	<u>(1,069,605)</u>
Net Cash Used by Financing Activities	<u>(1,069,605)</u>
<hr style="border: 1px solid red;"/>	
Net Change in Cash	13,931
Cash, Beginning of Year	<u>107,002</u>
Cash, End of Year	<u>\$ 120,933</u>

1800Packouts Franchise, LLC
Notes to Financial Statements
December 31, 2020

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

1800Packouts Franchise, LLC, ("the Company"), a Georgia limited liability company, is a franchisor of contents restoration, packaging, cleaning, and climate-controlled storage businesses under the service mark "1-800-PACKOUTS".

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 is 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 10 years.

1800Packouts Franchise, LLC
Notes to Financial Statements
December 31, 2020

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, with consent of its members, has elected under the Internal Revenue Code to be taxed as an S-Corporation as of January 1, 2018. In lieu of Company level income taxes, the members of the Company are taxed on their proportionate share of the Company's taxable income.

1800Packouts Franchise, LLC
Notes to Financial Statements
December 31, 2020

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>
Operating Account	\$ 89,844	\$ 91,248
Marketing Fees Account	5,231	48,503
Population Fees Account	2,732	465,385
Royalty Fees Account	21,126	1,401,126
Wire Account	1,000	1,000
Triple A Account	1,000	2,298
Total Cash	<u>\$120,933</u>	<u>\$2,009,560</u>

Cash in the amount of \$120,933 is covered by federal depository insurance.

Note 3 – Revenue

Revenue consists of the following:

Initial Franchise Fees	\$ 55,100
Marketing Fees	287,463
Population Fees	536,098
Royalty Fees	<u>1,326,096</u>
Total Operating Fees	<u>\$ 2,204,757</u>
Other income - SBA EIDL Advance	<u>\$ 2,000</u>

Note 4 – Property and Equipment

Property and equipment at December 31, 2020, consists of equipment with a cost of \$91,145 and accumulated depreciation of \$31,841. Depreciation expense for the current year is \$8,701. Depreciation is calculated on the straight-line basis using useful lives of 8 – 15 years.

Note 5 - Related Party Activity

Fees for services in the amount of \$610,000 were paid to family members of the owner of the company and are included in outside services expense.

1800Packouts Franchise, LLC
Notes to Financial Statements
December 31, 2020

Note 6 – Member Interests and Personal Liability

The Company has only one class of member interests.

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

Note 7 - Subsequent Events and COVID-19 Pandemic

Subsequent events have been evaluated through April 8, 2021, the date the financial statements were available to be issued.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus has affected economic activity. Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Company could experience negative results and liquidity restraints. The exact impact on the Company in the subsequent year cannot be predicted.

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FRANCHISE DISCLOSURE DOCUMENT
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EXHIBIT F
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 Financial Protection and Innovation Department of Financial Protection and Innovation 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 Secretary of State 99 Washington Avenue Albany, New York 12231 (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 Clerk of the State Corporation Commission, Registered Agent 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</p> <p>PO Box 9033 Olympia, Washington 98507 (360) 902-8760</p>
<p>SOUTH DAKOTA Department of Labor and Regulation Securities Regulation Office 445 E. Capitol Avenue Pierre, South Dakota 57501-3185 (605) 773-4823</p>	<p>WISCONSIN Office of the Commissioner of Securities 345 West Washington Avenue, Fourth Floor Madison, Wisconsin 53703 (608) 261-9555</p>

EXHIBIT G
TO THE
FRANCHISE DISCLOSURE DOCUMENT
CURRENT AND FORMER FRANCHISEES

Current Franchisees as of December 31, 2023

State	City	Name	Address	Zip Code	Phone Number
AZ	Phoenix	Gavilanes, David	215 E McKinley St Ste 404	85004	N/A
AZ	Scottsdale	Hoffman, Ashley	6241 E. Calle del Norte	85251	(480) 818-1448
CA	Fontana	Benson, Brandt	15340 Rochelle St	92336	(909) 251-7737
CA	Glendale	Boyadjian, Amy	2054 Erin Way	91206	N/A
CA	Irvine	Esla, Tony	3 Oldfield #200	92618	(877) 722-5543
CA	Lodi	Neadeau, Britnie	249 Landmark Ln	95242	(209) 688-2537
CA	San Diego	Sugiura, Olivia	7949 Stromesa Ct	92126	(209) 676-0721
CA	San Diego	Tyler, Todd	7949 Stromesa Ct	92126	(209) 676-0721
CA	San Dimas	Petrov, John	464 S Cataract Ave a	91773	(951) 212-0243
CA	San Dimas	Petrov, Michelle	464 S Cataract Ave a	91773	(951) 212-0243
CA	Simi Valley	Gilbert, Joe	2379 Avenida Simi	93063	N/A
CA	Sun Valley	Chavoinik, Ayal	11668 Tuxford St.	91352	(818) 590-5723
CA	Upland	Benson, Michael	1686 N palm Avenue	91784	(909) 251-7737
CA	Valencia	Cosley, Michael	26074 Ave Hall, Ste 10	91355	(661) 481-3838
CA	Valencia	McDiffett, Brian	26074 Ave Hall Unit 10	91355	(661) 481-3838
CO	Centennial	Billera, Charles	6321 S. Andes Place	80016	(720) 205-2049
CO	Fort Collins	Shaw, Kevin	415 S. Howes St. N-701	80521	(303) 885-7944
CO	Fort Collins	Gippert, Laura	415 S. Howes St. N-701	80521	(978) 222-8026
FL	Bradenton	Forsyth, Rachel	616 147th Ct NE	34212	(940) 368-5507
FL	Fort Myers	Licursi, Zachary	14459 Metro Parkway Unit 205	33913	(239) 900-4417
FL	lake Wales	Croley, Daniel	1702 parks lake rd	33898	(352) 283-0471
GA	Jasper	Miller, Jeff	616 North Main Street	30143	(706) 253-9075

[EXHIBIT F] ~~1-800-Packouts~~ Franchise 1-800-Packouts

GA	Jasper	Looper, Ben	616 North Main Street	30143	(706) 253-9075
GA	Jasper	Parker, Bart	616 North Main Street	30143	(706) 253-9075
GA	Jasper	Sears, Kyle	616 North Main Street	30143	(706) 253-9075
IA	Des Moines	Aschoff, James	2201 E. 17th Street	50316	(515) 478-8129
IA	Des Moines	Hambly, Brant	2201 E. 17th Street	50316	(515) 478-8129
IA	Waterloo	Hambly, Daniel	9108 Hammond Ave	50701	(515) 478-8129
IA	Waterloo	Hambly, Milton	8522 Hammond Ave	50701	(515) 478-8129
IL	Batavia	Corvino, Phillip	1180 Douglas Rd	60510	(630) 686-5553
IL	Batavia	Corvino, Bob	1180 Douglas Rd	60510	(630) 686-5553
MA	North Falmouth	Celia, Angela	95 Glen Ave.	2556	(508) 353-3040
MA	North Falmouth	Celia, Joseph	95 Glen Ave.	2556	(508) 353-3040
MI	TROY	Marion, Russell	500 ROBBINS DR	48083	(810) 444-8315
MN	Hutchinson	Vesely, Matthew	536 Hassan St.	55350	(320) 221-4656
MS	Canton	Ray, Paige	757 N Old Canton Rd	39046	(850) 816-5000
MS	Canton	Ray, Morgan	757 N Old Canton Rd	39046	(850) 816-5000
NC	Statesville	Rogers, Kelly	1860 Weinig Street	28625	(980) 223-2072
NC	Statesville	Halter, Casey	1860 Weinig Street	28625	(980) 223-2072
NC	Statesville	Halter, Barry	1860 Weinig Street	28625	(980) 223-2072
NC	Statesville	Rogers, Thomas	1860 Weinig Street	28625	(980) 223-2072
NC	Statesville	Rogers, Chris	1860 Weinig St	28677	(980) 223-2072
NV	Las Vegas	Looney, Dwight	272 dog leg dr.	89148	(317) 938-8992
NY	New York	Elliott, Andrew	146th St. Apt 1A	10031	(501) 247-3306
OH	Cincinnati	Fields, Curtis	1021 Shayler Rd	45245	N/A
OH	Findlay	Granger, Aaron	10471 Still Meadows Ct	45840	(419) 348-5881
OH	Mason	Weeks, Wade	9685 Old Stable Ct	45215	(513) 722-5688
OH	Milford	Hensley, Larry	575 Round Bottom Rd	45150	N/A
OK	Edmond	Baldwin, Bryan	9852 W. Charter Oak Rd.	73025	(832) 334-6243

[EXHIBIT F] ~~1800Packouts~~ — ~~Franchise~~ 1-800-Packouts

OR	Tualatin	Smiley, Charlie	22020 SW Mandan Dr	97062	(971) 570-0530
PA	Holland	McBride, Keith	43 Martin Drive	18966	(215) 385-2018
SC	Cayce	Lewis, Van	1149 Walter price rd	29033	(803) 550-9988
TN	Fairview	Webb, Brandon	7103 Cardinal lane	37174	(615) 380-7070
TN	Spring Hill	Webb, Berrian	1001 St Hubbins Dr	37174	(615) 380-7070
TN	Thompson's Station	Webb, Benjamin	2305 Vintage Tollgate Dr	37179	(615) 484-9811
TX	Arlington	Otto, Tyler	2107 Scenic Bay Dr	76013	(817) 290-2020
TX	Arlington	Otto, John	3609 Benfield Place	76016	(817) 290-2020
TX	Bastrop	Vickers, Justin	148 Upola Ct	78602	(737) 348-9851
TX	Friendswood	McAnelly, James	1008 Myrtlewood Drive	77545	(281) 908-6252
TX	Friendswood	McAnelly, Kristin	1008 Myrtlewood Drive	77545	(281) 908-6252
TX	Irving	Patel, Chirayu	3908 wind cave bnd	75063	(214) 773-1988
TX	Spring	Getty, Tom	18 Wrens Song PL	77382	(936) 444-6426
TX	Sptings	Strain, Jodie	18 Wrens Song PL	77382	(832) 704-2273
UT	Eagle Mountain	Monson, Candice	3023 E Sunset Dr	84005	(801) 602-5314
UT	Eagle Mountain	Monson, Tyson	3023 E Sunset Dr	84005	(801) 310-3068
VA	Alexandria	Patton, Chris	950 S Pickett St.	22304	N/A
VA	Norfolk	Collier, David	3501 E. Princess Anne Rd.	23502	(757) 774-8000
VA	Virginia Beach	Shedlock, Jason	414 S Parliament Dr	23462	(757) 774-8000
WI	Cedarburg	Steffen, Kimberly	N119W5776 James Circle	53012	(262) 705-5530
WI	Cedarburg	Steffen, Thad	N119W5776 James Cir	53012	(262) 705-5530

* = Franchisee who had signed a franchise agreement by 12/31/2023, but had not yet opened

Closed Outlets in 2023:

State	City	Name	Address	Zip Code	Phone Number
OK	Edmond	Pate, Anthony	14709 Bristol Park Blvd	73013	(918) 505-5745
OK	Edmond	Bleything, Jeff	14709 Bristol Park Blvd	73013	(918) 505-5745
OK	Edmond	Bleything, Tim	14709 Bristol Park Blvd	73013	(918) 505-5745
OK	Edmonton	Rice, Michael	14709 Bristol Park Blvd	73013	(918) 505-5745
IN	Fishers	Slaymon, Brian	10141 Lauren Pass	46037	(317) 288-4962

EXHIBIT H
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 ~~1800Packouts Franchise~~ 1-800-Packouts Holdco, 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.) This Release does not apply to claims arising under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, or the rules adopted thereunder.

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 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: _____

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	

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 12, 2023~~ of March 31, 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 ~~1800Packouts Franchise~~ 1-800-Packouts Holdco, 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 ~~1800Packouts Franchise~~ 1-800-Packouts Holdco, 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 ~~761 W. 1200 N. 761 W. 1200 N., Ste 300~~, Springville, Utah 84663, 1-800-722-5688 (check all that have been involved in the sales process):

		Stefan Figley	
--	--	---------------	--

~~1800Packouts Franchise~~ 1-800-Packouts Holdco, LLC's agents authorized to receive service of process are set forth on Exhibit E.

Issuance date: ~~April 10, 2024~~ April 30, 2025

I, personally, and as a duly authorized officer of the prospective franchisee (if the franchisee is an Entity), hereby acknowledge receipt from ~~1800Packouts Franchise~~ 1-800-Packouts Holdco, LLC of the Franchise Disclosure Document (to which this Receipt is attached) dated ~~April 10, 2024~~ April 30, 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; and G. General Release.

Signature (individually and as an officer)

Date Disclosure Document Received

Print Name

RETAIN FOR YOUR RECORDS

LLC

~~1800Packouts Franchise~~ 1-800-Packouts Holdco,

Franchise Disclosure Document (20254)

RECEIPT

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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; and G. General Release.

Signature (individually and as an officer)

Date Disclosure Document Received

Print Name

TO BE RETURNED TO:
~~1800Packouts Franchise~~ 1-800-Packouts Holdco,
~~761 W. 1200 N. 761 W. 1200 N., Ste 300~~
Springville, Utah 846633

Print Franchisee’s Name (if an Entity)