

FRANCHISE DISCLOSURE DOCUMENT



BLUEFROG PLUMBING AND DRAIN, LLC

Delaware Limited Liability Company

2929 Carlisle St., Suite 100

Dallas, Texas 75204

(800) 933-0803

info@bluefrogplumbing.com

www.bluefrogplumbing.com

We offer franchises for businesses plumbing services, drain cleaning services, water and gas leak detection and repair services, and water heater, water softener, water filtration system services and related products and services under the name “BLUEFROG PLUMBING + DRAIN®”. The total investment necessary to begin operation of a standard franchise ranges from ~~\$145,351~~\$144,498 to ~~\$352,251~~\$345,648. This includes ~~\$65,049~~\$63,299 to ~~\$95,049~~\$72,549 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a conversion franchise ranges from ~~\$51,951~~\$52,848 to ~~\$164,851~~\$158,248. This includes \$27,649 to ~~\$42,649~~\$35,149 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of an add-on micro territory franchise ranges from \$15,346 to \$129,096. This includes \$11,649 to \$45,399 that must be paid to the franchisor or 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 Jessica Wescott, 2929 Carlisle St., Suite 100, Dallas, Texas 75204, (800) 933-0803.

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.

Date of Issuance: April ~~25, 2024; as amended December 20, 2024~~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?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only BLUEFROG PLUMBING + DRAIN business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a BLUEFROG PLUMBING + DRAIN franchisee?	Exhibit F 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, which requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

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

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 requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Texas. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Texas than in your own state.
2. **Minimum Payments.** You must make minimum royalty and advertising payments regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **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.

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.

- (a) A prohibition against you joining an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which would deprive you of rights and protections provided under the Michigan Franchise Investment Law. This does not preclude you, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits the franchisor to terminate your franchise prior to the expiration of its term except for good cause. Good cause includes your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits the franchisor to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration, of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to 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 provision applies only if:
 - (i) The term of the franchise is less than five years; and
 - (ii) You are prohibited by the Franchise Agreement 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 if you do not receive at least six months advance notice of the franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew the franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This provision does not require a renewal provision in the Franchise Agreement or other agreement.
- (f) A provision requiring that arbitration or litigation be conducted outside of Michigan. This does not preclude you from entering into an agreement, at the time of the arbitration, to conduct arbitration at a location outside of Michigan.
- (g) A provision that permits the franchisor to refuse to permit a transfer of ownership of the franchise, except for good cause. This provision does not prevent the franchisor from exercising its right of first refusal to purchase the franchise. Good cause includes, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor.

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

(iv) 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 you to resell to the franchisor items that are not uniquely identified with the franchisor. This does not prohibit a provision that grants the 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 it 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 you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in (c), above.

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to you 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, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations 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 ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
Telephone Number: (517) 373-7117

Note: We believe that paragraph (f) is preempted by federal law and cannot preclude us from enforcing these arbitration ~~provisions~~[section in the franchise agreement](#). We will seek to enforce this section as written.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

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

To simplify the language in this disclosure document (“Disclosure Document”), the words “we,” “our,” and/or “us” refer to BlueFrog Plumbing and Drain, LLC, the franchisor. “You” and “your” refer to the person who buys the franchise, the franchisee, whether you are a corporation, limited liability company, or other business entity. If you are a corporation, limited liability company or other business entity, certain provisions of this Disclosure Document also apply to your owners where noted.

The Franchisor

We are a Delaware limited liability company. Our principal business address is 2929 Carlisle St., Suite 100, Dallas, Texas 75204 and our principal phone number is (800) 933-0803. We conduct business under our corporate name and the name “BLUEFROG PLUMBING + DRAIN®.” Our agents for service of process are disclosed in Exhibit A. We have been offering BLUEFROG PLUMBING + DRAIN® franchises since January 2014. We have never offered franchises in any other line of business. We do not engage in any other business activities, and we have never operated a business of the type being franchised.

Parents, Predecessors and Affiliates

We are a wholly owned subsidiary of Stellar Brands, LLC, which shares our principal business address. Our parents ~~is majority owned by~~ are Stellar Brands Holdings, LLC, RH1 Investments, LLC, ~~which is in turn managed by~~ MPK RH1, LLC, which is in turn managed by and MPK Equity Partners, LLC, each of which has the principal business address of 3000 Turtle Creek Blvd., Dallas, Texas 75219.

We have the following affiliates that offer franchises:

Restoration 1 Franchise Holding, LLC offers franchises for businesses providing residential and commercial water, fire, smoke, and mold restoration services with additional services such as cleaning, drying, and reconstruction and repair under the name “Restoration 1®”. Restoration 1 Franchise Holding, LLC began offering franchises in April 2020 and as of December 31, ~~2023, 296~~ 2024, 298 franchised Restoration 1 businesses were in operation. Restoration 1 Franchise Holding, LLC shares our principal business address.

Softroc Global LLC offers franchises for businesses providing installation, cleaning, maintenance and repair of rubber safety surfacing under the name “Softroc®.” Some Softroc® businesses may also offer a product line of driveway construction and repair services using the name “The Driveway Company®.” Softroc Global LLC began offering franchises in 2021 and as of December 31, ~~2023~~ 2024, 30 franchised “Softroc®” businesses were in operation. Softroc Global LLC shares our principal business address.

TDC Franchising, LLC offered franchises for businesses providing driveway construction and repair services under the name “The Driveway Company®” from 2019 to April 2023. TDC Franchising LLC no longer offers new franchises under the “The Driveway Company®” name, but as of December 31, ~~2023~~ 2024, ~~16~~ 11 existing franchised “The Driveway Company®” businesses remained in operation. As described above, Softroc® franchisees may offer a “The Driveway Company” product line as part of their Softroc® business. TDC Franchising, LLC shares our principal business address.

PatchMaster Franchise LLC offers franchises for businesses providing wall surface repair and related services under the name “PatchMaster®”. PatchMaster Franchise LLC began

offering franchises in April 2022, and as of December 31, ~~2023, 91~~[2024, 130](#) franchised “PatchMaster®” businesses were in operation. PatchMaster Franchise LLC has the principal business address of 57 Main Street, Chester, NJ 07930.

Zoom Drain Franchise LLC offers franchises for businesses providing drain cleaning and sewer inspections, maintenance, repair, grease trap and septic services, and related products and services under the name “ZOOM DRAIN®”. Zoom Drain Franchise LLC began offering franchises in February 2021, and as of December 31, ~~2023, 126~~[2024, 177](#) franchised “ZOOM DRAIN®” businesses were in operation. Zoom Drain Franchise LLC has the principal business address of 500 Davis Drive, Plymouth Meeting, Pennsylvania 19462.

None of the parents, predecessors, or affiliates described above have owned, operated, or offered franchises for BlueFrog Businesses. Other than as listed above, neither we nor any of our affiliates offers franchises for any other concept, or offers or sells products or services to our franchisees.

The Franchised Business

We franchise the right to develop, own, and operate a business offering plumbing services, drain cleaning services, water and gas leak detection and repair services, water heater, water softener, and water filtration system services, and other products and services we authorize (each a “BlueFrog Business”). BlueFrog Businesses operate under the name “BLUEFROG PLUMBING + DRAIN®” and such other trademarks, service marks, graphics, trade names, trade dress, slogans, and other commercial symbols as we may approve (collectively, the “Marks”). BlueFrog Businesses have distinctive and proprietary business systems, methods, designs, layouts, standards, and specifications, all of which we may improve, substitute, further develop, or otherwise modify periodically (together, the “System”). We call the BlueFrog Business that you will operate “your Franchised Business.” You must comply with all of the standards, specifications, operating procedures, and rules that we periodically prescribe as mandatory for operating BlueFrog Businesses generally, or your Franchised Business specifically (“System Standards”).

You must sign a Franchise Agreement with us to obtain the franchise for a BlueFrog Business. Our current form of Franchise Agreement is attached as Exhibit B-1 to this Disclosure Document. Your Franchise Agreement will identify the location from which you will operate your Franchised Business (your “Franchised Business Office”). The service tools and equipment for your Franchised Business may not be stored at ~~the~~ any location other than the Franchised Business Office, unless you notify us that you have identified off-site storage that satisfies our System Standards. The Franchise Agreement will also identify a territory in which you may conduct marketing, advertising, and promotional activities for your Franchised Business (your “Market Territory”). The standard Market Territory for a BlueFrog Business will be 400,000 to 500,000 in population. We may offer a franchise for a micro Market Territory of 75,000 to 300,000 if you are an existing franchisee and the new micro Market Territory is contiguous with your existing Market Territory.

Market and Competition

The plumbing products and services business is well established and competitive. Your competition will include national, regional, and local plumbing businesses, independent contractors, and large national home centers and retailers. Your competition may also include other BlueFrog Businesses operated by us, our affiliates, or our franchisees, which may perform services in your Market Territory.

Industry-Specific Laws and Regulations

In addition to laws that affect businesses generally, BlueFrog Businesses are subject to federal, state, and local laws and ordinances specifically applicable to plumbing businesses, including master and journeyman plumber requirements. In addition, you may need to comply with federal, state and/or

local laws and regulations governing: property improvements; employee health and safety; and environmental protection, such as laws regulating disposal of wastewater and hazardous chemicals and waste. You are solely responsible for investigating and complying with all applicable federal, state, county, and city laws and regulations with regard to your Franchised Business.

**ITEM 2
BUSINESS EXPERIENCE**

Jessica Wescott: Chief Executive Officer

Ms. Wescott currently serves as our Chief Executive Officer. During the prior 5 years, she has held the following positions:

Entity	Title	Location	Period of Time
BlueFrog Plumbing and Drain, LLC	Chief Executive Officer	Dallas, TX	Oct 2024 to present
	Chief Financial Officer and Chief Operating Officer	Dallas, TX	Jun 2022 to Oct 2024
Restoration 1 Franchise Holding, LLC	Chief Executive Officer	Dallas, TX	Oct 2024 to present
	Chief Financial Officer and Chief Operating Officer	Dallas, TX	Jun 2022 to Oct 2024
TDC Franchising, LLC	Chief Executive Officer	Dallas, TX	Oct 2024 to present
	Chief Financial Officer and Chief Operating Officer	Dallas, TX	Jun 2022 to Oct 2024
Softroc Global, LLC	Chief Executive Officer	Dallas, TX	Oct 2024 to present
	Chief Financial Officer and Chief Operating Officer	Dallas, TX	Jun 2022 to Oct 2024
Stellar Brands, LLC	Chief Executive Officer	Dallas, TX	Oct 2024 to present
	Chief Financial Officer and Chief Operating Officer	Dallas, TX	Jun 2022 to Oct 2024
Johnson & Sekin, LLC	Chief Financial Officer	Dallas, TX	Jan 2022 to May 2022
Not Employed	N/A	N/A	Oct 2021 to Dec 2021
Fuzzy's Taco Opportunities, LLC	Chief Financial Officer & Chief Operating Officer	Irving, TX	Oct 2020 to Sep 2021
	Chief Financial Officer	Irving, TX	Jul 2019 to Oct 2020

Courtney Harmon – President

Ms. Harmon currently serves as our President. During the prior 5 years, she has held the following positions:

Entity	Title	Location	Period of Time
BlueFrog Plumbing + Drain, LLC	President	Dallas, TX	May 2023 to present
Softroc Global, LLC	President	Dallas, TX	Apr 2021 to present
TDC Franchising, LLC	President	Dallas, TX	Jan 2021 to present
	VP of Operations	Waco, TX	Jul 2019 to Jan 2021
AIP	President & Owner	Waco, TX	Jun 2015 to Dec 2019

<u>Entity</u>	<u>Title</u>	<u>Location</u>	<u>Period of Time</u>
WTBK3, LLC	Owner	Lorena, TX	Dec 2019 to present

Zach Munroe – Vice President of Franchise Development

Mr. Munroe currently serves as our Vice President of Franchise Development. During the prior 5 years, he has held the following positions:

<u>Entity</u>	<u>Title</u>	<u>Location</u>	<u>Period of Time</u>
<u>BlueFrog Plumbing and Drain, LLC</u>	<u>Vice President of Franchise Development</u>	<u>Dallas, TX</u>	<u>Feb 2025 to present</u>
<u>TDC Franchising, LLC</u>	<u>Vice President of Franchise Development</u>	<u>Dallas, TX</u>	<u>Feb 2025 to present</u>
<u>Softroc Global, LLC</u>	<u>Vice President of Franchise Development</u>	<u>Dallas, TX</u>	<u>Feb 2025 to present</u>
<u>Restoration 1 Franchise Holding, LLC</u>	<u>Vice President of Franchise Development</u>	<u>Dallas, TX</u>	<u>Feb 2025 to present</u>
<u>Stellar Brands, LLC</u>	<u>Vice President of Franchise Development</u>	<u>Dallas, TX</u>	<u>Feb 2025 to present</u>
<u>Head To Toe Brands</u>	<u>VP of Development</u>	<u>Dallas, TX</u>	<u>June 2024 to Feb 2025</u>
<u>SVN International Corp</u>	<u>VP of Growth</u>	<u>Boston, MA</u>	<u>Jan 2023 to June 2024</u>
	<u>Director of Sales</u>	<u>Boston, MA</u>	<u>Nov 2020 to Jan 2023</u>

Amanda Evans – Senior Vice President of Marketing

Ms. Evans currently serves as our Senior Vice President of Marketing. During the prior 5 years, she has held the following positions:

<u>Entity</u>	<u>Title</u>	<u>Location</u>	<u>Period of Time</u>
<u>BlueFrog Plumbing and Drain, LLC</u>	<u>Senior Vice President of Marketing</u>	<u>Dallas, TX</u>	<u>Feb 2025 to present</u>
	<u>Vice President of Marketing</u>	<u>Dallas, TX</u>	<u>Nov 2023 to Feb 2025</u>
<u>TDC Franchising, LLC</u>	<u>Senior Vice President of Marketing</u>	<u>Dallas, TX</u>	<u>Feb 2025 to present</u>
	<u>Vice President of Marketing</u>	<u>Dallas, TX</u>	<u>Nov 2023 to Feb 2025</u>
<u>Softroc Global, LLC</u>	<u>Senior Vice President of Marketing</u>	<u>Dallas, TX</u>	<u>Feb 2025 to present</u>
	<u>Vice President of Marketing</u>	<u>Dallas, TX</u>	<u>Nov 2023 to Feb 2025</u>
<u>Restoration 1 Franchise Holding, LLC</u>	<u>Senior Vice President of Marketing</u>	<u>Dallas, TX</u>	<u>Feb 2025 to present</u>

<u>Entity</u>	<u>Title</u>	<u>Location</u>	<u>Period of Time</u>
	<u>Vice President of Marketing</u>	<u>Dallas, TX</u>	<u>Nov 2023 to Feb 2025</u>
<u>Stellar Brands, LLC</u>	<u>Senior Vice President of Marketing</u>	<u>Dallas, TX</u>	<u>Feb 2025 to present</u>
	<u>Vice President of Marketing</u>	<u>Dallas, TX</u>	<u>Nov 2023 to Feb 2025</u>
<u>Pool Scouts</u>	<u>Franchise Owner</u>	<u>Collierville, TN</u>	<u>Dec 2021 to June 2024</u>
<u>Self</u>	<u>Consultant</u>	<u>Collierville, TN</u>	<u>June 2022 to Nov 2023</u>
<u>Nationwide Marketing Group</u>	<u>VP, Shopper Marketing</u>	<u>Winston-Salem, NC</u>	<u>April 2021 to May 2022</u>
	<u>Dir, Shopper Marketing</u>	<u>Winston-Salem, NC</u>	<u>Jan 2018 to April 2021</u>

**ITEM 3
LITIGATION**

Commonwealth of Virginia, ex rel. State Corporation Commission v. Restoration 1 Franchise Holding, LLC and Andor Kovacs, (Case No. SEC-2014-00028). On July 16, 2014, our affiliate Restoration 1 Franchise Holding LLC entered into a Settlement Order with the Virginia State Corporation Commission based upon the allegation that it offered and sold a “Restoration 1®” franchise in Virginia after its Virginia registration had lapsed. Restoration 1 Franchise Holding LLC neither admitted nor denied the allegations but nonetheless agreed to the terms of the Settlement Order whereby it paid \$1,000 to defray the costs of investigation to the State of Virginia, agreed to attend franchise sales compliance training, and agreed to never again violate the Virginia Retail Franchise Act in the future.

Except for the 1 action listed above, no other litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

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

**ITEM 5
INITIAL FEES**

Franchise Fee

You must pay us an initial franchise fee when you sign the Franchise Agreement (the “Franchise Fee”). The amount of the Franchise Fee for a standard franchise is \$59,900, plus an additional ~~\$0.120.15~~ multiplied by the population in your Market Territory in excess of ~~250,000~~450,000. If you are converting an existing plumbing business to a BlueFrog Business, the Franchise Fee is reduced to \$22,500, plus an additional ~~\$0.060.15~~ multiplied by the population in your Market Territory in excess of ~~250,000~~450,000. Most Market Territories have between ~~250,000~~400,000 and 500,000 people, resulting in Franchise Fees ranging from \$59,900 to ~~\$89,900~~67,400 for a standard franchise, and \$22,500 to ~~\$37,500~~30,000 for a conversion franchise. The Franchise Fee is deemed fully earned when paid and is non-refundable under any circumstances. In the last fiscal year, we charged a reduced Franchise Fee of ~~\$22,950~~19,185 to a franchisee as a result of a negotiated transaction.

Current Franchisee Discount

If you purchase more than one standard BlueFrog Business at the same time, or if you purchase additional standard BlueFrog Businesses within 2 years of purchasing your first standard BlueFrog Business, you are eligible to receive a discount on the Franchise Fee for the additional BlueFrog Businesses, as follows: (i) \$49,900 for the second franchise; and (ii) \$39,900 for the third or subsequent franchise, in each case, plus an additional ~~\$0.12~~\$0.15 multiplied by the population in your Market Territory in excess of ~~250,000~~450,000.

Micro Territory Discount

If you are an existing franchisee and wish to acquire an additional franchise for a micro territory the Franchise Fee will be \$0.15 per person in population. Most micro territories will be between 75,000 and 300,000 in population, resulting in a Franchise Fee of \$11,250 to \$45,000. We only offer micro territories as an add-on to an existing and contiguous standard Market Territory.

Veterans Discount

We ~~currently~~ offer a discounted Franchise Fee to qualifying veterans who have received an honorable discharge from any branch of the United States military before applying to become a franchisee. The veteran's discount is ~~\$7,000~~\$9,000 off the Franchise Fee for a standard franchise, or \$3,000 for a conversion franchise. The discount is only available for the first BlueFrog Business purchased. If the franchisee is a corporation, limited liability company, or other legal entity, the veteran participant must maintain at least a 51% ownership interest in the entity to qualify for this discount. To apply for the veteran's discount, you must provide us a copy of your active-duty ID or form DD-214 reflecting your military status before the Franchise Agreement is signed.

Combination of Discounts

Discounts may not be combined. Any questions about discounts, including questions about the order in which discounts may be applied, will be resolved by us.

Training Fee

You must pay us a training fee of \$3,000 prior to the start of the Training Program. The training fee is uniformly imposed and non-refundable under any circumstances.

Point-of-Sale System

If ~~Y~~you are a conversion franchisee, or if you are an existing franchisee purchasing an existing BlueFrog Business and wish to operate your BlueFrog Businesses under one point-of sale system, you must obtain a point-of-sale system and associated license rights from our designated vendor. We will invoice you for that amount and remit it to the vendor on your behalf (currently, \$1,750). These amounts are deemed fully earned when paid and are non-refundable under any circumstances.

Technology Fee

You must pay us a monthly Technology Fee (defined in Item 6). You must pay the first monthly installment of the Technology Fee (currently, \$399 / month) when your website and digital channels are set-up, which will be before you open. The Technology Fee is not refundable under any circumstances.

ITEM 6 OTHER FEES

Type of Fee	Amount	Due Date	Remarks ^{1, 2}
Royalty Fee	Greater of Percentage-Based Royalty Fee or Minimum Royalty Fee	Monthly	See Notes 3 and 4
Technology Fee	\$399 / month (subject to change)	Monthly	You must pay our then-current fee for certain technology-related services, which is subject to change (the "Technology Fee"). We also have the right to pay master vendors on your behalf and invoice you for those amounts. Subject to change up to <u>We may modify the amount of the Technology Fee and the method or timing for payment at any time; provided, the Technology Fee will not increase by more than 15% per year on a compounding basis, unless our direct costs are in excess of that amount, in which case not more than our direct costs at the time of such increase. If you operate multiple Market Territories, the Technology Fee is charged per Market Territory.</u>
Additional User Accounts	\$10 to \$25 / month / user (subject to change)	Monthly	Our monthly Technology Fee is based on a certain number of user accounts for certain software, and we may charge additional fees if you request additional user accounts. Currently, we charge \$25 per month for each additional user for certain software, and \$10 per month per email address if you want more than 10 <u>5</u> branded email addresses. This amount is subject to change based on our direct costs.
Brand Fund Contribution	Greater of Percentage-Based Brand Fund Contribution or Minimum Brand Fund Contribution	Monthly	See Notes 3 and 5 Paid to us as your Brand Fund Contribution (as defined in Item 11).
Local Advertising Expenditure ³	Not currently charged (subject to change up to 2% of Invoiced Gross Revenue)	Monthly	You must spend this amount on local advertising in your Market Territory (your "Local Advertising Expenditure"). We may require you to pay part or all of the Local Advertising Expenditure to the Brand Fund, in addition to the Brand Fund Contribution <u>us or our designee for local marketing.</u>

Type of Fee	Amount	Due Date	Remarks ^{1,2}
Digital Marketing Fee	\$299 per month (but subject to change up to \$499 per month)	Monthly	You must pay this fee in addition to the other costs you incur for marketing. This fee will count towards your Local Advertising Expenditure.
Marketing in Another Market Territory	Greater of: (i) \$5,000 per incident, or (ii) 100% of the job value for any work obtained outside of your Market Territory	As incurred	Payable if you, your Owners, or affiliates, conduct any marketing, advertising, or promotional activities outside of your Market Territory.
Audit Expenses	All e Costs and expenses associated with of a Audit (estimated to be between \$1,500- \$5,000)	Upon demand <u>When invoiced</u>	Payable if any audit we conduct shows you have not spent the Local Advertising Expenditure, or if you underreported amounts you owe us by 3% or more.
Approval of Products or Suppliers	All costs and expenses associated with the evaluation (estimated to be between \$500 to \$1,000 per request)	Time of evaluation <u>Up on demand</u>	Payable if you request that we evaluate a new product or supplier.
Insurance Policies	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	Upon demand	Payable if you fail or refuse to obtain and maintain the insurance we specify and we elect to obtain coverage for you.
Service Warranties Remediation	Our cost of honoring any Service Warranty	Upon demand	Payable if you fail or refuse to honor Service Warranties offered to customers by your Franchised Business, and we elect to honor those Service Warranties on your behalf.
Service Warranty Deposit	Varies based on the amount of outstanding Service Warranties	Upon demand	We may require you to pay us a reasonable deposit, post a bond, or offer another form of financial assurance to us to support any Service Warranties offered by your Franchised Business. This amount would be refunded to you after expiration or termination of all Service Warranties offered by your Franchised Business, less any deductions arising if we have to honor any such Service Warranties on your behalf. We may hold these amounts after the termination or expiration of your Franchise Agreement until all Service Warranties have expired or are satisfied by you.
Transfer Fee	\$5,000	Upon demand	Payable to us if you request our approval of a transfer (transfer to a wholly-owned entity or upon death or disability does not incur this fee but you must reimburse our direct costs).

Type of Fee	Amount	Due Date	Remarks ^{1,2}
Renewal Fee	Our direct costs and expenses	Upon demand	Payable to us if you wish to acquire a successor franchise and we approve you for such franchise.
Additional Training Fee ⁶	\$1,000 per day per trainee, plus expenses (subject to change), <u>plus expenses</u>	Prior to training	You will pay us an additional training fee for any additional training we offer because: (1) we determine that any of your Key Personnel have not completed the Training Program to our satisfaction; (2) you appoint a new Designated Manager or your Designated Owner changes; (3) you are not performing to our System Standards; or (4) you request, and we agree, to provide any additional training, after the Training Program. This; or (5) we require additional training because you failed to attend our annual meeting. <u>The per day fee is subject to change up to 5% per year on a compounding basis.</u>
Conference Registration Fee	\$399 per person (subject to change up to \$1,000 per person)	Prior to conference	If you fail to attend any required conference, you must still pay the conference registration fee for the missed conference. We may waive this fee if you demonstrate good cause for your inability to attend.
National Account Dispatch and Claims Management Fees	No dispatch fees currently charged (subject to change) Claims management fee of 5% of the invoiced amount (subject to change)	At time of job	You must pay our then-current fees if you provide services for a National Account Clients (defined in Item 16). We will invoice and collect payment from the client, and remit to you your portion of the payment after deducting fees. Fees are subject to change up to \$75 / claim for dispatch fees and up to 15% of the invoiced amount for claims management fees.
Cost of Enforcement	All costs including reasonable attorneys' fees	Upon demand	You must reimburse us for all costs in enforcing obligations if we prevail.
Interest on Past Due Amounts	Lesser of 1.5% per month or the highest rate allowed by law	Upon demand	All amounts owed under the Franchise Agreement to us that are not received by us on the due date, will bear interest from the date payment is due to the date payment is received. You must also pay us for all costs we incur in the collection of any unpaid and past due amounts, including reasonable attorney fees.
<u>Vendor Cost Reimbursement</u>	<u>Reimbursement all amounts, plus our costs and expenses</u>	<u>Upon demand</u>	<u>We may periodically arrange with vendors to collect and pay fees centrally. If we do so, you may be required to pay us or our affiliates the fees for certain products and services offered and we will pay the vendor on your behalf.</u>
<u>Customer Refund</u>	<u>Reimbursement all amounts, plus our costs and expenses</u>	<u>Upon demand</u>	<u>Payable if you do not resolve a customer service complaint, and we determine a request for refund is reasonable, and we pay a refund to the customer to resolve the complaint.</u>
<u>Reimbursement for Taxes</u>	<u>Reimbursement all amounts, plus our costs and expenses</u>	<u>Upon demand</u>	<u>Payable if we are required to pay taxes on your behalf, such amounts we pay will be indemnified by you.</u>

Type of Fee	Amount	Due Date	Remarks ^{1,2}
Indemnification	All costs including reasonable attorneys' fees	Upon demand	You must reimburse us if we are held responsible for claims directly or indirectly arising out of your Franchised Business or your breach of the Franchise Agreement.
Interim Operations Fee	5% of Invoiced Gross Revenue <u>(subject to change)</u> , plus costs and expenses (subject to change)	Upon demand	You must pay our then-current fee Payable if we step-in to operate your Franchised Business on an interim basis if: <u>(1) you abandon or fail actively to operate your Franchised Business or for a period of more than 5 consecutive days; (2) after death or incapacity of you or any of your Owners; or (3) the Franchise Agreement expires or is terminated and we are transitioning your Franchised Business operations to us or another person we designate, or determining whether to do so.</u> Fee is subject to change up to \$1,000 per day.
<u>Final Payment</u>	<u>Uninvoiced Revenue multiplied by the combined rate of your Royalty Fee and Brand Fund Contribution as of the date of termination or expiration.</u>	<u>Within 5 business days following expiration or termination of the Franchise Agreement</u>	<u>Payable in lieu of continuing Royalty Fees and Brand Fund Contributions otherwise payable on Uninvoiced Revenue after the date of expiration or termination. "Uninvoiced Revenue" means any and all amounts which would constitute Invoiced Gross Revenue if an invoice had been issued by you for such work on or prior to the date of termination or expiration of the Franchise Agreement.</u>
Lost Revenue Damages	Will vary under circumstances	Within 15 business days of termination	If we terminate your Franchise Agreement because of your default (or if you terminate without cause), you must pay us the net present value of the Royalty Fees and Brand Fund Contributions that would have become due had the Franchise Agreement not been terminated, from the date of termination until the earlier of: (a) 2 years following the date of termination; or (b) the scheduled expiration of the term of the Franchise Agreement (based on the average monthly amount of your Royalty Fees and Brand Fund Contributions during the preceding <u>last</u> 12 months <u>of your regular operations</u> , or if you have been operating your Franchised Business for less than 12 months, on the average monthly Royalty Fees and Brand Fund Contributions of all BlueFrog Businesses during our previous fiscal year).

Notes to Item 6:

1. Except as described in this Item 6, all fees are imposed and collected by and payable to us, though we may transfer these rights to our affiliates. These fees are not refundable. Not all of our fees are uniformly imposed due to individually negotiated terms with certain franchisees. All amounts payable by you to us, or our affiliates must be in United States Dollars (\$USD).

2. You must pay all amounts due under the Franchise Agreement as we periodically prescribe. Currently, we require all payments to be made through an electronic funds transfer account (the "Transfer Account") that allows us to debit the Transfer Account for all amounts you owe us on their due dates or the next business day if the due date is a national holiday or a weekend

day. You must ensure that funds are available in the Transfer Account to cover our withdrawals. If you fail to report your Invoiced Gross Revenue when due, then for each payment under the Franchise Agreement calculated based on Invoiced Gross Revenue, we may debit the Transfer Account 110% of the average of the last three payments. If the amounts that we debit from your account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your Transfer Account on the next payment due date. We may require you to make payments through any other method at any time, and you must comply with our payment instructions. We may change the timing and intervals of your payments with 30 days prior notice to you.

3. “Invoiced Gross Revenue” means the aggregate invoiced sale price of all goods, products, labor, parts, merchandise, and services performed by or sold from your Franchised Business, including all proceeds from any business interruption insurance, and without deduction for any fees that we our any other vendor charges from ~~such~~ amounts, but excluding (a) all refunds actually made to customers in good faith; and (b) any sales and equivalent taxes that are collected by you for or on behalf of any governmental taxing authority and paid thereto. If any Invoiced Gross Revenue due to you (“~~Accounts Receivable~~”) remains outstanding for more than 1 year after the date of service, the amount of the Royalty Fee that you paid to us on the basis of such ~~A~~ccounts ~~R~~eceivable will be deducted from the subsequent Royalty Fee you owe us, in an amount not to exceed the original Invoiced Gross Revenue (excluding any late fees, interest, or other amounts accruing on the basis of the late payment).

4. The following table lists the applicable Minimum Royalty Fee and Percentage-Based Royalty Fee for both standard and conversion franchises. With no less than 30 days prior notice, we may increase the amount of the Minimum Royalty Fees in an amount not to exceed the aggregate rate of inflation established by the U.S. Bureau of Labor’s Consumer Price Index since the effective date of your Franchise Agreement, or such later date as we last adjusted the Minimum Royalty Fees.

Months After Opening	Percentage-Based Royalty Fee	Minimum Royalty Fee
Initial 6 full/partial months	Conversion: Sum of following amounts: (i) 3% of initial \$150,000 in monthly Invoiced Gross Revenue; (ii) 2.5% of monthly Invoiced Gross Revenue between \$150,000 and \$300,000; and (iii) 2% of monthly Invoiced Gross Revenue above \$300,000	\$500
	Standard: Sum of following amounts: (i) 6% of initial \$150,000 in monthly Invoiced Gross Revenue; (ii) 5% of monthly Invoiced Gross Revenue between \$150,000 and \$300,000; and (iii) 4% of monthly Invoiced Gross Revenue above \$300,000	
7 th through 12 th month	6% of monthly Invoiced Gross Revenue	\$1,000
13 th month through remainder of term	6% of monthly Invoiced Gross Revenue	\$1,500

5. The following table lists the applicable Minimum Brand Fund Contribution and Percentage-Based Brand Fund Contribution. With no less than 30 days prior notice, we may increase the amount of the Minimum Brand Fund Contribution in an amount not to exceed the aggregate rate

of inflation established by the U.S. Bureau of Labor’s Consumer Price Index since the effective date of your Franchise Agreement, or such later date as we last adjusted the Minimum Brand Fund Contribution.

Months After Opening	Percentage-Based Brand Fund Contribution	Minimum Brand Fund Contribution
Initial 6 full/partial months	2% of monthly Invoiced Gross Revenue	\$150
7 th through 12 th month	2% of monthly Invoiced Gross Revenue	\$300
13 th month through remainder of term	2% of monthly Invoiced Gross Revenue	\$450

6. You must pay all travel and living expenses (including wages, transportation, food, lodging and workers’ compensation) incurred by you and your Key Personnel or any other person incurs during any and all meetings and/or training courses and programs. You must also pay all travel and living expenses (including transportation, food, and lodging) incurred by any of our trainers or staff we send to your Franchised Business to provide training courses or programs.

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT
[STANDARD MARKET TERRITORY ¹](#)

Type of Expenditure ¹²	Amount (Non-Conversion)		Amount (Conversion)		Method of Payment	When Due	To Whom Payment Is To Be Made
	Low	High	Low	High			
Franchise Fee ³	\$59,900	\$89,900 <u>\$67,400</u>	\$22,500	\$37,500 <u>\$30,000</u>	Lump sum	When signing Franchise Agreement	Us
Technology Fee ²⁴	\$1,596	\$1,596	\$1,596	\$1,596	As incurred	Before opening and as incurred	Us
Real Estate/Rent ³⁵	\$2,000	\$9,000	\$0	\$9,000	Lump sum	When signing lease	Landlord
Signage & Graphics ⁴⁶	\$500	\$1,500	\$500	\$1,500	As incurred	Before opening	Contractor and suppliers
Office Furniture, Fixtures, & Equipment ⁵⁷	\$14,500	\$62,500	\$0	\$22,500	As incurred	Before opening	Suppliers

Type of Expenditure ⁴²	Amount (Non-Conversion)		Amount (Conversion)		Method of Payment	When Due	To Whom Payment Is To Be Made
	Low	High	Low	High			
Service Tools, Equipment, and Initial Inventory ⁶⁸	\$3,000	\$6,000	\$3,000	\$6,000	As incurred	Before opening	Approved third-party suppliers
Point-of-Sale System ⁷⁹	\$1,750	\$1,750	\$1,750	\$1,750	As incurred	Before opening	Us
Technology Systems Components ⁷⁹	\$505	\$2,005	\$5	\$1,005	As incurred	Before opening	Third party suppliers
Training Fee ⁸¹⁰	\$3,000	\$3,000	\$3,000	\$3,000	Lump sum	Prior to training	Us
Training Expenses for 3 people ⁸¹⁰	\$2,000	\$5,000	\$2,000	\$5,000	As incurred	During training	Airlines, hotels and restaurants
Vehicle ⁹¹¹	\$3,000	\$50,000 ⁶⁵ <u>000</u>	\$3,000	\$6,000	Lump sum or monthly payments	Before opening	Auto leasing company
Marketing Materials & Grand Opening Advertising ⁴⁰¹²	\$10,600	\$18,000	\$10,600	\$18,000	As incurred	Before opening	Approved third-party suppliers
Digital Marketing Fee (3 months)	\$897	\$897	\$897	\$897	As incurred	As incurred	Us
Insurance ⁴¹³	\$2,000	\$6,000	\$0	\$6,000	Lump sum, monthly, or quarterly payments	Before opening	Insurance company
Licenses & Permits ⁴²¹⁴	\$2,000	\$4,000	\$0	\$4,000	Lump sum	Before opening	Licensing authorities
Recruitment for Master Plumber ⁴³¹⁵	\$0	\$8,000	\$0	\$8,000	Lump sum	Before opening	Third party vendors
Professional Fees ⁴⁴¹⁶	\$1,500	\$9,000	\$1,500	\$9,000	As arranged	Before opening	Attorney and accountant
Additional Funds ⁴⁵¹⁷ (3 months)	\$37,500	\$75,000	\$2,500	\$25,000	As incurred	As necessary	Employees, us, utilities, lessor, and suppliers
TOTAL ⁴⁶⁷ TOTAL ¹⁸	\$145,351 4,498	\$352,251 5,648	\$51,951 2,848	\$164,851 8,248			

MICRO TERRITORY ADD-ON¹

<u>Type of Expenditure²</u>	<u>Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment Is To Be Made</u>
	<u>Low</u>	<u>High</u>			
<u>Franchise Fee³</u>	<u>\$11,250</u>	<u>\$45,000</u>	<u>Lump sum</u>	<u>When signing Franchise Agreement</u>	<u>Us</u>
<u>Technology Fee⁴</u>	<u>\$1,596</u>	<u>\$1,596</u>	<u>As incurred</u>	<u>Before opening and as incurred</u>	<u>Us</u>
<u>Service Tools, Equipment, and Initial Inventory⁸</u>	<u>\$0</u>	<u>\$55,000</u>	<u>As incurred</u>	<u>Before opening</u>	<u>Approved third-party suppliers</u>
<u>Marketing Materials¹²</u>	<u>\$500</u>	<u>\$2,500</u>	<u>As incurred</u>	<u>Before opening</u>	<u>Approved third-party suppliers</u>
<u>Additional Funds¹⁷ (3 months)</u>	<u>\$2,000</u>	<u>\$25,000</u>	<u>As incurred</u>	<u>As necessary</u>	<u>Employees, utilities, lessor, and suppliers</u>
<u>TOTAL¹⁸</u>	<u>\$15,346</u>	<u>\$129,096</u>			

Notes to Item 7:

1. The estimate in the first table above describes the estimated initial investment for a standard Market Territory. The estimate in the second table above is the estimated initial investment for adding a micro Market Territory that is contiguous with an existing Market Territory. Our estimate above for an add-on micro Market Territory includes only the incremental cost of developing the additional territory as an add-on to your existing business operations.

2. ~~1-~~ Except as otherwise provided, none of the amounts payable to us or our affiliates in this table are refundable under any circumstances. All amounts payable to third parties will be paid under the terms of your agreement with these respective third parties. We do not offer direct or indirect financing for any of these items.

3. The Franchise Fee for a standard Market Territory is \$59,900 for a standard BlueFrog Business and \$22,500 for a conversion BlueFrog Business, and will increase by \$0.15 per person in the population over 450,000. If you wish to add-on a micro Market Territory to an existing Market Territory, the Franchise Fee will depend on the size of the Market Territory. The Franchise Fee for a micro Market Territory of 75,000 to 300,000 will be \$11,250 to \$45,000, based on \$0.15 per person in the population.

4. ~~2-~~ This estimate is for your Technology Fee for one month prior to opening and the first three months of operation for a total of four months of payments. This estimate assumes that you have one Market Territory and have not requested any additional user accounts or email addresses.

5. ~~3-~~ You ~~may choose to~~ must either rent or acquire a leased space for your Franchised Business Office. Generally, you will need a minimum of 700 to 1,000 square feet leased space. This figure represents rent for 3 months and includes utility costs and a security deposit to lease the unit. The

location of the property and its relationship to and the nature of any adjoining uses will affect both its size and price. The low estimate assumes you are a conversion franchise who already has an existing commercial space. [The estimate for an add-on micro territory does not include any incremental cost for a Franchised Business Office as we permit franchisees with an add-on micro Market Territory to operate from the Franchised Business Office in their standard Market Territory.](#)

6. ~~4.~~ The cost of signage and graphics will depend on lease requirements, local ordinances and restrictions, store frontage, and related factors. The final design must be submitted to us for review and approval.

7. ~~5.~~ You will need to purchase furniture and fixtures for the Franchised Business Office that meet our specifications and are from approved or designated vendors (where there are approved or designated vendors). You may decide to lease the furniture and/or equipment needed rather than purchasing it with a lump sum payment. A variety of factors (such as the condition of the national and regional economy, availability of credit, number of suppliers leasing products in your area, the interest rates offered by suppliers, duration of leases offered, security requirements, and your credit history) may affect the availability of leased products, the monthly and overall costs of the leases, and other terms relevant to your decision whether to purchase or lease the furniture and/or equipment. If you are a conversion franchise, you may already have the most if not all of the required furniture and fixtures.

8. ~~6.~~ This estimate covers various service tools and supplies you will need in your initial phase of operation. You are required to obtain these items from us or from our designated sources.

9. ~~7.~~ You must acquire and use the Technology Systems (defined in Item 11) that we designate. The cost of your Technology Systems will depend on whether you already own any components that must be purchased, freight and installation costs, the cost of internet and connectivity services in your area, applicable state and local taxes and other factors. If you are a conversion franchisee, ~~the low estimate above assumes that you own some of the necessary Technology~~ [or if you are an existing franchisee purchasing an existing BlueFrog Business and wish to operate your BlueFrog Businesses under one point-of sale](#) ~~Systems.~~ ~~Y~~ you must obtain a point-of-sale system and associated license rights from our designated vendor. We will invoice you for that amount and remit it to the vendor on your behalf (currently, \$1,750).

10. ~~8.~~ In addition to the cost of the Training Program paid to us as described above, you must incur the costs for you and your trainees to attend Training Program (as defined in Item 11), for you (or if you are a legal business entity, your Owners) and up to three additional persons (one of which must be your Designated Owner or Designated Manager, as applicable). For the estimate above, we assume that you will send between 1 to 3 individuals to training. We do not include fees or costs for any additional trainees. You are responsible for all travel and living expenses (including, wages, transportation, food, lodging, and workers' compensation insurance) that you and your Key Personnel (as defined in Item 11) incur during any and all meetings and/or training courses and programs. The total cost will depend on the number of people attending, how far you and your Key Personnel will travel, and the type of accommodation chosen. We assume for the estimate above, that all attendees will share one rental car. If we or our representatives travel to your area to conduct any training of any kind, you are also responsible for the travel and living expenses and out-of-pocket costs that we and such representatives incur. The estimate provided does not include the cost of our personnel traveling to your area to provide the Training Program.

11. ~~9.~~ We will provide you our System Standards for a service vehicle, which you must lease or purchase prior to the start of operations of your Franchised Business. The service vehicle must be wrapped and lettered in accordance with the System Standards and must accommodate the required equipment to operate your Franchised Business. For standard franchises, the low estimate above is based on the first 3 months of leasing costs for 1 new service vehicle including the cost of wrapping the van; and the high estimate includes the estimated purchase price of 1 tradesman van and the cost

of wrapping the van. You may obtain more than 1 service vehicle if you wish, but you are not required to do so, and our estimate above does not include more than 1 service vehicle for a standard franchise. If you are a conversion franchise, the low estimate above assumes that you already own 1 to ~~5~~ service vehicles, and your costs will only include the \$3,000 per van to obtain new vehicle wraps.

~~12. 10-~~ The low estimate above assumes you spend \$3,000 per month on local advertising and promotion of your Franchised Business for the first three months of operations, including online and internet marketing and advertising, dues for business organizations and events, or other solicitation and promotional efforts. We also assume that you will spend approximately \$1,600 on initial marketing pieces, sales materials, stationary templates, business cards, letterhead, website domain registration, website template, other supplies and initial fees for proprietary software. However, you may elect to spend more on your grand opening marketing. The amount you spend will depend on several factors, including the local market conditions and the amount of competition in your area, and other factors. You may not use any advertising, promotional, or marketing materials that we have not approved.

~~13. 11-~~ You must maintain in force at your sole expense the minimum types and amounts of insurance that we require. Our current insurance requirements are detailed in Item 8, though we may change the requirements at any time with written notice to you. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, business revenue, number of employees, location, and other factors bearing on risk exposure. Insurance providers may require either an annual payment or semi-annual installments. The amounts listed above estimate the cost of your premiums for the first 3 months of operations. If you are a conversion franchise, you may already have the required insurance.

~~14. 12-~~ You must obtain and provide us with copies of all permits and licenses required to operate your Franchised Business, including those specified as mandatory in the Confidential Operations Manual and by state and local law. In addition to business and operating licenses and permits, you may need to become a master or journeyman plumber. The permitting process and attendant licensing and permitting costs will depend on the requirements of your local jurisdiction. If you are a conversion franchise, the low estimate above assumes that you have already obtained all necessary licenses and permits.

~~15. 13-~~ You may, but are not required to, engage a professional recruiting firm to recruit licensed professionals including master and journeyman plumbers for your Franchised Business. These fees will depend on the prevailing rates of local professionals. The low estimates that you do not engage a professional recruiting firm for such services.

~~16. 14-~~ You may incur other types of professional fees including fees for legal and accounting services. You may require an accountant and an attorney to provide services to help you form a new business entity to own your Franchised Business and review contracts and other documents, including this Disclosure Document. If you are a conversion franchise, the low estimate above assumes that you have already paid or already incur many of the costs associated with your first three months operation, and therefore may have minimal incremental costs for operating as a BlueFrog Business.

~~17. 15-~~ The figures in the chart reflect estimated working capital needs for a three-month period. Additional funds include marketing fees, and operating expenses, including rent, storage space rental costs, utilities, and employees' salaries. These amounts do not include any estimates for debt service on loans that you obtain to finance your Franchised Business, and the estimates do not include any salary for your Owners during the initial phases of operations.

~~18. 16-~~ In compiling this chart, we relied on our and our affiliates' industry knowledge and experience in developing BlueFrog Businesses and affiliated franchise businesses.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Specifications for Products, Services and Suppliers

We have developed or may develop standards and specifications for required equipment, supplies, inventory, and other products, assets, and services, including Technology Systems, service vehicles, and any other equipment, supplies, inventory, signage, third-party services, to be used in your Franchised Business. We may require that you purchase and use only the products, assets, and services meeting our System Standards. We may require that you purchase any products or services only from a supplier designed or approved by us, and/or that satisfy our System Standards, which may be a third party vendor or supplier, or may be us or an affiliate of us.

If you wish to use any products, services, or suppliers that we have not approved, you must first send us sufficient information, specifications and samples for us to determine whether the service, product, or supplier complies with our System Standards. You must bear all expenses incurred by us in connection with determining whether we will approve an item, service, or supplier ~~(estimated currently, \$500 to \$1,000 per request)~~. Currently, we estimate that we will provide notice of our decision to approve or disapprove an alternative supplier within 30 days of receiving the request. We are not required to consider alternative suppliers and we may refuse to consider such requests for any reason. ~~You must bear all expenses incurred by us in connection with determining whether we will approve an item, service or supplier.~~ Approval of a supplier may be conditioned on the supplier's ability to provide a sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. We may elect not to issue to you or any of our approved suppliers these standards and specifications. Our standards and specifications for products and services and criteria for suppliers are not currently issued to franchisees or approved suppliers. We may revoke our approval of any products, services, or suppliers at any time by providing you notice. You must promptly cease using, selling, or providing any products, services, or suppliers disapproved by us.

Currently, you must purchase: (i) the POS system and software, digital marketing services, bookkeeping and accounting software, digital presence software, and reputation management software, drainage system cleaner, vehicle wraps, and collateral merchandise from an exclusive supplier we designate, and (ii) hiring management software, service vehicles, inventory, uniforms, marketing materials, water heaters and plumbing supplies, equipment rentals, computer and breakroom supplies, contractor employment services, insurance, and other products and services we designate from other approved suppliers.

Neither we nor our affiliates derived any revenue from the sale of products and services to franchisees in the prior fiscal year. None of our officers have an interest in any privately held suppliers, or a material interest in any publicly held suppliers.

Collectively, the purchases you obtain according to our specifications or from approved or designated suppliers represent approximately 70% to 75% of your total purchases to establish your Franchised Business and 60% to 65% of your total purchases to operate your Franchised Business.

Insurance

During the term of the Franchise Agreement, you must maintain in force at your sole expense the minimum types and amounts of insurance that we require as part of our System Standards, including:

- “All risk” property insurance coverage for the replacement value of the assets of your Franchised Business
- Workers’ compensation insurance as required by state law and employer liability coverage

with a minimum limit of \$100,000 per incident and \$500,000 for the policy limit

- Comprehensive general liability insurance with a minimum liability coverage of \$1,000,000 per occurrence and an aggregate limit of \$2,000,000
- Business interruption insurance with a minimum coverage of \$100,000
- Automobile liability insurance of at least \$1,000,000
- Errors and omissions coverage in the amount of \$1,000,000

We may require that you obtain all or a portion of your insurance policies from a designated supplier and on the terms and according to the specifications we approve. We may require increased coverage if you wish to serve National Account Clients. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Franchised Business' operation or activities of you and your personnel. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages at any time. These insurance policies must be purchased from licensed insurers having a rating of "A/VIII" or higher.

Each insurance policy for liability coverage must name us and any affiliates we designate as additional named insureds, using a form of endorsement that we have approved, and provide for 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration. ~~Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. You must routinely furnish us with copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies including termination, we may (but are not required to) obtain such insurance for you and your Franchised Business on your behalf, in which event you must cooperate with us and reimburse us on demand for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee.~~

Revenue Derived from Franchisee Purchases and Leases

We and/or our affiliates may derive compensation or other benefits based on your purchases or leases, including from designated or approved suppliers. We have the right to retain such compensation or benefits and you will have no interest in or claim to such compensation or benefit. Additionally, we may occasionally pay any of our approved or designated suppliers on your behalf, and you must reimburse us for such amounts. We currently receive the following compensation from suppliers to franchisees: 3% of total purchases made by franchisees of computer and breakroom supplies. During our last fiscal year ended December 31, ~~2023~~2024, we derived ~~\$889,586~~ from suppliers on the basis of franchisee purchases and leases (~~0.06~~0.04% of our total revenue of ~~\$1,601,973~~1,575,809).

Other than the foregoing amounts, in our prior fiscal year neither we nor our affiliates received any compensation ~~or benefits~~ from suppliers on the basis of sales to franchisees, or from franchisee purchases.

Purchasing Cooperatives and Arrangements

There are no purchasing or distribution cooperatives in existence for the System. We may negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. Currently, we have negotiated purchase agreements (including pricing terms) with suppliers for the following goods and services: water heaters and plumbing supplies, equipment rentals, uniforms, vehicle wraps, collateral merchandise, computer and breakroom supplies, contractor employment services, bookkeeping and accounting software, digital presence software, hiring management

software, and reputation management software. You may be required to purchase these items at a price or on other terms we have negotiated in advance.

We do not provide you with any material benefit (such as renewal rights or additional franchise rights) based on your purchase of particular products or services or use of particular suppliers.

Call Center Program

~~If we require, you will participate in the call center program we establish, which may include using and publishing a telephone number we designate, receiving calls from a call center established and operated by us, engaging a designated service provider (which may be us, our affiliate, or a third party) to answer calls, set customer appointments, and provide other related services, and acquiring, installing, and using related technology, and using designated service providers. You must pay all fees imposed by the service provider for these services and enter into any related user or service agreements. At any time that a call center program is not implemented, you must arrange for the answering of all incoming phone calls during regular business hours. In addition to our other remedies under your Franchise Agreement, if you fail to comply with this requirement on two or more occasions, then we may require you to engage the services of a professional call center services provider approved in advance by us, at your expense.~~

**ITEM 9
FRANCHISEE’S OBLIGATIONS**

This table lists your principal obligations under the Franchise Agreement 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(s) in Agreement	Disclosure Document Item(s)
a.	Site selection and acquisition/lease	Sections <u>1</u> and <u>4.1</u>	11 and 12
b.	Pre-opening purchases/leases	Sections 4 and 10.3	7 and <u>8, and 11</u>
c.	Site development and other pre-opening requirements	Section 4	7, 8, and 11
d.	Initial and ongoing training	Section 7	6, 7, and 11
e.	Opening	Section 4.4	11
f.	Fees	Sections <u>2, 3.2, 7, 10.3, 10.5, 11.9, 11.11, 11.13, 14.2</u> and the Summary Page	5, 6, and 7
g.	Compliance with standards and policies/ Operating Manuals	Sections 5, 6.1, 8 and 11	8, 14, and 16
h.	Trademarks and proprietary information	Section 5, 6.1, 8.1 and 8.2	13 and 14
i.	Restrictions on products/services offered	Sections 8.1, 11.1, 11.2, 11.11 and 11.12	8 and 16
j.	Warranty and customer service requirements	Sections 11.6 and 11.8	16
k.	Territorial development and sales quotas	Sections 1.2 and 11.10	<u>12 and 16</u>
l.	Ongoing product/service purchases	Section 11.1	8 and <u>11, and 16</u>

Obligation		Section(s) in Agreement	Disclosure Document Item(s)
m.	Maintenance, appearance and remodeling requirements	Sections 4, 8.1, 8.3 and 11.3	6 and 11
n.	Insurance	Section 11.14	6, 7, and 8
o.	Advertising	Section 9	6, 7, and 11
p.	Indemnification	Section 5.4 and 16.2	6 and 13
q.	Owner's participation/management/staffing	Sections 11.4 and 11.5	15
r.	Records and reports	Sections 10.1 and 10.2	11
s.	Inspections and audits	Sections 10.1, 10.2 and 10.4 10.5	6, and 11 , and 13
t.	Transfer	Section 14	6 and 17
u.	Renewal	Section 3.2	6 and 17
v.	Post-termination obligations	Sections 6 and 13	17
w.	Non-competition covenants	Sections 6.3 and 13.4	17
x.	Dispute resolution	Section 18	17
y.	Unlimited Guaranty and Assumption of Obligations	Section 15.3	15

ITEM 10 FINANCING

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

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

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

Before you begin operating your Franchised Business, we will:

1. Make available to you our System Standards for your Franchised Business Office, service vehicle, service tools, and equipment and other equipment and supplies necessary for the establishment and development of BlueFrog Businesses (Franchise Agreement, Sections 1.1, 4 and 11.1). Other than providing you with our System Standards for products and suppliers, we do not otherwise deliver, install, or provide assistance with obtaining equipment, signs, fixtures, opening inventory, or supplies.
2. Make our Training Program available to you (or if you are a business entity, your Owners) and up to three additional persons (one of which must be your Designated Owner or Designated Manager, as applicable) (Franchise Agreement, Section 7.1).
3. Provide you with access to the Confidential Operations Manual (Franchise Agreement, Section 8.2).

Site Selection

If you have not identified the site that will be your Franchised Business Office before you sign your Franchise Agreement, you will have a period of 90 days after signing to obtain our approval of the

proposed site of your Franchised Business Office. Currently, we estimate that we will provide notice of our decision to accept or reject a proposed site within 30 days of receiving the request. The criteria we use to evaluate the selected site include visibility, size, layout, adjacent uses, parking, demographics, local competition, and other factors we determine periodically. Neither we nor our affiliates generally own the sites for your Franchised Business Office or lease those sites to franchisees.

The service tools and equipment for your Franchised Business may not be stored at the any location other than the Franchised Business' Office without our approval. You are solely responsible for obtaining occupancy rights to the Franchised Business Office, and for maintaining, insuring, and paying all associated costs for the Franchised Business Office. You must manage and administer your Franchised Business from the Franchised Business Office, including maintaining the books and records of your Franchised Business at the Franchised Business Office. We may periodically establish System Standards for the Franchised Business Office, including relating to size, safety, or insurance requirements, and you must comply with all System Standards.

If there is insufficient space at the Franchised Business Office to store your Franchised Business' service tools and equipment, then you may be permitted to store the same off-site within a leased storage unit, provided that you inform us in writing of the location of the storage unit. The storage unit may not display any signage reflecting the Marks. We may periodically establish other System Standards for off-site storage, including relating to size, safety, or insurance requirements, and you must comply with all System Standards for such off-site storage. We may in the future make off-site storage mandatory if we determine that it is necessary to satisfy our System Standards, or that your Franchised Business Office does not offer sufficient storage, though we do not currently do so.

Opening of Franchised Business

We estimate that you will begin operating your Franchised Business within 150 days of signing the Franchise Agreement. We may terminate the Franchise Agreement if you fail to begin operating your Franchised Business within this time period. The date you may begin operating your Franchised Business will depend on whether you have completed all of the following requirements, all of which are mandatory prior to commencing operations: (a) obtain and provided us copies of all certifications, permits and licenses required to operate your Franchised Business, including those specified as mandatory in the Confidential Operations Manual, including master or journey plumber requirements in some jurisdictions; (b) establish the Franchised Business Office; (c) acquire and set-up all required office equipment including broadband or high-speed internet service; (d) acquire and set up at least one telephone number dedicated to your Franchised Business; (e) acquire a service vehicle meeting our System Standards, and have it wrapped and lettered it in accordance with our System Standards; (f) acquire the service tools and equipment required for the operation of your Franchised Business; (g) if necessary, secure off-site storage space for tools and equipment; (h) furnish us with copies of all insurance policies required by your Franchise Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as we may request; (i) complete the Training Program to our satisfaction; (j) hire and train the personnel necessary or required for the operation of your Franchised Business; and (k) pay in full all amounts due to us. You may not commence operations until you have met all of the conditions above and our System Standards, and you receive notice from us that you are authorized to open.

Confidential Operations Manual

We will make information about the System Standards, and other suggestions and general guidance for operating a BlueFrog Business available to you, which may include one or more manuals, bulletins, publications, newsletters, memoranda, videos, and other communications from us and our representatives, in printed, electronic, audio/video, or other form (collectively, the "Confidential

Operations Manual”). We may modify the Confidential Operations Manual periodically, including changing System Standards. ~~If there is a dispute over its contents, our master copy of the Confidential Operations Manual will control. The Confidential Operations Manual’s contents are considered Confidential Information and you will not disclose the Confidential Operations Manual to any person other than any employee who needs to know its contents to perform its duties. You may not copy, duplicate, record, or otherwise reproduce any part of the Confidential Operations Manual without our approval. We may make some or all of the Confidential Operations Manual available through an Online Presence (as defined below). If we do so, you must monitor and access that Online Presence for any updates to the Confidential Operations Manual. Any passwords or other digital identifications necessary to access the Confidential Operations Manual on any Online Presence will be deemed to be part of Confidential Information.~~ The approximate total number of pages in the Confidential Operations Manual is 102. The Table of Contents of the Confidential Operations Manual, along with number of pages devoted to each section, is included as Exhibit D to this Disclosure Document

After you begin operating your Franchised Business, we will:

- ~~1. Make periodic visits to your Franchised Business (or any job site for services conducted by your Franchised Business) (Franchise Agreement, Sections 10.4 and 11.13):~~
1. ~~2.~~ Indemnify you if anyone challenges your right to use the Marks, provided you have complied with your Franchise Agreement (Franchise Agreement, Section 5.4).
2. ~~3.~~ Continue to provide you with access and modifications to the Confidential Operations Manual (Franchise Agreement, Sections 8 and 11.1).
3. ~~4.~~ Administer the Brand Fund, as required by the terms of the Franchise Agreement (Franchise Agreement, Section 9.2).
4. ~~5.~~ Establish prices charged to National Account Clients and prices for products or services sold through any Franchise System Website (as defined below) (Franchise Agreement, Sections 11.11 and 11.12).

Advertising and Promotion

Local Advertising. You are solely responsible for conducting all local advertising for your Franchised Business. We are not obligated to spend any particular amount on advertising in your area or Market Territory. You must advertise and market your Franchised Business in any advertising medium we determine, using forms of advertisement we approve. You must also list your Franchised Business with the online directories and subscriptions we periodically prescribe, and/or establish any other Online Presence we require. You must comply with all of our System Standards for your advertising. All advertising materials that you use and any advertising activities that you conduct must be factually accurate, conform to the highest standards of ethical advertising, and comply with all federal, state and local laws. You must ensure your advertisements and promotional materials do not infringe upon the intellectual property rights of others.

You must submit to us, for our approval prior to use, all advertising and promotional materials that you wish to use to promote your Franchised Business and/or that display the Marks. You may not use any advertising, promotional, or marketing materials that we have not approved in writing. We may revoke our approval of any advertising, promotional, or marketing materials at any time. You must promptly cease using any advertising, promotional, or marketing materials disapproved by us.

We may require you to spend a minimum of up to 2% of Invoiced Gross Revenue, each month on advertising, promotions, and public relations for your Franchised Business in your Market Territory (“Local Advertising Expenditure”). We will determine what type of expenditures will count towards your Local Advertising Expenditure. Digital Marketing Fees paid to us will be counted towards your

Local Advertising Expenditure. Indirect costs you incur in managing your local advertising campaigns, such as salaries and benefits of employees administering the campaigns, will not be counted towards your Local Advertising Expenditure. Additionally, any costs you incur for advertising conducted at the Franchised Business Office and/or on service vehicles(s), such as ~~in-store signage or vehicle wraps~~, will not be counted towards your Local Advertising Expenditure. At our request, you must send us an accounting of your Local Advertising Expenditures. We may periodically require you to pay part or all of the Local Advertising Expenditure to ~~the Brand Fund, in addition to the Brand Fund Contribution~~ us or our designee for local marketing. We may at any time, on one or more occasions, with at least 30 days' notice to you, change the proportion of the Local Advertising Expenditure that you must spend directly, versus ~~contribute to the Brand Fund~~ paying to us or our designee.

Brand Fund. We have established and administer a marketing, advertising, and promotion fund to facilitate advertising and marketing efforts for the BLUEFROG PLUMBING + DRAIN® brand, the franchise system, any products or services offered by BlueFrog Businesses, and/or any BlueFrog Businesses (“Brand Fund”). You must contribute monthly to the Brand Fund an amount specified below (“Brand Fund Contribution”). If we own any BlueFrog Businesses in the future, they may, but are not required to, contribute to the Brand Fund at the same rate required for franchisees. Currently, we require you to pay the greater of the Minimum Brand Fund Contribution and Percentage-Based Brand Fund Contribution as your Brand Fund Contribution each month, as follows:

Months After Opening	Percentage-Based Brand Fund Contribution	Minimum Brand Fund Contribution
Initial 6 full/partial months	2% of monthly Invoiced Gross Revenue	\$150
7 th through 12 th month	2% of monthly Invoiced Gross Revenue	\$300
13 th month through remainder of term	2% of monthly Invoiced Gross Revenue	\$450

With no less than 30 days prior notice, we may increase the amount of the Minimum Brand Fund Contribution in an amount not to exceed the aggregate rate of inflation established by the U.S. Bureau of Labor’s Consumer Price Index since the effective date of your Franchise Agreement, or such later date as we last adjusted the Minimum Brand Fund Contribution .

We have exclusive control over all programs and services administered by the Brand Fund, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. We do not guarantee that any particular franchisee will benefit directly from expenditures by the Brand Fund, or that any such expenditures will be in proportion to any franchisee’s contributions. The program(s) may be local, regional, or national in scope. We do not guarantee the results of any Brand Fund programs, services, or expenditures in any manner. The Brand Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining any Online Presences, software, applications or other technology solutions; administering advertising, marketing, and promotional campaigns and programs; using public relations and marketing agencies and other advisors to provide assistance; conducting customer surveys and programs; developing market research and other marketing strategy or implementation activities; and/or any other expenditures that are directly or indirectly related to promoting the Marks, the System, the BLUEFROG PLUMBING + DRAIN® brand, and/or BlueFrog Businesses. We may also use the Brand Fund to pay for the Brand Fund’s other administrative and overhead costs, including the reasonable salaries and benefits of personnel who

manage and administer the Brand Fund, and any other expenses that we or our affiliates incur that are related to administering or directing the Brand Fund and its programs. We may modify Brand Fund programs, services, or expenditures at any time. We do not anticipate using any Brand Fund allocations to principally solicit new franchise sales, ~~but we are not restricted from doing so~~. We may modify Brand Fund programs, services, or expenditures at any time. If all of the Brand Fund Contributions are not spent in the fiscal year in which they accrue, the remaining amounts are retained in the Brand Fund for use in the following years.

~~We will keep a record of the Brand Fund separately from our other funds, though we are not required to hold such funds in a separate account. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Fund Contributions at the Brand Fund's expense. We may also forgive, waive, settle, and compromise all claims by or against the Brand Fund.~~

We may at any time, on 30 days' prior written notice to you, reduce or suspend Brand Fund Contributions and/or operations of the Brand Fund for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund and associated Brand Fund Contributions. If we terminate the Brand Fund, we will first pay all outstanding invoices and debts incurred by the Brand Fund, and then we will return the remaining balance to franchisees in proportion to their Brand Fund Contributions in the 12 months prior to such termination.

We may elect to maintain multiple Brand Funds or the administration thereof, whether determined by geographic region, country, or otherwise, or consolidate or merge multiple Brand Funds or the administration thereof, in each case provided that each such Brand Fund will otherwise remain subject to the terms of the Franchise Agreement. The Brand Fund is not a trust, and we assume no fiduciary duty in administering the Brand Fund.

An accounting of the operation of the Brand Fund will be prepared annually and will be available to you upon written request. We retain the right to have the Brand Fund reviewed or audited and reported on, at the expense of the Brand Fund, by an independent certified public accountant selected by us. We may also administer the Brand Fund through a separate entity whenever we deem appropriate, and such entity will have all of the rights and duties reserved to us. During our last fiscal year ended December 31, ~~2023~~2024, we spent the Brand Fund Contributions in the following manner: ~~86.356.34~~% on production and media placement, ~~11.4~~10.68% on administrative ~~on~~ expenses, ~~10.8~~% on public relations, and ~~1.332.19~~% on other expenses (including website, guest satisfaction, creative, and local store marketing). We did not spend any amounts principally to solicit franchise sales.

Other than participation in the Brand Fund under the terms described above, you are not required to participate in any local or regional advertising cooperatives.

Franchisee Advertising Council. Currently, there is no franchisee advertising council that provides us with guidance or suggestions regarding advertising and marketing matters.

Franchise System Website. We may establish, acquire, or host any Online Presence (as defined below) to advertise, market, and promote BlueFrog Businesses and/or the BLUEFROG PLUMBING + DRAIN® brand, the products, and services that they offer and sell, and/or a franchise opportunity (a "Franchise System Website"). We may (but are not required to) provide information on any Franchise System Website about your Franchised Business. You must: (i) provide us the information and materials we request to develop, update, and modify the description of your Franchised Business on any Franchise System Website; and (ii) notify us whenever any information on any Franchise System Website is not accurate. We will own all intellectual property and other rights in all

Franchise System Websites, including as it relates to your Franchised Business, and including all information contained on any Franchise System Websites (including the account information and preferences, login credentials, analytic data and reports, user submitted content and data, and all messages and other information or materials directed to or from other messaging platforms associated with any Franchise System Website). We have the right to temporarily or permanently remove references to your Franchised Business from any or all Franchise System Websites if you or your Owners or affiliates are in default of any obligation under your Franchise Agreement or our System Standards, and/or upon the expiration or termination of your Franchise Agreement. We may require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current System Standards. We will have unrestricted access to and sole ownership of all such email accounts, and all document, data, materials, and messages shared from or by such accounts. We may deactivate any such account or limit your or your users' access to it at any time.

Your Online Activities. Except as approved by us in writing or specified in the Confidential Operations Manual, you may not develop, maintain, or authorize any website, domain name, email address, social media account, or other online, electronic, virtual or digital presence of any kind (“Online Presence”) that displays any of the Marks, promotes or advertises your Franchised Business, links to any Online Presence maintained by us for the brand, or engage in any promotional or similar activities, whether directly or indirectly, and/or offer any products or services for sale on any Online Presence. If we approve the use of any Online Presence, you must develop and maintain such Online Presence only in accordance with our guidelines, including guidelines for posting any messages or commentary on other third-party platforms, preparing and linking a privacy policy to such Online Presence, and other System Standards we may establish periodically. At our request, you must grant us or our designees access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to gain access, control, or ownership of such Online Presence.

Technology Systems

You must acquire and use all hardware, software, and IT systems that we specify periodically, including computer, point-of-sale, financial, telecommunications, security and similar systems, together with the associated hardware, software, applications, integrations, and related equipment and services (collectively the “Technology Systems”). We may establish System Standards for the Technology Systems and/or require the use of designated Technology Systems for any purpose associated with your Franchised Business, including purchasing, estimating, pricing, scheduling, accounting, order entry, inventory control, security, data management, information storage, retrieval and transmission, customer information, customer programs, marketing, communications, or any other business purpose. We may require that you, at your expense, acquire new or substitute Technology Systems, and/or replace, upgrade or update existing Technology Systems, upon reasonable prior notice.

Currently, the Technology Systems are comprised of: (i) 800MHz Pentium IV, Dual Core, or Xeon based processor, (ii) 32GB RAM, (iii) 60GB hard disk, (iv) VGA Monitor (minimum 1024x768 Graphics display), (v) secure internet connection; (vi) Windows compatible plotter or wide-format printer to print pages 24”; (vii) Windows compatible printer for standard paper size; (viii) Landline telephone with at least three separate lines and a voice message system; (ix) Digital Cameras; (x) Two 23” monitors; (xi) QuickBooks and Qvinci financial accounting software; (xii) Bird Eye reputation management software, (xiii) Yext digital presence software; and (xiv) One iPad for each service expert. We estimate the total start-up costs for your Technology Systems will range from \$400 to \$2,000. [The high end includes the cost of purchasing a point-of-sale system and associated license rights from our designated vendor for \\$1,750, if you are a conversion franchisee, or if you are](#)

[an existing franchisee purchasing an existing BlueFrog Business and wish to operate your BlueFrog Businesses under a single point-of sale system.](#) Additionally, we charge a \$399/ per month per Market Territory Technology Fee to each franchisee to help cover the costs associated with certain technology that we make available to our franchisees. Our monthly Technology Fee is based on a certain number of user accounts for certain software and services. We charge \$25 per month for each additional user for certain software services, and \$10 per month per email address if you want more than ~~10~~5 email addresses.

You are responsible for all fees, costs and expenses associated with acquiring, licensing, utilizing, updating, and upgrading the Technology Systems. Certain components of the Technology Systems must be purchased or licensed from designated or approved third party suppliers, which may be us or our affiliates. We may also enter into master agreements with third-party suppliers relating to any components of the Technology Systems and then charge you for all amounts that we must pay to these suppliers based upon your use.

You do not have to enter into any ongoing maintenance or support agreements for the maintenance of your computer or the various software programs, but you may find it advantageous to do so. The annual costs of entering into maintenance, update, upgrading, or support contracts may range from \$250 to \$750 per year, depending on your area and which maintenance provider you employ. You may periodically be required to update or upgrade computer hardware and software, if we believe it is necessary. We may introduce new requirements or modify our specifications and requirements for computer and point-of-sale systems. There are no limitations on our rights to do so.

You must take all steps necessary to enable us to have independent and unlimited access to the data collected through the Technology Systems, including information regarding your Invoiced Gross Revenue, relating to customers and jobs completed, and any other information relating to your Franchised Business. You must provide us, upon request, with all user IDs and passwords for your Technology Systems, including upon termination or expiration of the Franchise Agreement.

~~You are solely responsible for protecting the Technology Systems against computer viruses, bugs, power disruptions, disruptions, internet access failures, internet content failures, data-related problems, and attacks by hackers and other unauthorized intruders. Upon our request, you must obtain and maintain cyber insurance and business interruption insurance for technology disruptions. You must implement all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information, in accordance with applicable law and industry best practices, including, where required, obtaining necessary consents and making required disclosures. It is entirely your responsibility (even if we provide you any assistance or guidance) to confirm that the safeguards you use to protect such information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal and disclosure.~~

~~If you become aware of a suspected or actual breach of security or unauthorized access involving your~~

~~Technology Systems, you must notify us immediately and specify the extent to which information was~~

~~compromised or disclosed. You must follow our instructions regarding curative actions and public statements relating to the breach. We may conduct a data security and privacy audit of any of your Franchised Business and your Technology Systems at any time.~~

~~You must comply with our website privacy policy, as it may be amended. You must comply with any requests to return or delete customer's personal information, whether requested by us or directly by the customer, as required by applicable data sharing and privacy laws.~~

Training

Training Program. We will provide a training program on the material aspects of operating a BlueFrog Business (the "Training Program") to you (or your Owners) and up to three additional persons (one of which must be your Designated Owner or Designated Manager, as applicable) (together, your "Key Personnel"). You must pay us \$3,000 for the Training Program.

You may invite additional persons to attend the Training Program if space allows. If we approve such requests, we may charge our then-current training fee (currently, \$1,000 per day, per trainee, plus expenses) for each additional person attending the Training Program, and/or for any portion of the Training Program conducted more than one time to accommodate the schedules of your attendees. We will determine the identity and composition of the trainer(s) conducting all portions of the Training Program. We will also determine the length and content of the Training Program. We may vary the Training Program based on the experience and skill level of the individual(s) attending. Scheduling of the Training Program is based on your and our availability and the projected ~~commencement of operations~~[opening](#) of your Franchised Business.

Your Key Personnel must complete the Training Program to our satisfaction before beginning to operate your Franchised Business. If any of your Key Personnel fail to satisfactorily complete the Training Program, we may require such person(s) to attend additional training at a time and location of our choice, and we will charge you our then-current training fee (currently, \$1,000 per day, per trainee, plus expenses) for such additional training. If you and your Key Personnel complete the Training Program to our satisfaction and have not expressly informed us at the end of the Training Program that they do not feel sufficiently trained in the operation of your Franchised Business, then you and your trainees will be deemed to have been trained sufficiently.

If you hire a new Designated Manager or your Designated Owner changes, the new Designated Manager or Designated Owner must attend and successfully complete our then-current Training Program before providing services to your Franchised Business, [and you must pay our then-current training fee for such training](#).

The Training Program is offered on an as needed basis at our training location in Dallas, Texas, or another location we designate, which may include conducting any portion of the Training Program virtually. The time frames provided in the chart below are an estimate of the time it will take to complete training. Our Training Program is currently supervised by ~~Nichole Morris~~[Courtney Harmon](#) who has 34 years of experience with us and our affiliates, and approximately 12 years of experience in the plumbing industry. Currently, the Training Program is comprised of the following training modules:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Marketing	8	0	Dallas, Texas, or virtually
Sales	7	0	Dallas, Texas, or virtually
Hiring/Staffing	3	0	Dallas, Texas, or virtually
Technology	9	0	Dallas, Texas, or virtually
Scheduling/Dispatch	2	0	Dallas, Texas, or virtually

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Plumbing Basics	4	0	Dallas, Texas, or virtually
Plumbing Field Work	4	04	Dallas, Texas, or virtually
Memberships	1	0	Dallas, Texas, or virtually
Business Operations	5	0	Dallas, Texas, or virtually
Accounting / Financial / Budgeting	5	0	Dallas, Texas, or virtually
Total	40	04	

Personnel Training. You ~~are solely responsible for~~ must training all of your employees, contractors, and ~~other~~ personnel, at your sole cost and expense. We may periodically require you to disclose to us the training curriculum and materials that you use to train your personnel, and/or set System Standards relating to the training that you offer (including requiring third-party training or certification courses technical programs), to ensure that all personnel receive appropriate training to conduct your Franchised Business in accordance with our System Standards, but these minimum requirements are solely intended to protect our System and the goodwill of the Marks. ~~If we determine that any of your personnel are unable to satisfactorily supervise and fulfill their duties in accordance with our System Standards, we may require you to complete additional training, and if we provide any such training, you must pay our then-current training fee for such additional training we provide (currently, \$1,000 per day, per trainee, plus expenses).~~

Additional Training. Subject to limitations on scheduling, availability, and similar resources, we may provide you with advice periodically regarding your Franchised Business. Our advice and guidance will be furnished in the formats we periodically designate, which may include updates to our Confidential Operations Manual, written bulletins and newsletters, via telephone or electronic meetings, and/or consultation at our offices. We may modify or discontinue any ongoing training or advice we provide at any time. You may request additional training for you, your Owners, or your personnel, periodically. If we agree to provide you such additional training, we and you will jointly determine the duration of this additional training, and we may charge you our then-current training fee for such additional training (currently, \$1,000 per day, per trainee, plus expenses). If you fail to attend any annual/regional meetings we designate, we may require you to attend additional training, and charge our then-current training fee for such training (currently, \$1,000 per day, per trainee, plus expenses). In addition, if we determine that you are not operating your Franchised Business in full compliance with our System Standards, we may require that your Key Personnel attend additional training, and we may charge our then-current training fee for such training plus expenses.

We may require you and your Key Personnel and/or other personnel to attend various training courses, trade shows, ongoing education programs, and/or webinars at the times and locations designated by us, which may be offered by us or our affiliates, vendors, or other designees of ours. In addition to these training courses, programs, and events, we may additionally require you and/or any of your Key Personnel to attend periodic meetings of franchise owners or managers. These meetings will be held at the times and locations we designate, and we may charge meeting or conference fees up to \$1,000 (currently, \$399 per attendee, per conference).

Training Expenses. You must pay all travel and living expenses (including, wages, transportation, food, lodging, and workers' compensation insurance) that you and your Key Personnel or any other person incurs during any and all meetings and/or training courses and programs. If we or our representatives travel to your area to conduct any training of any kind, you are also responsible for

the travel and living expenses and out-of-pocket costs that we and such representatives incur to provide you and your personnel with any training.

ITEM 12 TERRITORY

Your Market Territory

You will not receive an exclusive territory. You may face competition from other franchisees, outlets that we own, or from other channels of distribution or competitive brands that we control.

You and we will agree on a geographic area to act as your Market Territory. The Market Territory may be defined by ZIP codes, political boundaries, geographic boundaries, or roads. ~~Most~~ A standard Market Territory ~~iesy have between 250,000 and 500,000 people. will have a population of 400,000 to 500,000. In some cases, we may award a micro Market Territory of 75,000 to 300,000 to an existing franchise acquiring an additional Market Territory that is contiguous with its existing Market Territory.~~ The source of the data for determining population is our territory mapping program, GbBIS. You may not relocate your Franchised Business' Market Territory and/or the Franchised Business Office without our prior written consent.

Without our prior authorization, you and your Owners may not, and each of you will cause your respective affiliates, representatives, and personnel not to: (i) conduct any marketing, advertising, or promotional activities for your Franchised Business and/or using the Marks or the System outside of your Market Territory, and/or (ii) solicit orders, jobs, or projects from customers outside of your Market Territory and/or that would be conducted outside of your Market Territory in each case, including that you may not use any channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing to conduct such solicitation or activities. If these territorial limitations are violated, in addition to our right to terminate your Franchise Agreement for your breach, we have the right to require you to pay damages equal to: (i) \$5,000 per incident for any marketing, advertising, or promotional activities conducted outside of your Market Territory, or (ii) 100% of the job value for any work obtained in breach of the territorial limitations.

During the term of your Franchise Agreement, if you and your Owners and affiliates are in full compliance with your Franchise Agreement and all other agreements with us and our affiliates, we will not establish or operate, or grant any other person the right to establish or operate, a BlueFrog Business with an office located in your Market Territory. Otherwise, nothing will restrict or limit our or our affiliates' rights to conduct any other business activities in any location whatsoever, including in your Market Territory, including that we and our affiliates expressly reserve the right to: (i) conduct marketing, advertising, or promotional activities of any kind and/or solicit or accept customers of any kind, in any location whatsoever, including in your Market Territory, including through alternative distribution channels and/or the Internet, catalog sales, telemarketing, or other direct marketing sales; and/or (ii) conduct services and perform jobs and/or grant other parties the right to conduct services and perform jobs, including services to National Accounts Clients, in any location whatsoever, including in your Market Territory. We do not have to pay you any compensation to conduct these activities.

You may not engage in any promotional or similar activities, or sell any products or services, whether directly or indirectly, through any Online Presence, without our prior approval. You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises.

Minimum Performance Criteria

Under the terms of your Franchise Agreement, you are required to achieve the following minimum performance criteria: beginning with the 25th month of operation, your Franchised Business must achieve average Invoiced Gross Revenue of at least \$30,000 per month (total Invoiced Gross Revenue during the prior trailing six-month period, divided by six). There is no minimum performance criteria during the first 2 years of operations of your Franchised Business. With no less than 30 days prior notice, we may increase the amount of the minimum average monthly Invoiced Gross Revenue in an amount not to exceed the aggregate rate of inflation established by the U.S. Bureau of Labor’s Consumer Price Index since the date of your Franchise Agreement, or such later date as we last adjusted the minimum average monthly Invoiced Gross Revenue. If you fail to achieve the minimum average monthly Invoiced Gross Revenue, we may terminate your rights in your Market Territory and/or terminate your Franchise Agreement.

Affiliated Franchised Programs

As described further in Item 1, we are under common control with entities that operate other franchised brands. Currently none of our affiliated brands offers full-service plumbing services, but our affiliate Zoom Drain Franchise LLC offers franchises for business that provide certain drain cleaning, sewer inspections, and septic services. These affiliated franchises may be located within close proximity to your Franchised Business, including within your Market Territory, and they may solicit or accept orders from customers near your Franchised Business or in your Market Territory. If a conflict should arise between any BlueFrog Business and any other business operated or franchised by an affiliate of ours, we will analyze the conflict and take any action or no action as we deem appropriate. We currently have the same corporate office and training facility as our affiliates that offer “Restoration 1®,” “Softroc®,” and “The Driveway Company®” franchises, but different corporate offices and training facilities as our affiliates offering “PatchMaster®” and “ZOOM DRAIN®” franchises.

ITEM 13 TRADEMARKS

We currently own our principal Marks, which have been registered on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”). Our principal Marks are currently as follows:

Mark	Registration <u>No.</u>	Registration <u>Date</u>
BLUEFROG PLUMBING + DRAIN	Reg. No. 4622467	October 14, 2014
bluefrog (Stylized)	Reg. No. 4803877	September 1, 2015
BLUEFROG (Stylized)	Reg. No. 4803874	September 1, 2015
HOP TO IT	Reg. No. 4786727	August 4, 2015

Mark	Registration <u>No.</u>	Registration <u>Date</u>
	Reg. No. 4898478	February 9, 2016
	Reg. No. 7397425	May 28, 2024
	<u>Reg. No. 7660143</u>	<u>January 21, 2025</u>

All required affidavits of use will have been filed in a timely manner. There is presently no effective determination of the U.S. Patent and Trademark Office, the Trademark Trial & Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or any pending material litigation involving our principal Marks. There are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner material to the franchise. We know of no infringing or prior superior uses that could materially affect the use of the Marks.

We are the sole and exclusive owners of the Marks and the System. ~~Your use of the Marks and the System and any goodwill created thereby will inure to our benefit. You will not at any time acquire an ownership interest in the Marks or the System by virtue of any use and/or by virtue of your Franchise Agreement.~~ You may not at any time contest the validity or ownership of any of the Marks or the System, or assist any other person in contesting the validity or ownership of any of the Marks or the System. Any unauthorized use of the Marks or the System by you or your Owners or affiliates is a breach of your Franchise Agreement and an infringement on the intellectual property rights of us and our affiliates. All provisions of the Franchise Agreement relating to the Marks and the System apply to any changes and/or additions to the Marks or the System that we authorize periodically.

~~You are permitted to use the Marks and the System solely to conduct the Franchised Business in compliance with your Franchise Agreement. You may not use any trademarks, service marks or commercial symbols other than the Marks to identify or operate your Franchised Business. You may not use any Mark or portion of any Mark as part of any business entity name. You may not use any Mark or the System in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by us. You must give such notices of trademark and service mark registrations as we specify and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a BlueFrog Business. You may not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to us. You must identify yourself as the independent owner of your Franchised Business in connection with all of your dealings with customers, employees, and the public, and in accordance with any System Standards established by us.~~

You must immediately notify us of any apparent or threatened: (i) infringement of the Marks or any component of the System, (ii) challenge to your use of any of the Marks or any component of the System, and/or (iii) claim by any person of any rights in any of the Marks or any component of the System. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge, or claim; provided, you may communicate with your counsel at your expense. We may take such action as we deem appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks and/or the System. You must execute any and all instruments and documents, render such assistance, and do such acts and things as we require to protect and maintain our interests or to otherwise protect and maintain our interest in the Marks and/or the System.

We will reimburse you for all direct out-of-pocket expenses reasonably incurred by you in any proceeding disputing your authorized use of any Mark, provided that you have complied with your Franchise Agreement and our directions in responding to such proceeding. ~~At our option, we~~ We or our designee may defend and control the defense of any proceeding arising directly from your use of any Mark and/or any component of the System, including choice of counsel. This indemnification will not include the expense to you of removing signage or discontinuance of the use of the Marks and/or any component of the System. This indemnification will not apply to litigation between us and you wherein your use of the Marks or System is disputed or challenged by us or our affiliates. This indemnification will not apply to any separate legal fees or costs incurred by you if you obtain independent counsel after we have appointed counsel ~~to represent you and us~~.

If we deem it necessary for you to modify or discontinue use of any of the Marks or components of the System, and/or use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols to identify BlueFrog Businesses, you must comply with our directions promptly ~~after notice to you by us~~. We are not required to reimburse you for your expenses derived from ~~updating, addition, or modification to, or adding, or discontinuanceing use~~ of any Marks or any components of the System or any loss of goodwill associated therewith or for any expenditures made by you to promote any modified or substituted d Mark or modified System.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not own any patents that are material to the franchise. We do not have any pending patent applications that are material to the franchise. We own copyrights in the Confidential Operations Manual, our website, our marketing materials, and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify while operating your Franchised Business and you must stop using them if we direct you to do so.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items or Confidential Information (defined below) is not materially limited by any agreement or known infringing use.

Confidential Information

In connection with your Franchised Business, you and your Owners and personnel may be provided and/or have access to non-public information about the System and the operation of BlueFrog Businesses (the “Confidential Information”), including: (1) training programs and operations materials (including the Confidential Operations Manual); (2) the System Standards and methods and techniques for operating BlueFrog Businesses; (3) market research and strategies, customer service techniques, and other practices for generating and maintaining customers; (4) specifications for, suppliers of, and methods of ordering, products and services; (5) any software, technology, or Online Presences which are proprietary to us or the System, including digital passwords and identifications and any source code of, and data and reports generated by the software or similar technology; (6) the operating results and financial performance of BlueFrog Businesses, including your Franchised Business; (7) customer and client lists, terms, job pricing and history, preferences, demographic information and related information; and (8) any other information designated as confidential or proprietary by us. Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates.

All Confidential Information is exclusively owned by us and is proprietary to our System (other than personally identifiable information relating to your employees and personnel, and/or certain other data

that we do not have access to or are otherwise designated or restricted by us). You and your Owners will not acquire any interest in our Confidential Information, other than the right to use it to develop and operate your Franchised Business in compliance with the Franchise Agreement.

You must and must cause your representatives to: (a) process, retain, use, collect, and disclose our Confidential Information strictly to the limited extent, and in such a manner, as necessary for the development and operation of your Franchised Business in accordance with your Franchise Agreement and not for any other purpose, (b) process, retain, use, collect, and disclose our Confidential Information strictly in accordance with the privacy policies and System Standards we establish, and our and our representative’s instructions; (c) keep confidential and not disclose, sell, distribute, or trade our Confidential Information to any person other than those of your employees and representatives who need to know such Confidential Information for the purpose of assisting you in operating the Franchised Business in accordance with your Franchise Agreement (you will be responsible for any violation of this requirement by any of your representatives or employees); (d) not make unauthorized copies of any of our Confidential Information; (e) adopt and maintain administrative, physical and technical safeguards to prevent unauthorized use or disclosure of any of our Confidential Information, including by establishing reasonable security and access measures, restricting its disclosure to Key Personnel, and/or by requiring persons who have access to the Confidential Information to execute a non-disclosure agreement on terms no less favorable than terms applicable to Confidential Information under the Franchise Agreement; and (f) at our request, destroy or return any of the Confidential Information.

As it relates to any “personally identifiable information” that constitutes part of our Confidential Information, you must also: (a) process, retain, use, collect, and disclose all such personally identifiable information only in strict accordance with all applicable laws, regulations, orders, the guidance and codes issued by industry or regulatory agencies, and the privacy policies and terms and conditions of any applicable Online Presence; (b) assist us with meeting our compliance obligations under all applicable laws and regulations relating to such personally identifiable information, including the guidance and codes of practice issued by industry or regulatory agencies; and (c) promptly notify us of any communication or request from any customer or other data subject to

access, correct, delete, opt-out of, or limit activities relating to any such personally identifiable information.

Innovations

All ideas, concepts, techniques or materials concerning any BlueFrog Business and/or the System or developed, in whole or in part, using Confidential Information, ~~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 ~~shall~~will be deemed our sole and exclusive property and work made-for-hire for us, automatically and without compensation to you, your Owners, or any of your employees or representatives. We have the right to incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire” for us, you must assign to us, all right, title, and interest in that item. You must sign any documents required by us to memorialize such assignment. You must take all actions to assist our efforts to obtain or maintain intellectual property rights in any item related to the System, whether developed by you or not.

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

Designated Owner

If you operate your Franchised Business through a legal entity, you must identify one of your Owners who is a natural person with at least a 10% direct or indirect ownership interest and voting power in that entity (your “Designated Owner”). We must approve the person that will act as your Designated Owner. Your Designated Owner will be authorized to deal with us on your behalf for all matters that may arise with respect to your Franchise Agreement. Any decision made by the Designated Owner will be final and binding on you and we will be entitled to rely solely on the decision of the Designated Owner without discussing the matter with any other party. The person acting as your Designated Owner must have full corporate power and authority to enter into the Franchise Agreement and any other documents to which you are a party, and to make binding decisions on your behalf.

Designated Manager

Subject to the terms and conditions of your Franchise Agreement, you (or if you operate through a legal entity, your Designated Owner) will be solely responsible for the management, direction and control of your Franchised Business. If you (or your Designated Owner) do not wish to supervise the day-to-day operations of your Franchised Business, then you may request that we approve an alternative person to supervise the day-to-day affairs of your Franchised Business (your “Designated Manager”). We may establish conditions for approving any such Designated Manager or Designated Owner, as applicable, which may include the completion of training, confirmation that such individual will have no competitive businesses activities, and/or execution of a non-disclosure agreement (that we approve or designate) or other covenants we require. You (or your Designated Owner) or your Designated Manager, as applicable, must supervise the management and day-to-day operations of your Franchised Business on a full-time basis and continuously exert best efforts to promote and enhance your Franchised Business and the goodwill associated with the Marks.

Obligations of Owners and Other Key Personnel

If you enter into your Franchise Agreement as a legal business entity, each person who holds a direct or indirect ownership, voting, or beneficial interest in you (an “Owner”) must execute a guaranty, agreeing to be personally bound, jointly and severally, by all provisions of the Franchise Agreement

and any ancillary agreements between you and us and/or our affiliates. Our current form of Guaranty and Assumption of Obligations is attached as an exhibit to the current form of Franchise Agreement.

We may also ~~have the right to~~ require ~~certain of~~that your Owners, Key Personnel, management level employees and officers, and other representatives ~~and owners of you~~ that will have access to Confidential Information to sign certain covenants we designate. ~~You must ensure that we and our affiliates are named as third-party beneficiaries with the right to enforce covenants contained in such agreements. Upon our request, you must provide us with copies of all such executed nondisclosure and non-competition agreements. We may modify our decisions regarding which persons will be required to sign such covenants periodically. You must notify us, upon request, of all employees, representatives, and other individuals to whom you have granted access to Confidential Information, and/or who are involved in the management and supervision of your Franchised Business.~~

Subcontractors

You must obtain our prior written approval of any subcontractor that will be used to provide services of any kind for your Franchised Business. You will remain fully liable for all obligations under your Franchise Agreement for all operations from your Franchised Business, including those performed by any approved subcontractors. You will also be fully liable for the actions, omissions, and performance of any and all subcontractors and their personnel. Your obligation to indemnify us against liability from your Franchised Business will apply to operations by your subcontractors.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Authorized Products and Services

You must provide or offer for sale or use at your Franchised Business all of the services, products, supplies, equipment, and other items that we periodically designate. You may not offer or provide any other services, products, supplies, equipment, or other items as part of your Franchised Business without our express approval. You may not offer or provide any other products and services, and/or permit any of your affiliates, employees, Owners, or other representatives to offer or provide any other products and services, related to or arising in connection with any project conducted by your Franchised Business, without our approval.

You may not offer or sell any products or services from your Franchised Business at wholesale, for resale, or through other alternative distribution channels, including any Online Presence, or to other franchisees, without our prior written approval.

We are ~~under no obligation~~not required to authorize every BlueFrog Business to offer the same services, products, supplies, equipment, and other items. We may condition our approval for you to offer any services, products, supplies, equipment and other items on our then-current criteria, including your compliance with your Franchise Agreement.

~~As described in Item 12, y~~You and your Owners may not, and each of you will cause your respective affiliates, representatives, and personnel not to: (i) conduct any marketing, advertising, or promotional activities for your Franchised Business and/or using the Marks or the System outside of your Market Territory, and/or (ii) solicit orders, jobs, or projects from customers outside of your Market Territory and/or that would be conducted outside of your Market Territory.

Pricing

You will have the sole right to determine the prices to be charged by your Franchised Business for services offered to customers, other than: ~~(i)~~ prices charged to National Accounts Clients, which we will

negotiate in advance with our National Accounts Clients; ~~and (ii) we will have the sole right to determine the prices to be charged for products sold through any Franchise System Website, even if such sales are to persons identified as customers of your Franchised Business.~~

National Accounts Clients

We or our affiliates may periodically enter into agreements with clients that require service (the “National Account Clients”). We may provide these services ourselves or through our affiliates or designees, and/or may subcontract servicing rights to one or more third parties or franchisees, ~~in our discretion.~~ We may establish criteria or qualifications for franchisees that wish to service National Accounts Clients, including different service standards, requirements for accepting or declining jobs, insurance requirements, agreeing to certain terms and conditions, or other conditions we establish. If we offer you the right to provide services to a National Account Client, you must provide the services in accordance with all of our System Standards, plus the terms, fees, and conditions that we have negotiated with the National Account Client. We may invoice the National Account Client and collect payment directly. We may also charge our then-current fees for participation in the program, including dispatch, management, declined job ~~fees~~, or other ~~processing or~~ administrative fees. ~~In such cases, we will deduct from the payment any applicable fees and any amounts calculated under the Franchise Agreement on the basis of such Invoiced Gross Revenue, and remit to you the balance within a reasonable time following receipt.~~

Service Warranties

Certain products and services offered to customers by your Franchised Business may be subject to one or more customer warranties, guarantees, commitments and/or similar customer service programs, including those offered by you and your affiliates and/or third-party service providers and manufacturers that offer products and services used by your Franchised Business (collectively, “Service Warranties”). During and after the term of your Franchise Agreement, you must honor all Service Warranties made to customers of your Franchised Business, including using your best efforts to assist customer of your Franchised Business tendering claims to any third-party serviced providers and manufacturers. You must obtain our approval of all Service Warranties before you offer them to customers of your Franchised Business. We may establish System Standards for any such Service Warranties periodically. All Service Warranties offered by your Franchised Business are strictly your obligation and responsibility and are not offered or guaranteed in any manner by us.

If you fail to honor any Service Warranties to your customers, we may take any action we deem appropriate to honor such Service Warranties, including by providing any services or products or support ourselves, or through our designees, affiliates, or other franchisees, and you must reimburse us any and all costs incurred by us, our designees, affiliates, representatives, or other franchisees. We may require you to pay us a reasonable deposit, post a bond, or offer another form of financial assurance to us to support any Service Warranties offered by your Franchised Business.

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP

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

Provision	Section in Agreement	Summary
a. Length of franchise term	Section 3.1, Summary Page	The initial term is 10 years.
b. Renewal or extension of the term	Section 3.2	You may renew for one successive 10-year term if you satisfy the conditions described below.
c. Requirements for franchisee to renew or extend	Section 3.2	You must have: substantially complied with the Franchise Agreement and all other agreements with us and our affiliates; updated the Franchised Business Office and your service vehicle(s) and equipment; satisfied all monetary obligations owed to us or <u>and</u> our affiliates <u>and have timely met these obligations throughout the term</u> ; not been in default of any provision of the Franchise Agreement or any other agreement between you and us; notified us of your intent to renew no less than 9 months and <u>no</u> more than 12 months prior to the end of the term; signed a then-current Franchise Agreement <u>and associated agreements</u> , which may have materially different terms and conditions (including higher Royalty Fee, higher Brand Fund Contributions and a different or modified Market Territory); reimburse us for our costs in processing the renewal; <u>attend additional training (upon our request)</u> ; <u>complied with then-current qualifications for new franchisees</u> ; and signed a general release (subject to state law). We must be offering franchises for BlueFrog Businesses in the geographic area of your Market Territory at the time you request a renewal.
d. Termination by Franchisee	Section 12.3	<u>Subject to state law</u> , Y you can terminate if you are in full compliance with all of the terms of your Franchise Agreement, we materially breach your Franchise Agreement, and we fail to make reasonable efforts to cure such breach within 60 days after receiving written notice from you (subject to state law) .
e. Termination by franchisor without cause	No provision	We may not terminate the Franchise Agreement without cause.

Provision	Section in Agreement	Summary
f. Termination by franchisor with cause	Sections 12.1 and 12.2	We may terminate the Franchise Agreement only if you <u>or your Owners</u> default.
g. "Cause" defined – curable defaults	Section 12.2	We can terminate the Franchise Agreement, after a cure period as follows: 72 hours to cure violations of health or safety laws; 5 days to cure failure to maintain certifications and permits; 5 days to cure failure to pay any monies <u>or deliver any reports when</u> due under the Franchise Agreement; 10 days to cure failure to maintain the required insurance coverage; 10 days to cure failure to comply with applicable laws or regulations; 7 days to cure territory violations; 30 days to cure any other breach of the Franchise Agreement (that does not provide for sooner termination) (subject to state law).
h. "Cause" defined – non-curable defaults	Section 12.1	The Franchise Agreement will terminate automatically without notice upon the occurrence of certain bankruptcy or insolvency-related events. We may also terminate without an opportunity to cure if you: fail to begin operations by the specified deadline; fail to have your Key Personnel satisfactorily complete the Training Program; make a material misrepresentation or omission in the franchise application; are convicted of or plead no contest to a felony or other crime; activities, behavior or conduct likely to adversely affect your Franchised Business; <u>violations of confidentiality, non-compete or other covenants;</u> abandonment; unauthorized transfer; fail to maintain your Franchised Business under the supervision of an approved manager; submit reports on two or more separate occasions understating any amounts due by more than 5%; fail on two <u>misuse of Marks or System;</u> 2 <u>or more occasions within</u> defaults in any 12 months to submit reports or records or to pay any fees due us or any affiliate; repeatedly breach the Franchise Agreement or comply with specifications; misuse or make unauthorized use of the Confidential Operations Manual, the Marks, trade secrets or other Confidential Information; failure to pay vendors beyond applicable cure periods offered by vendors; terminable default under any other agreement with us or our affiliates <u>(subject to state law).</u>

Provision	Section in Agreement	Summary
i. Franchisee's obligations on termination/non-renewal	Section 13	<p>You must stop operating your Franchised Business and; cease use of Marks and System and de-identify your Franchised Business; cease representing yourself as a present or former BLUEFROG PLUMBINGBlueFrog Plumbing + DRAINDrain® franchisee; deidentify your Franchised Business; stop using any trade secrets, Confidential Information, the System and the Marks; cancel or assign to us any and cancel assumed names; pay all accrued fees and other sumsamounts owed to us including damages and costs incurred in enforcing the Franchise Agreement and our affiliates; return the Confidential Operations Manual; trade secrets, and all otheror <u>destroy</u> Confidential Information; assign your email addresses, any websites and telephone numbers, and other Online Presences to us; comply with all System Standards regarding closure and de-identification<u>cease using and either assign to us or deactivate any contact information and/or Online Presence;</u> pay us a reasonable a deposit, post a bond, or offer another form of financial assurance to us to support any Service Warranties offered by your Franchised Business until such time as the Service Warranties are satisfied or have expired; <u>comply with all other System Standards for closure and de-identification;</u> comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement. If the Franchise Agreement terminates because you have closed or abandoned your Franchised Business or expires; <u>and pay us all balances owed within 5 days, including final payments on Uninvoiced Revenue.</u> yYou must pay us liquidated<u>lost revenue</u> damages if we terminate for your breach or you terminate other than as permitted under the Franchise Agreement.</p>
j. Assignment of contract by franchisor	Section 14.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.

Provision	Section in Agreement	Summary
k. "Transfer" by franchisee-definition	Section 14.2	<p>"Transfer" includes voluntarily or involuntarily, directly or indirectly, selling, assigning, conveying, gifting, giving away, pledging, mortgaging, sublicensing, or otherwise transferring or encumbering, whether by operation of law or otherwise: (a) the Franchise Agreement or any interest in the Franchise Agreement, (b) the franchise granted to you, (c) all or substantially all of the assets of your Franchised Business, or (d) any direct or indirect ownership interest in you, your franchise rights, or your Franchised Business, including any right to share in the governance or profits thereof and/or the management and/or control thereof.</p>
l. Franchisor's approval of transfer by franchisee	Section 14.2	<p>You may not transfer your interest in any of the items listed in Item 17(k) above without our prior written consent.</p>

Provision	Section in Agreement	Summary
m. Conditions for franchisor approval of transfer	Section 14.2 <u>14.2.2</u>	<p>We decline to exercise our right of first refusal; all obligations owed to us are paid and satisfied; you and the transferee have signed a general release (subject to state law) in the form that we prescribe, as well as all other documents we then require in connection with a transfer; you have materially complied with your Franchise Agreement; you and <u>and other agreements with us and our affiliates; you and transferee sign the transfer documents we require, including executing a general release of claims (subject to state law); you and the</u> transferee comply with our then-current transfer procedures, including submission of documents we require;<u>any application and certification of the prospective transferee</u> and terms of the transfer meet our business and financial standards; the transferee and all persons owning any interest in the transferee sign the then-current Franchise Agreement for the existing Market Territory; you provide us with a copy of all contracts and agreements related to the transfer; we determine that; <u>the proposed transferee satisfies our criteria for new franchisees;</u> the terms of the transfer are not detrimental or unfavorable to your Franchised Business or our rights<u>approved by us;</u> the transferee expressly assumes in writing all outstanding Service Warranties; you or the transferee pay us a transfer fee; the transferee has obtained all necessary consents and approvals of third parties; you or all of your Owners have signed a confidentiality and non-competition agreement; and<u>and its owners sign our then-current Franchise Agreement and associated agreements which may have materially different terms and conditions (including higher Royalty Fee, higher Brand Fund Contributions); payment of a transfer fee;</u> the transferee's key personnel have agreed to complete the Training Program before assuming management of your Franchised Business; <u>you provide all other evidence we require of the transition and transfer of the business to satisfy our conditions; and for micro Market Territories, you also transfer your standard contiguous territory to the same buyer.</u></p>
n. Franchisor's right of first refusal to acquire franchisee's Franchised Business	Section 14.3	We may match an offer for your Franchised Business or an ownership interest you propose to sell.

Provision	Section in Agreement	Summary
o. Franchisor's option to purchase franchisee's Franchised Business	None	Not applicable.
p. Death or disability of franchisee	Section 14.2	After the death or incapacity of an Owner of the franchise, his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the franchise within 180 days of death or incapacity or we may terminate the Franchise Agreement. We must approve the transferee prior to transfer. We will also have the right to operate your Franchised Business on an interim basis if it is not being properly managed.
q. Non-competition covenants during the term of the franchise	Section 6.3	You and your Owners each agree not to, and to cause each of your respective spouses, immediate family members, affiliates, and assigns not to, directly or indirectly: (i) own, maintain, or acquire any direct or indirect interest in or relationship with any Competitive Business, whether as record or beneficial owner, investor, employee, partner, director, officer, representative, agent, lessor, lender, or otherwise, and/or (ii) advise, operate, or provide assistance or services of any kind or nature to any Competitive Business, during the term of the Franchise Agreement, in any location worldwide .

Provision	Section in Agreement	Summary
<p>r. Non-competition covenants after the franchise is terminated or expires</p>	<p>Section 6.3</p>	<p>For a period of 2 years from and after the date of termination or expiration of the Franchise Agreement, <u>you and your Owners, and each of your respective spouses, immediate family members, affiliates, and assigns are prohibited from (i) owning, maintaining, or acquiring any direct or indirect interest in or relationship with any Competitive Business, whether as record or beneficial owner, investor, employee, partner, director, officer, representative, agent, lessor, lender, or otherwise, and/or (ii) advising, operating, or providing assistance or services of any kind or nature to any Competitive Business, if such Competitive Business is located or operates in and/or services customers</u> in your Market Territory or any location that is within a 25-mile radius of your Market Territory or the market territory of any other BlueFrog Business; you, your Owners, and your officers, governing persons, executive personnel and each individual's immediate family members are prohibited from owning or working for a Competitive Business, or soliciting or influencing any of our customers to terminate their relationship with us.</p> <p>“Competitive Business” means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides: (1) plumbing inspection, installation, repairs and maintenance, (2) drain cleaning, (3) leak detection and repair, (4) hot water heater sale, installation, maintenance, and repair, (5) water softener and filtration system sale, installation, maintenance, and repair, (6) gas leak detection and repair, (7) tree root removal, and sewer line repair and replacement, and/or (8) any other line of business, products, or services that are substantially similar to those offered by BlueFrog Businesses; provided, that the definition of Competitive Business will not include: (i) any business operated under a franchise agreement with us or our affiliates; or (ii) the ownership of less than 5% of the equity interest in a Competitive Business whose stock is publicly traded on a recognized United States stock exchange.</p>
<p>s. Modification of the agreement</p>	<p>Sections <u>8.2</u>, 8.3 and 17.3</p>	<p>The Franchise Agreement can be modified only by written agreement between you and us. We may modify the System Standards and Confidential Operations Manual during the term of your Franchise Agreement.</p>

Provision	Section in Agreement	Summary
t. Integration/merger clause	Section 17.3	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 18	Subject to our rights to seek injunctive relief, all claims, controversies, or disputes from or relating to the Franchise Agreement must be arbitrated. <u>All controversies, disputes or claims between us must be submitted for binding arbitration to the American Arbitration Association on demand of either party. We and you must arbitrate all disputes at a location in or within 50 miles of our then-principal place of business (currently, Dallas, Texas) (subject to state law, if applicable).</u>
v. Choice of forum	Sections 18.1 and 18.5	Arbitration in the city in which we maintain our principal business address (currently Dallas, Texas). The venue for any other proceeding is exclusively the courts located in the county in which we maintain our principal business address, currently Dallas County, Texas (subject to applicable state law). See the State Specific Addenda attached to this Disclosure Document.
w. Choice of law	Section 18.4	All matters relating to arbitration will be governed by the Federal Arbitration Act. Except to the extent governed by the Federal Arbitration Act, the U.S. Trademark Act of 1946, or other federal law, any agreement between us and our affiliates and you and your affiliates, will be governed by the laws of the State of Texas (subject to applicable state law). See the State Specific Addenda attached to this Disclosure Document.

**ITEM 18
PUBLIC FIGURES**

We do not ~~presently~~ use any public figures 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 this Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

As of December 31, ~~2023~~2024, there were a total of ~~42~~35 franchised ~~BlueFrog Businesses~~territories. Some franchisees operate multiple franchised territories (each franchised territory is a separate BlueFrog Business). Most franchisees that operate multiple franchised territories do not separately report Invoiced Gross Revenue for each franchised territory. As a result, we have provided Invoiced Gross Revenue data on a “per franchisee” basis (not on a “per territory” basis). The financial performance data below is provided in separate tables based on the number of franchised territories each franchisee operates.

This financial performance representations presented below include ~~2023~~2024 Invoiced Gross Revenue data for the ~~159~~ franchisees operating a total of ~~31~~23 franchised territories during the full ~~2023~~2024 calendar year. We excluded data for the following franchisees:

- (i) ~~7 franchised territories that were not operating during the entire 2024 calendar year because they opened after January 1, 2024;~~
- (ii) ~~(i)-1 franchised territory that failed to report its 2023~~2024 Invoiced Gross Revenue to us;
- (iii) ~~3 franchised territories with Market Territories substantially different in size than those we currently offer and are therefore not representative of a franchisee purchasing a new Market Territory;~~
- (iv) ~~(ii)-21 franchised territories that were transferred to new franchisees and permanently ceased operation during the transitional period, and we in 2025, but had begun to wind-down operations in 2024 and therefore did not have a full year of reporting for such franchisee data; and~~
- (v) ~~(iii)-8~~14 franchised territories that were ~~not terminated and/or ceased~~ operating ~~during the entire 2023 calendar year because they opened after January 1, 2023~~2024, of which none had been operating for less than 12 months as of the date of termination or closure.

The following table ~~breaks down~~lists the 2024 Invoiced Gross Revenue for the 2024 calendar year for the remaining ~~159 reporting~~ franchisees ~~and 31~~operating a total of ~~23~~ franchised territories ~~into subsets based on the total number of franchised territories operated by the franchisee.~~

Number of Territories Operated by Franchisee	Total Number of Franchisees in Subset	Total Number of Franchised Territories in Subset
1	8	8
2	4	8
4	1	4
5	1	5
6	1	6
TOTAL	15	31

The following table lists the 2023 Invoiced Gross Revenue for the franchisees in each subset above:

2024 Invoiced Gross Sales—All Territory Sizes Revenue						
Number of Territories Operated by Franchisee	Number of Franchisees	Average Invoiced Gross Revenue	(# & % Franchisees Meeting or Exceeding Average)	Median	Lowest	Highest
1	8	\$535,766,918,708	1 of 3 of 8 – 37.5% 33.3%	\$267,443,545,578	\$239,880,390,541	\$1,665,423,174,500
2+	4	\$1,408,800,1294,837	23 of 46 – 50%	\$1,365,919,573,840	\$1,002,345,323,989	\$1,901,018,256,486
4	1	\$2,271,734	N/A	N/A	N/A	N/A
5	1	\$2,732,217	N/A	N/A	N/A	N/A
6	1	\$1,278,512	N/A	N/A	N/A	N/A

NOTES

“Invoiced Gross Revenue” means the aggregate invoiced sale price of all goods, products, labor, parts, merchandise, and services performed by or sold from **your** Franchised Business, including all proceeds from any business interruption insurance, and without deduction for any fees that we our any other vendor charges from **such** amounts, but excluding (a) all refunds actually made to customers in good faith; and (b) any sales and equivalent taxes that are collected **by you** for or on behalf of any governmental taxing authority and paid thereto. If any **Accounts Receivable** remains outstanding for more than 1 year after the date of service, the amount of that **Accounts Receivable** is deducted from the calculation of Invoiced Gros Revenue, in an amount not to exceed the original Invoiced Gross Revenue (excluding any late fees, interest, or other amounts accruing on the basis of the late payment).

The figures in the chart do not reflect the operating costs and expenses that you will incur in operating your Franchised Business, such as royalties, advertising and marketing fees and costs, payroll, vehicle finance or lease payments, insurance, telephone, utilities, and central telephone number fees. These figures also do not include depreciation or amortization or taxes.

Some outlets have earned this amount. Your individual results may differ. There is no assurance you will earn as much. Written substantiation of the data used in preparing this information will be made available upon reasonable request.

Other than the preceding financial performance representation, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Jessica Wescott, Chief Executive Officer, BlueFrog

Plumbing and Drain, LLC, 2929 Carlisle St., Suite 100, Dallas, Texas 75204, (800) 933-0803; the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 20212022 TO 20232024				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised ¹	2021 2022	14 22	29 35	+15 +13
	2022	29	35	+6
	2023	35	42	+7
Company-Owned	2021 2024	0 42	0 35	0 -7
<u>Company-Owned</u>	2022	0	0	0
	2023	0	0	0
Total Outlets	2021 2024	14 0	29 0	+15 0
<u>Total Outlets</u>	2022	29 22	35	+6 +13
	2023	35	42	+7
	<u>2024</u>	<u>42</u>	<u>35</u>	<u>-7</u>

¹ Since the end of our most recent fiscal year, ~~the following 6 franchisees~~ have had their franchise agreement(s) terminated, or otherwise outlets have ceased operations: ~~one franchisee in California, one franchisee in Georgia (with 2 franchise agreements), one franchisee in Kansas, one franchisee in Kentucky, one franchisee in North Carolina (with 2 franchise agreements), one franchisee in Massachusetts and two franchisees in Texas (one with 5 franchise agreements and one with 2 franchise agreements) have left the system since the end of our most recent fiscal year.~~

TABLE 2 – TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 20212022 TO 20232024		
State	Year	Number of Transfers
Colorado	2021	3
	2022	0
	2023	0
Texas	2021	0
<u>Texas</u>	2022	0
	2023	3
Total	2021 2024	3 32
<u>Total</u>	2022	0
	2023	3
	<u>2024</u>	<u>2</u>

⁺ Since the end of our most recent fiscal year, two franchise agreements in Texas have been transferred to new owners.

TABLE 3 – STATUS OF FRANCHISED OUTLETS FOR YEARS 2021²⁰²² TO 2023²⁰²⁴

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation	Outlets at End of Year ¹
California ⁺ Arizona	2021 ²⁰²²	<u>10</u>	<u>10</u>	0	0	0	0	<u>20</u>
	2023	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2022 ²⁰²⁴	<u>20</u>	<u>01</u>	<u>10</u>	0	0	0	1
California	2022	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2023	1	0	0	0	0	0	1
Colorado	2021 ²⁰²⁴	<u>21</u>	<u>50</u>	1	0	0	0	<u>60</u>
Colorado	2022	<u>60</u>	<u>06</u>	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Connecticut	2021 ²⁰²⁴	<u>16</u>	0	0	0	0	0	<u>16</u>
Connecticut	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida	2021 ²⁰²⁴	1	0	0	0	0	0	1
Florida	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Georgia ⁺	2021 ²⁰²⁴	<u>01</u>	<u>10</u>	0	0	0	0	1
Georgia	2022	1	0	0	0	0	0	1
	2023	1	2	0	0	0	0	3
	2024	<u>3</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
IndianaIllinois	2021 ²⁰²²	<u>10</u>	0	0	0	0	0	<u>10</u>
	2023	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2024	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Indiana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kansas	2021 ²⁰²⁴	<u>01</u>	0	0	0	0	0	<u>01</u>
Kansas	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Kentucky ⁺	2021 ²⁰²⁴	<u>01</u>	0	<u>01</u>	0	0	0	0
Kentucky	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Louisiana	2021 ²⁰²⁴	1	<u>10</u>	<u>01</u>	0	0	0	<u>20</u>
Louisiana	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Massachusetts ⁺	2021 ²⁰²⁴	<u>02</u>	0	0	0	0	0	<u>02</u>
Massachusetts	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
North Carolina	2021	<u>02</u>	0	0	0	0	0	<u>02</u>

TABLE 3 – STATUS OF FRANCHISED OUTLETS FOR YEARS 2021 2022 TO 2023 2024								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operation	Outlets at End of Year ¹
†	2024							
<u>North Carolina</u>	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Texas [†]	2021 2024	62	80	02	0	0	0	140
<u>Texas</u>	2022	14	3	0	0	0	0	17
	2023	17	2	0	0	0	0	19
Utah	2021 2024	019	05	07	0	0	0	017
<u>Utah</u>	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
Virginia	2021 2024	12	0	0	0	0	0	12
<u>Virginia</u>	2022	1	0	0	0	0	0	1
	2023	1	0	1	0	0	0	0
Totals	2021 2024	140	160	10	0	0	0	290
Totals	2022	2922	713	10	0	0	0	35
	2023	35	8	1	0	0	0	42
	2024	42	7	14	0	0	0	35

¹ Since the end of our most recent fiscal year, ~~the following 6 franchisees have had their franchise agreement(s) terminated, or otherwise outlets have~~ ceased operations: ~~one franchisee in California, one franchisee in Georgia (with 2 franchise agreements), one franchisee in Kansas, one franchisee in Kentucky, one franchisee in North Carolina (with 2 franchise agreements), one franchisee as follows: (i) 1 outlet in Indiana, (ii) 2 outlets in Louisiana, (iii) 1 outlet in Massachusetts; and two franchisees in Texas (one with 5 franchise agreements and one with 2 franchise agreements) have left the system since the end of our most recent fiscal year (iv) 2 outlets in Utah.~~

TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2021 2022 TO 2023 2024							
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Totals	2021 2022	0	0	0	0	0	0
	2022 2023	0	0	0	0	0	0
	2023 2024	0	0	0	0	0	0

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2023 2024			
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona <u>Florida</u>	01	13	0

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2023 2024			
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Florida <u>Georgia</u>	0	<u>23</u>	0
Georgia <u>Nebraska</u>	<u>02</u>	<u>20</u>	0
Massachusetts <u>North Carolina</u>	0	<u>13</u>	0
Missouri [†] <u>Oregon</u>	<u>12</u>	0	0
Nevada	<u>0</u>	<u>1</u>	<u>0</u>
North <u>South</u> Carolina	0	1	0
Pennsylvania <u>Tennes</u> <u>see</u>	<u>01</u>	<u>10</u>	0
Tennessee <u>Texas</u>	<u>10</u>	<u>15</u>	0
Texas [†] <u>TOTALS</u>	<u>26</u>	<u>115</u>	<u>0</u>
TOTALS	4	11	0

~~†-The franchise agreements for one franchisee (with two agreements in Texas and one agreement in Missouri) have been terminated since the end of our most recent fiscal year.~~

Exhibit F contains a list of the names of all current franchisees and the address and telephone number of each of their outlets as of December 31, ~~2023~~2024. Exhibit F also contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, transferred, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year ending December 31, ~~2023~~2024, or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Within the last three years, franchisees have signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with our franchise system. You may wish to speak with current and former franchisee but be aware that not all such franchisees will be able to communicate with you.

We are not aware of: (i) any trademark-specific franchisee organizations associated with the franchise system being offered; or (ii) independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit E is our: (i) unaudited interim balance sheet as of ~~January~~March 31, ~~2024~~2025, and profit and loss statement for the month then-ended; and (ii) audited balance sheets as of December 31, ~~2023~~2024, December 31, ~~2022~~2023, and December 31, ~~2021~~2022, and the related statements of income, retained earnings, and cash flow for the fiscal years then-ended. Our fiscal year end is December 31.

**ITEM 22
CONTRACTS**

Exhibit B-1 — Franchise Agreement

Exhibit 1— Unlimited Guaranty and Personal Undertaking

Exhibit 2 — Holders of Legal or Beneficial Interest in Franchisee; Governing Persons

Exhibit 3 — Electronic Funds Transfer Authorization

Exhibit 4 — State Specific Riders

Exhibit 5 — Franchise Disclosure Questionnaire

Exhibit B-2 — Sample General Release

Exhibit B-3 — Consent to Transfer

**ITEM 23
RECEIPTS**

Exhibit G contains two documents that serve as a receipt of this Disclosure Document. Please sign and date each copy, return one copy to us, and retain the other for your records.

EXHIBIT A
STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT A

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. We may not be registered to sell franchises in any or all of these states.

California

Department of Financial Protection &
Innovation
Commissioner of Department of Financial
Protection & Innovation
1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013
(213) 576-~~7505~~[7500](tel:2135767500)

Sacramento

2101 Arena Blvd.
Sacramento, California 95834
(916) 445-7205

San Diego

1455 Frazee Road, Suite 315
San Diego, California 92108
(619) 610-2093

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94104
(415) 972-8559

Hawaii

(state administrator)
Business Registration Division
Securities Compliance Branch
Department of Commerce
and Consumer Affairs
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2722

Illinois

Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

Indiana

(state administrator)
Indiana Secretary of State
Securities Division, E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

(agent for service of process)
Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

Maryland

(state administrator)
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

Michigan

(state administrator)
Michigan Attorney General’s Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48909
(517) 373-7177

(agent for service of process)
Michigan Department of Commerce,
Corporations and Securities Bureau
P.O. Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

Minnesota

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

New York

(state administrator)
NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236

(agent for service of process)
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

North Dakota

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, 14th Floor, Dept. 414
Bismarck, North Dakota 58505
(701) 328-4712

Oregon

Department of Business Services
Division of Finance & Corporate Securities
350 Winter Street, NE, Room 410
Salem, Oregon 97310-3881
(503) 378-4387

Rhode Island

Department of Business Regulation
Division of Securities
John O. Pastore Complex
Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9645

South Dakota

Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

Virginia

(state administrator)
State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

Washington

(state administrator)

Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, Washington 98504-1200
(360) 902-8760

Wisconsin

(state administrator)

Securities and Franchise Registration
Wisconsin Department of Financial Institutions
4022 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-1064

(agent for service of process)

Office of the Secretary
Wisconsin Department of Financial Institutions
P.O. Box 8861
Madison, Wisconsin 53708-8861
(608) 261-9555

EXHIBIT B-1
FRANCHISE AGREEMENT



BLUE FROG PLUMBING AND DRAIN, LLC

FRANCHISE AGREEMENT

**FRANCHISE AGREEMENT
SUMMARY PAGE**

EXPIRATION DATE: _____

FRANCHISEE(S): _____

TYPE OF BUSINESS ENTITY: _____

STATE OF FORMATION: _____

AUTHORIZED TRADE NAME: BlueFrog Plumbing + Drain of

FRANCHISED BUSINESS OFFICE: _____

TELEPHONE NUMBER: _____

E-MAIL ADDRESS: _____

MARKET TERRITORY: The area identified on the attached map.

POPULATION: Market Territory population:

TYPE OF FRANCHISE: Standard Franchise

Conversion Franchise

STORAGE: on-site (same site as Franchised Business Office)

off-site

FRANCHISE FEE: \$ _____

MARKET TERRITORY: [Standard Market Franchise](#)

[Micro Market Franchise](#)

VETERAN'S DISCOUNT: You do qualify for a Veteran's Discount

You do not qualify for a Veteran's Discount

MINIMUM AVERAGE MONTHLY REVENUE: \$30,000 per month (trailing 6 months) beginning on 25th month

ROYALTY FEE: Greater of: "[Percentage Based Royalty Fee](#)" or "[Minimum Monthly Royalty Fee](#)," as listed in table below, measured monthly:

Months After Opening	Percentage-Based Royalty Fee	Minimum Monthly Royalty Fee
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Franchisor Initial

Franchisee Initial

Initial 6 full/partial months	Conversion: Sum of following amounts: (i) 3% of initial \$150,000 in monthly Invoiced Gross Revenue; (ii) 2.5% of monthly Invoiced Gross Revenue between \$150,000 and \$300,000; and (iii) 2% of monthly Invoiced Gross Revenue above \$300,000	\$500
	Standard: Sum of following amounts: (i) 6% of initial \$150,000 in monthly Invoiced Gross Revenue; (ii) 5% of monthly Invoiced Gross Revenue between \$150,000 and \$300,000; and (iii) 4% of monthly Invoiced Gross Revenue above \$300,000	
7 th through 12 th month	6% of monthly Invoiced Gross Revenue	\$1,000
13 th month through remainder of term	6% of monthly Invoiced Gross Revenue	\$1,500

BRAND FUND CONTRIBUTION:

Greater of “Percentage-Based Brand Fund Contribution” or “Minimum Brand Fund Contribution,” as listed in table below, measured monthly:

Months After Opening	Percentage-Based Brand Fund Contribution	Minimum Brand Fund Contribution
Initial 6 full/partial months	2% of Invoiced Gross Revenue	\$150
7 th through 12 th month	2% of Invoiced Gross Revenue	\$300
13 th month through remainder of term	2% of Invoiced Gross Revenue	\$450

TRANSFER FEE: \$5,000

TECHNOLOGY FEE: [\\$399 / month \(subject to change\)](#)

FRANCHISOR ADDRESS FOR NOTICES:

Blue Frog Plumbing and Drain, LLC
Attn: Chief Executive Officer

Franchisor Initial

Franchisee Initial

2929 Carlisle St., Suite 100
Dallas, Texas 75204

ADDITIONAL COMMENTS: ~~None~~

Franchisor Initial

Franchisee Initial

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1. UNLIMITED GUARANTY AND PERSONAL UNDERTAKING
2. FRANCHISE OWNERS
3. ELECTRONIC FUNDS TRANSFER AUTHORIZATION
4. STATE SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT
5. FRANCHISE E DISCLOSURE QUESTIONNAIRE

**BLUEFROG PLUMBING AND DRAIN, LLC
FRANCHISE AGREEMENT**

This Franchise Agreement (including all exhibits hereto, as amended, restated, supplemented, or otherwise modified from time to time, this “**Agreement**”) is entered into on the Effective Date by and between BlueFrog Plumbing and Drain, LLC a Delaware limited liability company, having its principal place of business at 2929 Carlisle St., Suite 100, Dallas, Texas 75204 (“**we**” “**us**” and “**our**”), and the franchisee identified in the Summary Page (“**you**” and “**your**”).

BACKGROUND:

WHEREAS, we have developed and will further develop distinctive and proprietary business systems, methods, designs, layouts, standards, and specifications, all of which we may improve, substitute, further develop, or otherwise modify from time to time (together, the “**System**”) identified by the name “BlueFrog Plumbing + Drain®” and other trademarks, service marks, graphics, trade names, trade dress, slogans, and other commercial symbols as we may approve from time to time (“**Marks**”), to establish and operate a business providing plumbing services, drain cleaning services, water and gas leak detection and repair services, and water heater, water softener, water filtration system services and additional products and services authorized by us (“**BlueFrog Business**”);

WHEREAS, we grant to qualified persons and business entities the right to own and operate a BlueFrog Business using the System and the Marks; and

WHEREAS, you wish to operate a BlueFrog Business, have applied for a franchise, and have been approved by us in reliance upon the representations made herein and therein to operate a BlueFrog Business under the terms of this Agreement.

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. GRANT AND SCOPE OF FRANCHISE

1.1. Grant

We hereby grant to you, and you undertake and accept, upon the terms and conditions herein contained, a limited and non-exclusive license to operate one BlueFrog Business using the System and Marks on the terms described in this Agreement (your “**Franchised Business**”). You may not sublicense the use of the System or Marks to any person, or delegate the operation or supervision of your Franchised Business, without our prior written approval.

1.2. Market Territory

1.2.1. You and we have agreed on a geographic area described on the Summary Page of this Agreement (the “**Summary Page**”) to act as your territory for conducting marketing activities and soliciting customers (the “**Market Territory**”). You hereby agree that, without our prior authorization, you and your Owners will not, and each of you will cause your respective affiliates, representatives, and personnel not to: (i) conduct any marketing, advertising, or promotional activities for your Franchised Business and/or using the Marks or the System outside of your Market Territory, and/or (ii) solicit orders, jobs, or projects from customers outside of your Market Territory and/or that would be conducted outside of your Market Territory.

1.2.2. You acknowledge and agree that it is integral to the franchise system that you respect the territorial restrictions contained in this Agreement, and that your failure to respect such boundaries affects not only other franchisees but also our relationship with our other franchisees and the integrity of the franchise system itself. You further acknowledge and agree that the harm caused

by such failure would be difficult to calculate. Therefore, you agree that if you breach the terms of Section 1.2.1, without limiting our other rights including our right of termination under Section 12.2, you must pay us liquidated damages in an amount equal to the greater of: (i) \$5,000 per incident for any marketing, advertising, or promotional activities conducted outside of your Market Territory in breach of Section 1.2, or (ii) 100% of the job value for any work obtained in breach of Section 1.2. You acknowledge and agree that the foregoing amount represents a reasonable forecast of just compensation for the breach.

1.2.3. During the term of this Agreement, provided that you and your Owners and each of your and their respective affiliates are in full compliance with this Agreement and all other agreements with us and our affiliates, we agree that we will not establish or operate, or grant any other person the right to establish or operate, a BlueFrog Business with an office located in your Market Territory. You acknowledge and agree that the foregoing provides your sole territorial protection of any kind, and nothing in this Agreement or otherwise will restrict or limit, in any manner, our or our affiliates' rights to conduct any other business activities in any location whatsoever, including in your Market Territory, including that we and our affiliates expressly reserve the right to: (i) conduct marketing, advertising, or promotional activities of any kind and/or solicit or accept customers of any kind, in any location whatsoever, including in your Market Territory; and/or (ii) conduct services and perform jobs and/or grant other parties the right to conduct services and perform jobs, including services to National Accounts Clients, in any location whatsoever, including in your Market Territory.

2. FEES

2.1. Franchise Fee

Upon execution of this Agreement, you must pay us an initial [franchise](#) fee (“**Franchise Fee**”) in the amount stated on the Summary Page. The Franchise Fee is deemed fully earned upon execution of this Agreement and is non-refundable under any circumstances.

2.2. Royalty Fee

2.2.1. You must pay us a monthly royalty fee calculated in the manner described on the Summary Page (“**Royalty Fee**”). The due date and intervals of the Royalty Fee will remain subject to change from time to time, provided that they will not be changed without at least 30 days prior notice to you. With no less than 30 days prior notice, we may increase the amount of the Minimum Royalty Fees reflected on the Summary Page in an amount not to exceed the aggregate rate of inflation established by the U.S. Bureau of Labor’s Consumer Price Index since the Effective Date, or such later date as we last adjusted the Minimum Royalty Fees.

2.2.2. For the purposes of this Agreement, “**Invoiced Gross Revenue**” means the aggregate invoiced sale price of all goods, products, labor, parts, merchandise, and services performed by or sold from your Franchised Business, including all proceeds from any business interruption insurance, and without deduction for any fees that we or any other vendor charges from such amounts, but excluding (a) all refunds actually made to customers in good faith; and (b) any sales and equivalent taxes that are collected by you for or on behalf of any governmental taxing authority and paid thereto.

2.2.3. If any Invoiced Gross Revenue due to you (“**Accounts Receivable**”) remains outstanding for more than 1 year after the date of service, the amount of the Royalty Fee that you paid to us on the basis of such Accounts Receivable will be deducted from the subsequent Royalty

Fee you owe us, in an amount not to exceed the original Invoiced Gross Revenue (excluding any late fees, interest, or other amounts accruing on the basis of the late payment).

2.3. Digital Marketing Fee

Upon execution of this Agreement, and continuing during the term of this Agreement, you must pay to us a monthly digital marketing fee in the amount specified by us from time to time (the “**Digital Marketing Fee**”). The Digital Marketing Fee must be paid at intervals and on the due dates we specify. We may periodically modify the amount of the Digital Marketing Fee and/or the method or timing for payment. The Digital Marketing Fee is in addition to all direct out-of-pocket costs you must otherwise incur to conduct marketing for your Franchise Business, provided that such amount will count towards your Local Marketing Expenditure (defined in Section 9.1.3).

2.4. Taxes

If any taxes, fees, or assessments are imposed on your payment of any fees (except taxes imposed on your net taxable income), you must also pay the amount of those taxes, fees, or assessments. If we for any reason pay any such taxes on your behalf, such amounts will be indemnified by you under Section 16.2 of this Agreement.

2.5. Technology Fee

We ~~may~~ require you to pay a ~~fee from time to time for~~ technology ~~related services~~ fee in the amount specified on the Summary Page (the “Technology Fee”). We may periodically modify the amount of the Technology Fee and the method or timing for payment at any time during the Term; provided, the Technology Fee will not increase by more than 15% per year on a compounding basis, unless our direct costs are in excess of that amount, in which case not more than our direct costs at the time of such increase. The Technology Fee is in addition to all direct out-of-pocket costs you must otherwise incur to acquire, maintain, or service the Technology Systems as described in Section 10.3. ~~The amount of the Technology Fee~~ We may also ~~be~~ require you to reimburse us for certain costs determined in part by factors that are unique to your Franchised Business (such as the number of email addresses provided to you and your representatives).

2.6. Transfer Account and Payment Method

You must open and maintain a single commercial deposit account for your Franchised Business (the “**Transfer Account**”). All Invoiced Gross Revenue from your Franchised Business must be deposited in the Transfer Account immediately upon receipt. You must ensure that there are sufficient funds in the Transfer Account to cover amounts owed to us prior to the date such amounts are due. You agree to execute such documents required by us to authorize us to directly debit amounts owed under this Agreement from the Transfer Account. The current form of Electronic Depository Transfer Authorization is attached to this Agreement as Exhibit 3. You may not close the Transfer Account without our prior written approval. We may periodically designate an alternative method of payment for any payment due hereunder and you agree to comply with our payment instructions. All amounts payable to us or our affiliates must be in United States Dollars (\$USD).

2.7. Interest on Past Due Amounts

All amounts owed under this Agreement to us that are not received by us on the due date, will bear interest at a rate of 1.5% per month (or the maximum rate permitted by law, if less) from the date payment is due to the date payment is received by us. In addition, you must pay us for all costs we incur in the collection of any unpaid and past due amounts, including reasonable attorney fees.

2.8. Undisclosed Sales

If you fail to report your Invoiced Gross Revenue when due, then for each payment under this Agreement calculated based on Invoiced Gross Revenue, we may debit the Transfer Account 110% of the average of the last three applicable payments. If the amounts that we debit from the Transfer Account are less than the amounts actually owed (once the Invoiced Gross Revenue is accurately determined), we will debit the Transfer Account for the balance. If the amounts that we debit from the Transfer Account are greater than the amounts actually owed, we will credit the excess against the amounts we otherwise would debit from the Transfer Account on the next payment due date.

2.9. Application of Payments

Notwithstanding any designation, we have the right to apply any payments by you or your Owners to any past due amounts that you or your affiliates owe us or our affiliates, including for Royalty Fees, Brand Fund Contributions, purchases of products or services, license fees for proprietary software and platforms, or any other amount owed to us or our affiliates in any proportion or priority. You may not withhold payment of any amounts owed to us or our affiliates for any reason, including for any alleged nonperformance by us or off-set such amounts in any manner.

3. TERM AND RENEWAL

3.1. Initial Term

This Agreement will begin on the date that we sign this Agreement (the “**Effective Date**”) and will expire on the Expiration Date stated on the Summary Page. If no Expiration Date is specified on the Summary Page, this Agreement will expire on the 10th anniversary of the Effective Date.

3.2. Successor Term

Subject to the conditions below, you have the right to obtain a successor franchise at the expiration of the term of this Agreement by entering into a new franchise agreement with us. Your right to a successor franchise is limited to one successive term of 10 years. To qualify for a successor franchise, each of the following pre-conditions must have been fulfilled and remain true as of the last day of the term of this Agreement:

- (a) You and your affiliates and Owners have, during the entire term of this Agreement, substantially complied with this Agreement, and all other agreements with us and our affiliates;
- (b) You have updated the Franchised Business Office, service vehicle(s), and equipment, to reflect our then-current System Standards applicable to new franchisees;
- (c) You and your affiliates and Owners have satisfied all monetary obligations owed to us and our affiliates, and have timely met these obligations throughout the term of this Agreement;
- (d) You and your affiliates and Owners are not in default of any provision of this Agreement or any other agreement between you and us;
- (e) You have given written notice of your intent to operate a successor franchise to us not less than nine months nor more than twelve months prior to the end of the term of this Agreement;

(f) You and your Owners have executed our then-current form of franchise agreement and associated documents, agreements, and guarantees, which franchise agreement will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee, or Brand Fund Contribution, or a different or modified Market Territory;

(g) You reimburse us for our direct out-of-pocket costs for processing the renewal (including legal fees), including that if we request, your Key Personnel must attend additional training at your sole expense;

(h) You and your Owners satisfy our then-current qualifications for new franchisees;

(i) We are then offering franchises for BlueFrog Businesses in the geographic market area of your Market Territory; and

(j) You and your Owners have executed a general release, in a form prescribed by us, of any and all claims against us, any affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees, and agents (in their corporate and individual capacities), except to the extent prohibited by the applicable law.

4. DEVELOPMENT OF FRANCHISED BUSINESS

4.1. Franchised Business Office

The street address or description of the premises of the location from which you will operate your Franchised Business (your “**Franchised Business Office**”) is described on the Summary Page. If you have not identified the site that will be your Franchised Business Office as of the Effective Date, you will have a period of 90 days from and after the Effective Date to obtain our approval of the proposed site of your Franchised Business Office. After the Franchised Business Office is approved, you agree that we have the right to enter the address into the Summary Page without that change being deemed an amendment to this Agreement. The service tools and equipment for your Franchised Business may not be stored at any location other than the Franchised Business Office, other than pursuant to Section 4.2 below. You are solely responsible for obtaining occupancy rights to the Franchised Business Office, and for maintaining, insuring, and paying all associated costs for the Franchised Business Office. You must manage and administer your Franchised Business from the Franchised Business Office, including maintaining the books and records of your Franchised Business at the Franchised Business Office. We may from time to time establish System Standards for the Franchised Business Office, including relating to size, safety, or insurance requirements, and you agree to comply with all System Standards. You may not relocate the Franchised Business Office without our prior written consent.

4.2. Storage Space

If there is insufficient space at the Franchised Business Office to store your Franchised Business’ service tools and equipment, then you may be permitted to store the same off-site within a leased storage unit, provided that you inform us in writing of the location of the storage unit. The storage unit may not display any signage reflecting the Marks. We may from time to time establish other System Standards for off-site storage, including relating to size, safety, or insurance requirements, and you agree to comply with all System Standards for such off-site storage. We reserve the right to make off-site storage mandatory if we determine that it is necessary to satisfy our System Standards, or that your Franchised Business Office does not offer sufficient storage.

4.3. Service Vehicles

You must purchase one or more service vehicles that meet our System Standards to conduct your Franchised Business. You must wrap all service vehicles and any associated trailer according to our System Standards. You may not use your service vehicle(s) for any purpose unrelated to your Franchised Business. You and your staff must exclusively use the service vehicle(s) we have approved and meeting our System Standards to travel to and from job sites. You must keep your vehicle in good maintenance and repair and ensure that it is consistently washed and kept in clean and safe condition. Each person that drives your vehicle must: (a) be appropriately licensed and insured; and (b) drive in a safe manner in compliance with all applicable laws.

4.4. Opening of Franchised Business

We will provide you our System Standards for the service vehicle, service tools and equipment and other equipment and supplies necessary to establish and operate a Blue Frog Business. Within 150 days after the Effective Date, you must have: (a) obtained and provided us copies of all certifications, permits and licenses required to operate your Franchised Business, including those specified as mandatory in the Confidential Operations Manual; (b) established the Franchised Business Office; (c) acquired and set-up all required office equipment including broadband or high-speed internet service; (d) acquired and set up at least one telephone number dedicated to your Franchised Business; (e) acquired a service vehicle meeting our System Standards, and have it wrapped and lettered it in accordance with our System Standards; (f) acquired the service tools, equipment, and initial inventory required for the operation of your Franchised Business; (g) if necessary, secure off-site storage space for tools and equipment; (h) furnished us with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as we may request; (i) completed the Training Program to our satisfaction; (j) hired and trained the personnel necessary or required for the operation of your Franchised Business; and (k) paid in full all amounts due to us. You may not commence operations until you have met all of the conditions above and our System Standards, and you receive notice from us that you are authorized to open.

5. INTELLECTUAL PROPERTY

5.1. Ownership

We and our affiliates are the sole and exclusive owners of the Marks and the System. Your use of the Marks and the System, and any goodwill created thereby, will inure to the benefit of us and our affiliates. You will not at any time acquire an ownership interest in the Marks or the System by virtue of any use and/or by virtue of this Agreement. You may not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or the System, or assist any other person in contesting the validity or ownership of any of the Marks or the System. Any unauthorized use of the Marks or the System by you or your Owners or affiliates is a breach of this Agreement and an infringement on the intellectual property rights of us and our affiliates. All provisions of this Agreement relating to the Marks and the System apply to any changes and/or additions to the Marks or the System that we authorize from time to time.

5.2. Limitations on Use

You are permitted to use the Marks and the System solely to conduct the Franchised Business in compliance with this Agreement. You may not use any trademarks, service marks or commercial symbols other than the Marks to identify or operate your Franchised Business. You may not use any Mark or portion of any Mark as part of any Business Entity name, [other than registration of the authorized trade name specified on the Summary Page](#). You may not use any Mark or the System in connection with the sale of any unauthorized product or service or in any other manner not

expressly authorized in writing by us. You must give such notices of trademark and service mark registrations as we specify and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a BlueFrog Business. You may not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to us. You must identify yourself as the independent owner of your Franchised Business in connection with all of your dealings with customers, employees, and the public, and in accordance with any System Standards established by us.

5.3. Notification of Infringements and Claims

You must immediately notify us of any apparent or threatened: (i) infringement of the Marks or any component of the System, (ii) challenge to your use of any of the Marks or any component of the System, and/or (iii) claim by any person of any rights in any of the Marks or any component of the System. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge, or claim; provided, you may communicate with your counsel at your expense. We have the right to take such action as we deem appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks and/or the System. You must execute any and all instruments and documents, render such assistance, and do such acts and things as ~~may, in the opinion of our counsel,~~ we determine are necessary or advisable to protect and maintain our interests in any such litigation or other proceeding or to otherwise protect and maintain our interest in the Marks and/or the System.

5.4. Indemnification for Use of Marks

We will reimburse you for all direct out-of-pocket expenses reasonably incurred by you in defending any trademark or similar proceeding disputing your authorized use of any Mark, provided that you have complied with the provisions of Section 5.3 and have complied with this Agreement and our directions in responding to such proceeding. ~~At our option, we~~ We or our designee may defend and control the defense of any proceeding arising directly from your use of any Mark and/or any component of the System. ~~This, including choice of counsel. Our~~ indemnification will not include the expense to you of removing signage or discontinuance of the use of the Marks and/or any component of the System. This indemnification will not apply to litigation between us and you wherein your use of the Marks or System is disputed or challenged by us or our affiliates. This indemnification will not apply to any separate legal fees or costs incurred by you if you obtain independent counsel after we have appointed counsel ~~to represent you and us~~.

5.5. Changes to the Marks and System

If we deem it necessary for you to modify or discontinue use of any of the Marks or components of the System, and/or use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols to identify BlueFrog Businesses, you must comply with our directions promptly ~~after notice to you by us~~. We will not be required to reimburse you for your expenses derived from updating, addition, or modification to, or adding, or discontinuing use of any Marks or any components of the System or any loss of goodwill associated therewith or for any expenditures made by you to promote any modified or substituted d Mark or modified System.

5.6. Online Activities

Except as approved by us in writing or specified in the Confidential Operations Manual, you may not, directly or indirectly, develop, maintain, or authorize any website, domain name, email

address, social media account, or other online, electronic, virtual, or digital presence of any kind (“**Online Presence**”) that displays any of the Marks, promotes or advertises your Franchised Business, links to any Online Presence maintained by us ~~for the brand, or,~~ engage in any promotional or similar activities, ~~whether directly or indirectly,~~ and/or offer any products or services for sale on any Online Presence. If we approve the use of any such Online Presence, you will develop and maintain such Online Presence only in accordance with our guidelines, including guidelines for posting any messages or commentary on other third-party platforms, preparing and linking a privacy policy to such Online Presence, and other System Standards we may establish from time to time. At our request, you agree to grant us or our designees access to each such Online Presence, and to take whatever action (including signing ~~assignment or~~ other documents) we request to gain access, control, or ownership of such Online Presence.

6. COVENANTS

6.1. Confidential Information

6.1.1. In connection with your franchise under this Agreement, you and your Owners and personnel may from time to time be provided and/or have access to non-public information about the System and the operation of BlueFrog Businesses (the “**Confidential Information**”), including: (1) training programs and operations materials (including the Confidential Operations Manual); (2) the System Standards and methods and techniques for operating BlueFrog Businesses; (3) market research and strategies, customer service techniques, and other practices for generating and maintaining customers; (4) specifications for, suppliers of, and methods of ordering, products and services; (5) any software, technology, or Online Presences which are proprietary to us or the System, including digital passwords and identifications and any source code of, and data and reports generated by the software or similar technology; (6) the operating results and financial performance of BlueFrog Businesses, including your Franchised Business; (7) customer and client lists, terms, job pricing and history, preferences, demographic information and related information; and (8) any other information designated as confidential or proprietary by us. Confidential Information does not include information, knowledge, or know how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates.

6.1.2. All Confidential Information will be owned by us and our affiliates (other than Restricted Data, as defined in Section 10.4). You and your Owners will not acquire any interest in our Confidential Information, other than the right to use it to develop and operate your Franchised Business in compliance with this Agreement. You acknowledge that our Confidential Information includes our trade secrets, and other information that is proprietary to us and our affiliates, derives value from not being known to the public and our competitors, has been developed by us and our affiliates at significant cost and effort, and is critical to the competitive advantage of us and our affiliates and franchisees. You acknowledge that any unauthorized use or disclosure of our Confidential Information would be an unfair method of competition and will result in irreparable harm to us and our affiliates. You and your Owners therefore agree that during and after the term of this Agreement you will and you will cause each of your respective spouses, immediate family members, affiliates, and assigns to:

(a) process, retain, use, collect, and disclose our Confidential Information strictly to the limited extent, and in such a manner, as necessary for the development and operation of your Franchised Business in accordance with this Agreement, and not for any other purpose;

(b) process, retain, use, collect, and disclose our Confidential Information strictly in accordance with the privacy policies and System Standards we establish from time to time, and our and our representative's instructions;

(c) keep confidential and not disclose, sell, distribute, or trade our Confidential Information to any person other than those of your employees and representatives who need to know such Confidential Information for the purpose of assisting you in operating the Franchised Business in accordance with this Agreement; and you agree that you will be responsible for any violation of this requirement by any of your representatives or employees;

(d) not make unauthorized copies of any of our Confidential Information;

(e) adopt and maintain administrative, physical and technical safeguards to prevent unauthorized use or disclosure of any of our Confidential Information, including by establishing reasonable security and access measures, restricting its disclosure to key personnel, and/or by requiring persons who have access to the Confidential Information to execute a non-disclosure agreement on terms no less favorable than terms applicable to Confidential Information under this Agreement; and

(f) at our request, destroy or return any of the Confidential Information.

6.1.3. We are not making any representations or warranties, express or implied, with respect to the Confidential Information. We and our affiliates have no liability to you and your affiliates for any errors or omissions from the Confidential Information.

6.2. Additional Developments

All ideas, concepts, techniques or materials concerning any BlueFrog Business and/or the System developed, in whole or in part, using Confidential Information, whether or not protectable intellectual property and whether created by or for you or your Owners or employees, shall be promptly disclosed to us and shall be deemed our sole and exclusive property and work made-for-hire for us, automatically and without compensation to you, your Owners, or any of your employees or representatives. We have the right to incorporate such items into the System. To the extent any item does not qualify as a "work made-for-hire" for us, you shall assign, and by this Agreement, do hereby assign to us, all right, title, and interest in that item. You shall sign any documents required by us to memorialize such assignment. You agree to take all actions to assist our efforts to obtain or maintain intellectual property rights in any item related to the System, whether developed by you, or any of your personnel or representatives, or not.

6.3. Exclusive Relationship

6.3.1. You acknowledge that we granted you a franchise in consideration of your agreement to deal exclusively with us. You further acknowledge that we would be unable to protect the System and our Confidential Information against unauthorized use or disclosure if you or your Owners were involved in any manner in any Competitive Business (defined below). Therefore, you and your Owners each agree not to, and to cause each of your respective spouses, immediate family members, affiliates, and assigns not to, directly or indirectly: (i) own, maintain, or acquire any direct or indirect interest in or relationship with any Competitive Business, whether as record or beneficial owner, investor, employee, partner, director, officer, representative, agent, lessor, lender, or otherwise; and/or (ii) advise, operate, or provide assistance or services of any kind or nature to any Competitive Business:

~~(a)~~ (a) during the term of this Agreement, in any location worldwide; and

~~(b)~~ (b) for a period of 2 years from and after the date of termination or expiration of this Agreement, if such Competitive Business is located or operates in and/or services customers in your Market Territory or any location that is within a 25 mile radius of your Market Territory.

6.3.2. “**Competitive Business**” means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides): (1) plumbing inspection, installation, repairs and maintenance, (2) drain cleaning, (3) leak detection and repair, (4) hot water heater sale, installation, maintenance, and repair, (5) water softener and filtration system sale, installation, maintenance, and repair, (6) gas leak detection and repair, (7) tree root removal, and sewer line repair and replacement, and/or (8) any other line of business, products, or services that are substantially similar to those offered by BlueFrog Businesses; provided, that the definition of Competitive Business will not include: (a) any business operated under a franchise agreement with us or our affiliates; or (b) the ownership of less than 5% of the equity interest in a Competitive Business whose stock is publicly traded on a recognized United States stock exchange.

6.3.3. If any person fails to comply with these obligations after the termination or expiration of this Agreement, the 2 year restricted period for that person will commence on the date the person begins to comply with this Section, which may be the date a court order is entered enforcing this provision.

6.3.4. The foregoing covenants will apply to the transferor and its owners for a period of 2 years following the date of such transfer, with the force and effect as if this Agreement had been terminated for such parties as of such date.

6.3.5. You and your Owners acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in these covenants will not deprive any of you of your personal goodwill or ability to earn a living.

6.4. Covenants of Other Individuals

You agree that we will have the right to require certain of your Owners, Key Personnel, management-level employees ~~and~~, officers, and other representatives and owners of you that will have access to Confidential Information to sign certain non-disclosure agreements and other protective covenants we designate, ~~including those that are similar to those contained in this Section~~. You must ensure that we and our affiliates are named as third-party beneficiaries with the right to enforce these covenants ~~contained in such~~ and agreements. Upon our request, you must provide us with copies of all such executed ~~nondisclosure and non-competition~~ covenants and agreements. We may modify our decisions on which persons will be required to sign such covenants from time to time. You must notify us, upon request, of all employees, representatives, and other individuals to whom you have granted access to Confidential Information, and/or who are involved in the management and supervision of your Franchised Business.

6.5. Non-Interference

During and after the term of this Agreement, you and your Owners each agree not to, and to cause each of your respective your respective spouses, immediate family members, affiliates, and assigns not to, directly or indirectly interfere or attempt to interfere with our or our affiliates’ relationships with any customers, franchisees, lenders, investors, suppliers, consultants, or other

business partners, and/or otherwise induce or attempt to induce any such persons to terminate, reduce or modify any relationship with us or our affiliates.

6.6. Non-Disparagement

During and after the term of this Agreement, you and your Owners each agree not to, and to cause each of your respective your respective spouses, immediate family members, affiliates, and assigns not to, directly or indirectly: (i) disparage or otherwise speak or write negatively of us, our affiliates, any of our or our affiliates' directors, officers, employees, or representatives, the "BLUEFROG PLUMBING + DRAIN®" brand, the System, any BlueFrog Business, any business using the Marks, or any other brand concept operated or franchised by us or our affiliates; and/or (ii) take any other action which would subject any of the foregoing to ridicule, scandal, reproach, scorn, disrepute, or indignity, or which would negatively impact or injure the goodwill of the System and/or the Marks.

7. TRAINING AND ASSISTANCE

7.1. Initial Training

7.1.1. We will provide a training program on the material aspects of operating a BlueFrog Business (the "**Training Program**") to you (or if you are a Business Entity, your Owners) and up to three additional persons (one of which must be your Designated Owner or Designated Manager, as applicable under Section 11.4) (together, your "**Key Personnel**"). You may invite additional persons to attend the Training Program if space allows; provided, that if we approve such requests, we may charge our then-current training fee, plus all expenses, for each additional person attending the Training Program, and/or for any portion of the Training Program conducted more than one time to accommodate the schedules of your attendees.

7.1.2. We will determine the identity and composition of the trainer(s) conducting all portions of the Training Program in our discretion. We will provide the Training Program at the times and locations we determine, which may include conducting any portion of the Training Program virtually. We will also determine the length and content of the Training Program. We may vary the Training Program based on the experience and skill level of the individual(s) attending. Scheduling of the Training Program is based on your and our availability and the projected opening of your Franchised Business.

7.1.3. Your Key Personnel must complete the Training Program to our satisfaction before beginning to operate your Franchised Business. If any of your Key Personnel fail to satisfactorily complete the Training Program, then we reserve the right to require such person(s) to attend additional training at a time and location of our choice, and we will charge you our then-current training fee, plus all expenses, for such additional training. If you and your Key Personnel complete the Training Program to our satisfaction and have not expressly informed us at the end of the Training Program that they do not feel sufficiently trained in the operation of your Franchised Business, then you and your Key Personnel will be deemed to have been trained sufficiently.

7.1.4. If you hire a new Designated Manager or your Designated Owner changes at any time, the new Designated Manager or Designated Owner must attend and successfully complete our then-current Training Program before providing services to your Franchised Business, and you must pay our then-current training fee for such training.

7.2. Personnel Training

You are solely responsible for training all of your employees, contractors, and other personnel, at your sole cost and expense. We may periodically require you to disclose to us the training curriculum and materials that you use to train your personnel, and/or set System Standards relating to the training that you offer (including requiring third-party training or certification courses technical programs), to ensure that all personnel receive appropriate training to conduct your Franchised Business in accordance with our System Standards; but these minimum requirements are solely intended to protect our System and the goodwill of the Marks. You have the ultimate and exclusive responsibility for ensuring that all of your employees and personnel are appropriately trained to operate your Franchise Business in accordance with this Agreement and our System Standards, regardless of any training or support that we provide. ~~If we determine that any of your personnel are unable to satisfactorily supervise and fulfill their duties in accordance with our System Standards, we may require you to complete additional training, and if we provide any such training, you must pay our then-current training fee, plus expenses, for such additional training we provide.~~

7.3. Additional Training

7.3.1. Subject to limitations on scheduling, availability and similar resources, we may provide you with advice from time to time regarding your Franchised Business. Our advice and guidance will be furnished in the formats we periodically designate, which may include updates to our Confidential Operations Manual, written bulletins and newsletters, via telephone or electronic meetings, and/or consultation at our offices. You understand and agree that any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify from time to time.

7.3.2. You may request additional training for you, your Owners, or your personnel from time to time during the term of this Agreement. If we agree to provide you such additional training, we and you will jointly determine the duration of this additional training, and we reserve the right to charge you our then-current training fee for such additional training, plus expenses, regardless of attendance. If you fail to attend any annual/regional meetings held during the term of this Agreement, we have the right to require you to attend additional training, and charge our then-current training fee for such training, in addition to any other rights and remedies available to us for your breach of this provision.

7.3.3. We may require you and your Key Personnel and/or other personnel to attend various training courses, trade shows, ongoing education programs, and/or webinars at the times and locations designated by us, which may be offered by us or our affiliates, vendors, or other designees of ours. In addition to these training courses, programs, and events, we may additionally require you and/or any of your Key Personnel to attend periodic meetings of franchise owners or managers. These meetings will be held at our discretion and at the locations we designate, and we reserve the right to charge meeting or conference fees for such events.

7.3.4. If we determine that you are not operating your Franchised Business in full compliance with this Agreement and/or the Confidential Operations Manual, we may require that your Key Personnel attend additional training that is relevant to your deficiencies, and we reserve the right to charge you our then-current training fee for such additional training plus expenses.

7.4. Training Fees and Expenses

7.4.1. You agree to pay all travel and living expenses (including, wages, transportation, food, lodging, and workers' compensation insurance) that you and your Key Personnel or any other

employee incurs during any and all meetings and/or training courses and programs. If we or our representatives travel to your area to conduct any training of any kind, you are also responsible for the travel and living expenses and out-of-pocket costs that we and such representatives incur to provide you and your personnel any training.

7.4.2. As of the Effective Date, our training fee is equal to \$1,000 per person per day, plus reimbursement of our and our representatives costs and expenses for providing such training. We may modify the amount of our per day training fee at any time and from time to time, provided that our training fee does not increase by more than 5% per year on a compounding basis.

8. SYSTEM STANDARDS

8.1. System Standards

We have developed and will continue to develop as part of the System certain specifications, standards, operating procedures, and rules that we prescribe as mandatory for operating BlueFrog Businesses generally, or your Franchised Business specifically (as they be modified from time to time, the “**System Standards**”). You acknowledge and agree that operating and maintaining your Franchised Business according to System Standards is essential to preserve the goodwill of the Marks and all BlueFrog Businesses. You further acknowledge and agree that we have granted you the franchise under this Agreement in reliance on your commitment to strictly observe all System Standards when operating your Franchised Business. To that effect, you and your Owners each hereby agree to at all times strictly comply, and cause your Franchised Business and its personnel to strictly comply, with all System Standards that we adopt from time to time, including System Standards relating to: (i) the amount, types, quality and specifications of equipment, supplies and inventory; (ii) sales and marketing materials, techniques, special offers, campaigns and programs; (iii) the use and display of the Marks; (iv) participation in customer programs; (v) minimum criteria for staffing levels, qualifications, training, uniform and appearance (although you have sole responsibility and authority concerning all other matters relating to employees and personnel, including hiring and promotion, hours worked, rates of pay, and other benefits, work assigned, the manner of performing work and working conditions); (vi) customer service warranties, policies, programs, and quality control measures; (vii) product and service offerings and packages; (viii) days and hours of operation; (ix) invoicing practices, methods of accepting and accounting for customer payments, and use of payment services; (x) designated and approved suppliers and supply chain programs; (xi) bookkeeping, accounting, recordkeeping, and data processing and security practices; (xii) participation criteria and standards for servicing our National Account Clients; (xiii) insurance limits and coverage; ~~and~~ (xiv) policies for the registration, use, content, or management of Online Presences, or other technology systems, solutions, or products; and (xv) such other aspects of operating a BlueFrog Business that we determine to be necessary or prudent to preserve or enhance the System, the BLUEFROG PLUMBING + DRAIN® brand, and the goodwill of the Marks and the System.

8.2. Confidential Operations Manual

We will make information about the System Standards, and other suggestions and general guidance for operating a BlueFrog Business available to you during the term of this Agreement, which may include one or more manuals, bulletins, publications, newsletters, memoranda, videos, and other communications from us and our representatives, in printed, electronic, audio/video, or other form (collectively, the “**Confidential Operations Manual**”). We may modify the Confidential Operations Manual periodically, including changing System Standards. If there is a dispute over its contents, our master copy of the Confidential Operations Manual will control. You agree that the

Confidential Operations Manual's contents are considered Confidential Information and that you will not disclose the Confidential Operations Manual to any person other than any employee who needs to know its contents to perform their duties. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Confidential Operations Manual without our approval. At our option, we may make some or all of the Confidential Operations Manual available through an Online Presence. If we do so, you agree to monitor and access that Online Presence for any updates to the Confidential Operations Manual. Any passwords or other digital identifications necessary to access the Confidential Operations Manual on any Online Presence will be deemed to be part of Confidential Information.

8.3. Modification to the System

You understand that the System will continue to evolve during the term of this Agreement and that the System Standards are subject to change. You agree to promptly make all upgrades and modifications to your Franchised Business during the term of this Agreement as may be required to ensure that your Franchised Business at all times complies with our then-current System Standards. You acknowledge and agree that you will be solely responsible for the costs associated with updating and maintaining your Franchised Business in compliance with System Standards during the entire term of this Agreement. Changes to the System and the System Standards may require you to incur additional costs or invest additional capital into your Franchised Business.

8.4. Variance

We have the right to vary our System Standards for any franchisee based on that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which we deem to be of importance to the successful operation of any particular BlueFrog Business. We are not required to disclose or grant to you a like or similar variance hereunder.

9. ADVERTISING AND PROMOTIONAL ACTIVITIES

9.1. Your Local Advertising

9.1.1. You are solely responsible for conducting all local advertising for your Franchised Business. You must advertise and market your Franchised Business in any advertising medium we determine, using forms of advertisement we approve. You must also list your Franchised Business with the online directories and subscriptions we periodically prescribe, and/or establish any other Online Presence we require. You must comply with all of our System Standards for your advertising. All advertising materials that you use and any advertising activities that you conduct must be factually accurate, conform to the highest standards of ethical advertising, and comply with all federal, state and local laws. You must ensure your advertisements and promotional materials do not infringe upon the intellectual property rights of others.

9.1.2. You must submit to us, for our prior approval, all advertising and promotional materials that you wish to use to promote your Franchised Business and/or that display the Marks. You may not use any advertising, promotional, or marketing materials that we have not approved [in writing](#). We may revoke our approval of any advertising, promotional, or marketing materials at any time. You must promptly cease using any advertising, promotional, or marketing materials disapproved by us.

9.1.3. We may require you to spend a minimum of up to 2% of Invoiced Gross Revenue each month on advertising, promotions, and public relations for your Franchised Business in your

Market Territory (“**Local Advertising Expenditure**”). We will determine what type of expenditures that will count towards your Local Advertising Expenditure. [Digital Marketing Fees paid to us will be counted towards your Local Advertising Expenditure.](#) Indirect costs you incur in managing your local advertising campaigns, such as salaries and benefits of employees administering the campaigns, will not be counted towards your Local Advertising Expenditure. Additionally, any costs you incur for advertising conducted at the Franchised Business Office and/or on service vehicle(s), ~~such as in-store signage or vehicle wraps~~, will not be counted towards your Local Advertising Expenditure. On our request, you agree to send us, in the manner we prescribe, an accounting of your Local Advertising Expenditures during the preceding months.

9.1.4. We have the right from time to time to require you to pay part or all of the Local Advertising Expenditure to ~~the Brand Fund, in addition to the Brand Fund Contribution, and/or to pay such amounts over to~~ us or our designee to conduct for local marketing ~~on your behalf~~. We may at any time, on one or more occasions, with at least 30 days’ notice to you, change the proportion of the Local Advertising Expenditure that you must spend directly, versus ~~contribute to the Brand Fund, versus pay~~ paying to us or our designee.

9.2. Brand Fund

9.2.1. We have established and administered a marketing, advertising and promotion fund to facilitate advertising and marketing efforts for the BLUEFROG PLUMBING + DRAIN® brand, the franchise system, any products or services offered by BlueFrog Businesses, and/or any BLUEFROG PLUMBING + DRAIN Businesses (“**Brand Fund**”). You hereby agree to contribute monthly to the Brand Fund calculated in the manner described on the Summary Page (“**Brand Fund Contribution**”). The Brand Fund Contribution must be paid by you in the manner we designate from time to time, which may include collecting amounts in the same manner as the Royalty Fees. With no less than 30 days prior notice, we may increase the amount of the Brand Fund Contribution reflected on the Summary Page in an amount not to exceed the aggregate rate of inflation established by the U.S. Bureau of Labor’s Consumer Price Index since the Effective Date, or such later date as we last adjusted the Brand Fund Contribution.

9.2.2. We have exclusive control over all programs and services administered by the Brand Fund, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. We do not guarantee that any particular franchisee will benefit directly from expenditures by the Brand Fund, or that any such expenditures will be in proportion to any franchisee’s contributions. The program(s) may be local, regional or national in scope. We do not guarantee the results of any Brand Fund programs, services, or expenditures in any manner. The Brand Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining any Online Presences, software, applications or other technology solutions; administering advertising, marketing, and promotional campaigns and programs; using public relations and marketing agencies and other advisors to provide assistance; conducting customer surveys and programs, developing market research and other marketing strategy or implementation activities; and/or any other expenditures that are directly or indirectly related to promoting the Marks, the System, the BLUEFROG PLUMBING + DRAIN® brand, and/or BlueFrog Businesses. We may also use the Brand Fund to pay for the Brand Fund’s other administrative and overhead costs, including the reasonable salaries and benefits of personnel who manage and administer the Brand Fund, and any other expenses that we or our affiliates incur that are related to administering or directing the Brand Fund and its programs. We may modify Brand Fund programs, services, or expenditures at any time in our sole discretion.

9.2.3. We will keep a record of the Brand Fund separately from our other funds, though we are not required to hold such funds in a separate account. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Fund Contributions at the Brand Fund's expense. We may also forgive, waive, settle, and compromise all claims by or against the Brand Fund in our sole discretion.

9.2.4. We may at any time, on 30 days' prior written notice to you, reduce or suspend Brand Fund Contributions and/or operations of the Brand Fund for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund and associated Brand Fund Contributions. If we terminate the Brand Fund, we will first pay all outstanding invoices and debts incurred by the Brand Fund, and then we will return the remaining balance to franchisees in proportion to their Brand Fund Contributions in the 12 months prior to such termination.

9.2.5. We may elect to maintain multiple Brand Funds or the administration thereof, whether determined by geographic region, country, or otherwise, or consolidate or merge multiple Brand Funds or the administration thereof, in each case provided that each such Brand Fund will otherwise remain subject to the terms of this Agreement.

9.2.6. An accounting of the operation of the Brand Fund will be prepared annually and will be available to you upon request. We retain the right to have the Brand Fund reviewed or audited and reported on, at the expense of the Brand Fund, by an independent certified public accountant selected by us. We may also administer the Brand Fund through a separate Business Entity whenever we deem appropriate, and such Business Entity will have all of the rights and duties specified in this Section.

9.2.7. You acknowledge that the Brand Fund is not a trust and we assume no fiduciary duty in administering the Brand Fund.

9.3. Franchise System Websites and Data

We may establish, acquire, or host any Online Presence to advertise, market, and promote BlueFrog Businesses and/or the BLUEFROG PLUMBING + DRAIN® brand, the products and services that they offer and sell, and/or a franchise opportunity (a "Franchise System Website"). We may (but are not required to) provide information on any Franchise System Website about your Franchised Business. You must provide us with the information and materials we request to develop, update, and modify the description of your Franchised Business on any Franchise System Website. You must notify us whenever any information on any Franchise System Website is not accurate. We will own all intellectual property and other rights in all Franchise System Websites, including as it relates to your Franchised Business, and all data, content, information and materials derived from any Franchise System Websites (including account information and preferences, login credentials, analytic data and reports, user submitted content and data, and all messages and other information or materials directed to or from messaging platforms associated with any Franchise System Website). We have the unrestricted right to access and use all Franchise System Websites and all information derived from such Franchise System Websites without limitation, including the right to download, read, store, copy, delete, modify, and/or host it, in any manner of our choosing. We may temporarily or permanently remove references to your Franchised Business from any or all Franchise System Websites if you or your Owners or affiliates are in default of any obligation under this Agreement or our System Standards, and/or upon the expiration or termination of this Agreement. We reserve the

right to require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current System Standards. You acknowledge and agree that we will have unrestricted access to and sole ownership of all such email accounts, and all document, data, materials, and messages shared from or by such accounts. We may deactivate any such account or limit your or your users' access to it at any time.

9.4. Contact Information

You agree that, as between us and you, we reserve the right to all telephone numbers, Online Presences, and/or any other type of contact information or directory listing for your Franchised Business or that you use in the operation or promotion of your Franchised Business (collectively, the “**Contact Information**”). The Contact Information may be used only for your Franchised Business in accordance with this Agreement and our System Standards and for no other purpose. We reserve the right to notify any telephone company, listing agencies, website hosting company, domain registrar, social network, and any other third-party owning or controlling any Contact Information, if any information relating to your Franchised Business is inaccurate or violates our System Standards, and request that they modify such Contact Information, and/or remove such Contact Information until it can be corrected.

10. RECORDS, REPORTING, AND TECHNOLOGY SYSTEMS

10.1. Books and Records

You must maintain full, complete and accurate books, records and accounts in accordance with the accounting and record-keeping systems prescribed by us, including any software, technology, or integrations we specify for such record-keeping. You agree to update all records in a timely and accurate manner and correct any errors or discrepancies promptly, as well as taking all necessary steps to ensure that all records and accounts are readily accessible for review, audit, or inspection by us or our authorized representatives. In addition, you must implement appropriate measures to safeguard such records from loss, unauthorized access or tampering and shall ensure that the records are securely stored. You must retain all books and records related to your Franchised Business during the term of this Agreement, and for five years thereafter, including purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by us or required by law.

10.2. Financial Statements and Reports

You also agree to deliver us in the manner and format that we prescribe from time to time: (i) no later than the date that the Royalty Fee is due each month, a signed and verified statement of Invoiced Gross Revenue for the preceding month; (ii) within 12 days after the end of each calendar month, a balance sheet as of the preceding month-end and income statement for the preceding month and year-to-date; (iii) within 90 days after the end of each calendar year, a balance sheet as of the preceding year-end and income statement for the preceding year; (iv) within the time limits specified by us from time to time, such other periodic operating statements, financial statements, tax returns, and other information we request regarding you and your Franchised Business. We may establish System Standards for all reports and financial statements, which may include requiring that financial statements be prepared in accordance with GAAP a chart of accounts we designate, that such financial statements be reviewed or audited by a certified public accountant, and/or that such financial statements be generated using software, applications, and/or integrations we specify. We have the right to disclose any financial and operational information relating to your Franchised

Business to third parties at our discretion, including current or prospective lenders, investors, and other business partners. We may periodically change the intervals or due dates for reports described above, provided we provide you with no less than 30 days' notice prior to any such change.

10.3. Technology Systems

10.3.1. You must acquire and use all hardware, software, and IT systems that we specify from time to time, including computer, point-of-sale systems, financial software, telecommunications, security and similar systems, together with the associated hardware, software, applications, integrations, and related equipment and services (collectively the “**Technology Systems**”). We may establish System Standards for the Technology Systems and/or require the use of designated Technology Systems for any purpose associated with your Franchised Business, including purchasing, estimating, pricing, scheduling, accounting, order entry, inventory control, security, data management, information storage, retrieval and transmission, customer information, customer programs, marketing, communications, or any other business purpose. We may require that you, at your expense, acquire new or substitute Technology Systems, and/or replace, upgrade or update existing Technology Systems, upon reasonable prior notice.

10.3.2. You must take all steps necessary to enable us to have independent and unlimited access to the data collected through the Technology Systems, including information regarding your Invoiced Gross Revenue, relating to customers and jobs completed, and any other information relating to your Franchised Business. You must provide us, upon request, with all user IDs and passwords for your Technology Systems, including upon termination or expiration of this Agreement.

10.3.3. You are solely responsible for protecting the Technology Systems against computer viruses, bugs, power disruptions, disruptions, internet access failures, internet content failures, data-related problems, and attacks by hackers and other unauthorized intruders. Upon our request, you must obtain and maintain cyber insurance and business interruption insurance for technology disruptions.

10.3.4. You are responsible for all fees, costs and expenses associated with acquiring, licensing, utilizing, updating and upgrading the Technology Systems. Certain components of the Technology Systems must be purchased or licensed from designated or approved third party suppliers, which may be us or our affiliates. We also reserve the right to enter into master agreements with third-party suppliers relating to any components of the Technology Systems and then charge you for all amounts that we pay to these suppliers based upon your use of the software, technology, equipment, or services provided by the suppliers.

10.4. Information Security.

10.4.1. You may from time to time have access to information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information (“**Personal Information**”). You may gain access to such Personal Information from us, our affiliates, our vendors, or your own operations. You agree that all Personal Information (other than Restricted Data, defined below) is our Confidential Information and is subject to the protections in Section 6.1.

10.4.2. During and after the Term, you and your Owners agree to, and to cause your respective current and former employees, representatives, affiliates, successors and assigns to: (a)

process, retain, use, collect, and disclose all Personal Information only in strict accordance with all applicable laws, regulations, orders, the guidance and codes issued by industry or regulatory agencies, and the privacy policies and terms and conditions of any applicable Online Presence; (b) assist us with meeting our compliance obligations under all applicable laws and regulations relating to Personal Information, including the guidance and codes of practice issued by industry or regulatory agencies; and (c) promptly notify us of any communication or request from any customer or other data subject to access, correct, delete, opt-out of, or limit activities relating to any Personal Information.

10.4.3. If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify us immediately and specify the extent to which Personal Information was compromised or disclosed. You also agree to follow our instructions regarding curative actions and public statements relating to the breach. We reserve the right to conduct a data security and privacy audit of any of your Franchised Business and your Technology Systems at any time, from time to time, to ensure that you are complying with our requirements. You must promptly notify us if you receive any complaint, notice, or communication, whether from a governmental agency, customer or other person, relating to any Personal Information, or your compliance with your obligations relating to Personal Information under this Agreement, and/or if you have any reason to believe you will not be able to satisfy any of your obligations relating to Personal Information under this Agreement.

10.4.4. Notwithstanding anything to the contrary in this Agreement or otherwise, you agree that we do not control or own any of the following Personal Information (collectively, the “**Restricted Data**”): (a) any Personal Information of the employees, officers, contractors, owners or other personnel of you, your affiliates, or your Franchised Business; (b) such other Personal Information as we from time to time expressly designate as Restricted Data; and/or (c) any other Personal Information to which we do not have access. Regardless of any guidance we may provide generally and/or any specifications that we may establish for other Personal Information, you have sole and exclusive responsibility for all Restricted Data, including establishing protections and safeguards for such Restricted Data; provided, that in each case you agree to comply with all applicable laws, regulations, orders, and the guidance and codes issued by industry or regulatory agencies applicable to such Restricted Data.

10.5. Right to Audit

We or our designee have the right, with or without notice, to examine, copy and audit your books and records, accounting reports, client [records and](#) invoices, job reports, tax returns, and other business records and information. We also may demand access to books and records of any business operated [by](#) any of your Owners, Designated Manager, and/or any affiliate of the foregoing, to the extent needed to ensure that you are complying with this Agreement, ~~including non-competition covenants and the restrictions on soliciting jobs outside of your Market Territory, and restrictions on providing other services to customers of your Franchised Business.~~ If any audit should reveal that any payments to us have been underpaid, then you must immediately pay to us the amount of the underpayment plus applicable late fees and interest. If the audit or any other inspection should reveal that you have not spent the required Local Advertising Expenditure, or if the inspection discloses an underpayment of 3% or more of any amount due to us for any period covered by the audit, then you must also reimburse us for any and all costs and expenses connected with the audit (including travel expenses and reasonable accounting and attorneys’ fees). If any audit reveals that you and/or you or your Owners are in breach of any terms of this Agreement, then we may also require you to reimburse our costs for conducting the audit (including accounting and attorneys’ fees). The

foregoing remedies are in addition to any other remedies we may have. At our request, you agree to authorize and direct any third parties, including accounting and legal professionals, to release to us any and all books and records contemplated by this Section.

11. OPERATION OF YOUR FRANCHISED BUSINESS

11.1. Authorized Products, Services and Suppliers

11.1.1. You must provide or offer for sale or use at your Franchised Business all of the services, products, supplies, equipment and other items that we from time to time designate. You may not offer or provide any other services, products, supplies, equipment, and other items as part of your Franchised Business without our express approval. You may not offer or provide any other products and services, and/or permit any of your affiliates, employees, Owners, or other representatives to offer or provide any other products and services, related to or arising in connection with any project conducted by your Franchised Business, without our prior written approval. You may not offer or sell any products or services from your Franchised Business at wholesale, resale, or other alternative distribution channels, or to dealers, or distributors, or franchisees, without our prior written approval.

11.1.2. All products, supplies, equipment, and other items provided by your Franchised Business must comply in all respects with our System Standards. We are under no obligation to authorize every BlueFrog Business to offer the same services, products, supplies, equipment, and other items. We may condition our approval for you to offer any services, products, supplies, equipment and other items on our then-current criteria, including your compliance with this Agreement.

11.1.3. You agree to obtain and use the equipment, supplies, inventory, and other products, assets, and services we designate from time to time as meeting our System Standards, including your Technology Systems, service vehicles, and any other equipment, supplies, inventory, signage, third-party services, and signs and other products and services that we approve for BlueFrog Businesses. You agree not to use any other equipment, supplies, inventory, and other products, assets, and services that do not meet our System Standards without our express approval. We may require that you purchase any products or services only from a supplier designed or approved by us, and/or that satisfy our System Standards (which may be a third-party vendor or supplier, or may be us or our affiliate). In addition, we may, at our option, arrange with designated vendors, to collect or have our affiliates collect fees and expenses associated with products and services, to provide such services to you and, in turn, pay the vendor on your behalf for such products or services. If we elect to do so, you agree that we or our affiliates may auto debit your Transfer Account for such amounts in the same manner and using the same authorization that you grant us with respect to payment of Royalty Fees and other fees.

11.1.4. If you wish to use any products, services, or suppliers that we have not approved (for products and services that require our approval), you must first send us sufficient information, specifications and samples for us to determine whether the service, product, or supplier complies with our System Standards. We are not required to consider alternative suppliers and we may refuse to consider such requests for any reason. You must bear all expenses incurred by us in connection with determining whether we will approve an item, service or supplier. Approval of a supplier may be conditioned on the supplier's ability to provide a sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section will be construed to require us to approve any particular supplier, or to require us to make available to prospective suppliers, standards and specifications that

we deem confidential. We have the right to review from time to time our approval of any products, services, or suppliers. We may revoke our approval of any products, services, or suppliers at any time. You must promptly cease using, selling or providing any products, services, or suppliers disapproved by us.

11.1.5. You acknowledge and agrees that we and/or our affiliates may derive compensation or other benefits based on your purchases or leases from designated or approved suppliers, and that we have the right to retain such compensation or benefits in consideration of the valuable services provided by us and/or our affiliate. You shall have no interest in or claim to such compensation or benefit.

11.2. Conversion Franchise

If you operate a conversion franchise, you agree, at your sole cost and expense, to re-image, renovate, refurbish, and modernize your existing business, within the time frame required by us, including the design, equipment, signs, inventory assortment, presentation of trademarks and service marks, supplies and other products and materials to meet our then-current standards and specifications for a Franchised Business, as specified in the Confidential Operations Manual.

11.3. Condition of your Franchised Business

You shall maintain the service tools and equipment, service vehicles, signage and other components of your Franchised Business to meet the highest standards of professionalism, cleanliness, sanitation, safety, and courteous service. You must repair or replace all products, equipment, inventory, supplies and other assets as necessary to comply with our health and safety standards and specifications and any applicable laws or regulations. The expense of such maintenance shall be borne by you.

11.4. Management

Subject to the terms and conditions of this Agreement, you (or if you are a Business Entity, your Designated Owner) will be solely responsible for the management, direction and control of your Franchised Business. If you (or if you are a Business Entity, your Designated Owner) do not wish to supervise the day-to-day operations of your Franchised Business, then you may request that we approve an alternative person to supervise the day-to-day affairs of your Franchised Business (your “**Designated Manager**”). We may establish conditions for approving any such Designated Manager or Designated Owner, as applicable, which may include the completion of training, confirmation that such individual will have no competitive businesses activities, and/or execution of a non-disclosure agreement (that we approve or designate) or other covenants we require. You (or if you are a Business Entity, your Designated Owner) or your Designated Manager, as applicable, must supervise the management and day-to-day operations of your Franchised Business on a full-time basis and continuously exert best efforts to promote and enhance your Franchised Business and the goodwill associated with the Marks.

11.5. Your Personnel

You acknowledge and agree that you are solely responsible for all decisions relating to employees, agents, and independent contractors that you may hire to assist in the operation of your Franchised Business. You agree that any employee, agent, or independent contractor that you hire will be your employee, agent, or independent contractor, and not our employee, agent or independent contractor. You also agree that you are exclusively responsible for the terms and conditions of employment of your ~~employees~~personnel, including recruiting, hiring, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, and supervision. You

agree to manage the employment functions of your Franchised Business in compliance with federal, state, and local employment laws. ~~You agree to maintain a competent, conscientious, and trained staff sufficient to service customers and operate your Franchised Business in accordance with our System Standards.~~

11.6. Compliance with Applicable Laws

11.6.1. You shall secure and maintain in force all required operational and professional licenses, permits and certificates necessary for the operation of your Franchised Business, including all zoning and local permits necessary to operate your Franchised Business from the Franchised Business Office, and shall operate your Franchised Business in full compliance with all applicable laws, ordinances, and regulations. We make no representation to you with regard to any legal requirements that you must satisfy or comply with in connection with the operation of your Franchised Business. You shall be solely responsible for investigating and complying with all such laws, ordinances, and regulations with regard to the operation of your Franchised Business.

11.6.2. You represent and warrant to us that neither you nor any of your employees, agents, or representatives, nor any other person or entity associated with you, is now, or has been: (1) listed on the U.S. Treasury Department's List of Specially Designated Nationals, the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders, the U.S. State Department's Debarred List or Nonproliferation Sanctions, or the Annex to U.S. Executive Order 13224; or (2) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or is owned or controlled by terrorists or sponsors of terrorism. You further represent and warrant to us that you are now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by you to us or our affiliates are and will be legally obtained in compliance with these laws. You agree not to, and to cause all employees, agents, representatives, and any other person or entity associated with you not to, during the term of this Agreement, take any action or refrain from taking any action that would cause such person or entity to become a target of any such laws and regulations.

11.7. Notification of Proceedings and Breaches

You must notify us not more than five days after the commencement of any action, suit or proceeding involving you or your Franchised Business, or the issuance of any order, writ, injunction, judgment, award, or decree which may affect the operation or financial condition of your Franchised Business. You must deliver to us within 2 days of receipt a copy of any and all notices you receive from any person, Business Entity or governmental authority claiming that you, your representatives, or your Franchised Business has violated any laws, regulations, permits, licenses, agreements or other committed any other breach, default or violation in connection with your Franchised Business, and/or that any audit, investigation, or similar proceeding by any such person or governmental authority is pending or threatened against you on the basis of any of any the foregoing, including any default notices from any landlord or supplier, any violation notices from a health or safety regulatory board, and any customer complaints alleging violations or law, or which may otherwise adversely affect your operation or financial condition or that of your Franchised Business..

11.8. Compliance with Good Business Practices

You acknowledge that the quality of customer service and the demeanor of you and your employees is material to this Agreement and the relationship created and hereby. Therefore, you agree to give prompt, courteous, and efficient service to customers of your Franchised Business and to cause your Franchised Business to adhere to the highest standards of honesty, fair dealing and ethical conduct in all dealings with its customers, vendors and the general public. We have the right

to intervene and satisfy any customer that we determine was not properly addressed by you, including by refunding the customer for any amounts we deem appropriate, and you must reimburse us for such refunded amounts or other remedies we offer any customer.

11.9. Call Center Program

If we require, you will participate in the call center program, as it exists from time to time, which may include using and publishing a telephone number we designate, receiving calls from a call center established and operated by us, engaging a designated service provider (which may be us, our affiliate, or a third party) to answer calls, set customer appointments, and provide other related services, and acquiring, installing, and using related technology, and using designated service providers. You must pay all fees imposed by the service provider for these services and enter into any related user or service agreements. At any time that a call center program is not implemented, you must arrange for the answering of all incoming phone calls during regular business hours. In addition to our other remedies under this Agreement, if you fail to comply with this requirement on two or more occasions, then we may require you to engage the services of a professional call center services provider approved in advance by us, at your expense.

11.10. Minimum Performance Criteria

You agree to use your best efforts to promote and increase the sales and recognition of services offered through your Franchised Business. There are no minimum performance criteria during the first 2 years of operations of your Franchised Business. Beginning with the 25th month of operation, your Franchised Business must achieve average Invoiced Gross Revenue per month no less than the minimum average monthly revenue specified on the Cover Page (calculated as total Invoiced Gross Revenue during the prior trailing six-month period, divided by six). With no less than 30 days prior notice, we may increase the amount of the minimum average monthly Invoiced Gross Revenue reflected on the Summary Page in an amount not to exceed the aggregate rate of inflation established by the U.S. Bureau of Labor's Consumer Price Index since the Effective Date, or such later date as we last adjusted the minimum average monthly Invoiced Gross Revenue.

11.11. National Account Clients

We or our affiliates may periodically enter into agreements with clients that require service (the "**National Account Clients**"). We may, at our election, provide these services ourselves or through our affiliates or designees, and/or may subcontract servicing rights to one or more third parties or franchisees, in our discretion. [If you are eligible to service these National Account Clients and are interested in doing so, you may be required to sign one or more National Account Service Agreements identifying the conditions under which products and services will be provided.](#) We may establish criteria or qualifications for franchisees that wish to service National Accounts Clients, including different service standards, requirements for accepting or declining jobs, insurance requirements, [agreeing to certain terms and conditions](#), or other conditions we establish. If we offer you the right to provide services to a National Account Client, you must provide the services in accordance with all of our System Standards, plus the terms, fees, and conditions that we have negotiated with the National Account Client. We may invoice the National Account Client and collect payment directly. We may also charge our then-current fees for participation in the program, including dispatch, management, declined job ~~fees~~, or other ~~processing or~~ administrative fees. In such cases, we will deduct from the payment any applicable fees and any amounts calculated under this Agreement on the basis of such Invoiced Gross Revenue, and remit to you the balance within a reasonable time following receipt. [We may set-off any amount that we owe you for any National](#)

[Account job against any amount you or your affiliates owe us and our affiliates under this Agreement or any other agreement.](#)

11.12. Pricing

You shall have the sole right to determine the prices to be charged by your Franchised Business for services offered to customers, other than: ~~(i) prices charged to National Accounts Clients, which we will negotiate in advance with our National Accounts Clients; and (ii) we will have the sole right to determine the prices to be charged for products sold through any Franchise System Website, even if such sales are to persons identified as customers of your Franchised Business.~~

11.13. Periodic Visits and Inspections

We or our designees may make periodic visits, which may be announced or unannounced, to your Franchised Business, and/or any job site for services conducted by your Franchised Business. We may take photographs, videos and otherwise monitor your Franchised Business operations, remove samples, inspect your Technology Systems, speak with your customers or personnel, and/or conduct customer surveys or other market research and testing. You agree to cooperate with us and our designees fully during all periodic visits and inspections. If we determine after any inspection that one or more failures of System Standards exist, or any circumstance exists that prevent us or our designees from properly inspecting your Franchised Business or any job site, we may re-inspect one or more times thereafter to evaluate whether such failures have been cured and/or conduct any other follow-up review that we deem is necessary, and you will reimburse all of our and our designees' costs associated with the failed audit/inspection and/or such re-inspections and follow-up visits, including supplier fees, travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

11.14. Insurance Coverage

11.14.1. During the term of this Agreement, you must maintain in force at your sole expense the minimum types and amounts of insurance that we require as part of our System Standards. We reserve the right to require that you obtain all or a portion of your insurance policies from a designated supplier and on the terms and according to the specifications we approve. We reserve the right to require increased coverage if you wish to service National Accounts Clients. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Franchised Business' operation or activities of you and your personnel. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages at any time. These insurance policies must be purchased from licensed insurers having a rating of "A/VIII" or higher.

11.14.2. Each insurance policy for liability coverage must name us and any affiliates we designate as additional named insureds, using a form of endorsement that we have approved, and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. You must routinely furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies including termination, we may (but are not required to) obtain such insurance for you and your Franchised Business on your behalf, in which event you agree to cooperate with us and reimburse us on demand for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee.

11.14.3. Our requirements for minimum insurance coverage are not representations or warranties of any kind that such coverage is sufficient for your Franchised Business' operations. Such requirements represent only the minimum coverage that we deem acceptable to protect our interests. It is your sole responsibility to obtain insurance coverage for your Franchised Business that you deem appropriate, based on your own independent investigation. We are not responsible if you sustain losses that exceed your insurance coverage under any circumstances.

11.15. Service Warranties

11.15.1. You acknowledge and agree that certain products and services your Franchised Business provides to customers may be subject to one or more customer warranties, guarantees, commitments and/or similar customer service programs, including those offered by you and your affiliates and/or third-party service providers and manufacturers that offer products and services used by your Franchised Business (collectively, "**Service Warranties**"). During and after the term of this Agreement, you agree to honor all Service Warranties made to customers of your Franchised Business, including using your best efforts to assist customers of your Franchised Business tendering claims to any third-party serviced providers and manufacturers. You must obtain our approval of all Service Warranties before you offer them to customers of your Franchised Business. We may establish System Standards for any such Serviced Warranties from time to time. Notwithstanding any System Standards, approvals, or support we provide relating to Service Warranties, you acknowledge and agree that all Service Warranties offered by your Franchised Business are strictly your obligation and responsibility, and are not offered or guaranteed in any manner by us or our affiliates.

11.15.2. If you fail to honor any Service Warranties to your customers, you agree that we have the right to take any action we deem appropriate to honor such Service Warranties on your behalf, including by providing any services or products or support ourselves, or through our designees, affiliates, representatives, or other franchisees, and you hereby agree to reimburse us any and all costs incurred by us, our designees, affiliates, representatives, or other franchisees. We have the right to require you to pay us a reasonable deposit or hold-back, post a bond, or offer another form of financial assurance to us to support any Service Warranties offered by your Franchised Business. This amount would be refunded to you after expiration or termination of all Service Warranties offered by your Franchised Business, less any deductions arising if we have to honor any such Service Warranties on your behalf.

12. DEFAULT AND TERMINATION

12.1. Automatic Termination

This Agreement will terminate automatically, without notice, if you become insolvent (meaning unable to pay bills in the ordinary course of business as they become due); if a receiver of your property or any part thereof is appointed by a court; if you make a general assignment for the benefit of your creditors; if a final judgment against you remains unsatisfied of record for 30 days or longer (unless *supersedeas* bond is filed); if execution is levied against your Franchised Business or property; or if a suit to foreclose any lien or mortgage against the Franchised Business Office or **equipment**[service vehicle\(s\)](#) is instituted against you and not dismissed within 30 days or is not in the process of being dismissed.

12.2. Termination by Franchisor

We may terminate this Agreement, effective immediately on delivery of written notice of termination to you, if:

- (a) You fail to obtain our approval and commence operations of your Franchised Business by the deadline specified in and otherwise pursuant to Section 4.4;
- (b) Your Key Personnel fail to complete the Training Program to our satisfaction;
- (c) You fail to maintain all required professional licenses, permits and certifications ~~for a period exceeding~~ and do not cure such failure within 5 business days;
- (d) You or your Owners make any material misrepresentation or omission in your application for the franchise granted hereby, or otherwise to us in the course of entering into this Agreement;
- (e) You or your Owners are convicted of or plead no contest to a felony or other crime or offense that is likely to adversely affect our reputation, you, or the operation of your Franchised Business;
- (f) You or your Owners or affiliates engage in any activities, behavior or conduct that are prohibited under the covenants contained in Section 6;
- (g) You abandon, fail or refuse to actively operate your Franchised Business for 5 or more consecutive days (unless approved by us in advance);
- (h) You or your Owners conduct or attempt to conduct any transfer in violation of Section 14 without our prior approval;
- (i) Your Franchised Business is at any time not under the full-time management and supervision of a Designated Owner or Designated Manager that we have approved;
- (j) You submit to us on two or more separate occasions at any time during the term of this Agreement any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to us by more than 5% for any accounting period;
- (k) You misuse or make an unauthorized use of any of the Marks or System or commit any other act which can reasonably be expected to impair the goodwill associated with any of the Marks or System;
- (l) You fail to comply with any term of this Agreement two or more separate occasions within any period of 12 consecutive months, whether or not cured;
- (m) You violate any health or safety law, ordinance or regulation, or operate your Franchised Business in a manner that presents an immediate health or safety hazard to your customers, employees, or the public, and do not begin to cure such violation or hazard immediately, and correct such violation or hazard within 72 hours;
- (n) You or any of your Owners or affiliates fail to pay any other third-party, including any lender or creditor, any other amounts owed in connection with your Franchised Business when due, and do not cure such failure within any applicable cure period granted by such third-party, if any;
- (o) You or your Owners or affiliates default under any other agreement between us or any of our affiliates and you or any of your Owners or affiliates, such that we or our affiliate, as the case may be, have the right to terminate such agreement or such agreement automatically terminates;

(p) You fail to comply with any applicable law or regulation, and fail to cure such failure within 10 days after delivery of written notice;

(q) You fail to pay any amounts due under this Agreement [or fail to submit any reports due](#), and fail to cure such default within 5 days after delivery of written notice default;

(r) You take any action in violation of the territorial limitations in Section 1.2 of this Agreement, and do not cease such activities within 7 days after delivery of written notice of default;

(s) You fail to procure or maintain insurance as specified in Section 11.14 of this Agreement, and fail to cure such default within 10 days after delivery of written notice of default; or

(t) You breach any other provision of this Agreement, and fail to cure such default within 30 days after delivery of written notice of default.

12.3. Termination by Franchisee

If you are in full compliance with all of the terms of this Agreement and we materially breach this Agreement and fail to cure such breach within 60 days after receiving written notice identifying the claimed breach, you may elect to terminate this Agreement unless the breach cannot reasonably be cured within such 60 days. If the breach cannot reasonably be cured in such 60 days, you may elect to terminate this Agreement only if we do not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish you reasonable proof of such efforts.

12.4. Additional Remedies

At any time that you are in default of any obligation under this Agreement, until such time as you correct the default, in addition to all other rights under this Agreement, we have the right to: (i) terminate or suspend your right to participate in any programs or benefits associated with the System, including the right to provide services to National Accounts Clients; ~~and/or~~ (ii) cease selling or supplying any products or services to you for which we are an Approved Supplier, or require you to post a bond, deposit, or pay for such products in advance of processing any such order, [and/or \(iii\) de-activate and/or otherwise limit or remove your and/or your personnels' access to our technology systems and/or reduce or suspend other benefits afforded by us to franchise owners.](#)

13. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

13.1. Actions to be Taken

Upon termination or expiration, this Agreement and all rights granted hereunder to you shall terminate and you shall immediately, at your own expense:

(a) Cease to operate your Franchised Business and cease all use of the Marks and the System, unless we instruct you otherwise in connection with our exercise of our option to purchase your Franchised Business under Section 13.3;

(b) Remove all materials bearing the Marks from all equipment, service vehicles, and any and all other supplies and equipment, and take all other actions we designate to avoid association between you and your assets and us, the “BLUEFROG PLUMBING + DRAIN®” brand and System, unless we instruct you otherwise in connection with our exercise of our option to purchase your Franchised Business under Section 13.3;

(c) Cease to represent to the public or hold yourself out as a present or former franchisee of ours, and take all action as may be necessary to cancel or assign to us, at our option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name “BLUEFROG PLUMBING + DRAIN®” or any other Mark;

(d) Pay all sums owing to us and any affiliate under this Agreement and/or any other past due amounts owing to us or our affiliates;

(e) Return to us or destroy, as we direct, the Confidential Operations Manual and all other Confidential Information, including records, files, brochures, agreements, customer lists and data, and any and all other materials provided by us to you relating to the operation of your Franchised Business;

(f) Cease using and, at our direction, either assign to us or deactivate any Contact Information and/or Online Presence that you used to operate your Franchised Business and/or that displays any of the Marks, in each case as we designate;

(g) pay us a reasonable a deposit or hold-back, post a bond, or offer another form of financial assurance to us to support any Service Warranties offered by your Franchised Business prior to termination or expiration, which we may retain and preserve until such time as the Service Warranties are satisfied or have expired, as we determine; and

(h) Comply with all other System Standards we establish (and all applicable laws) in connection with the closure and de-identification of your Franchised Business, including as it relates to disposing of personally identifiable and other protected classes of information and data, in any form, in your possession or the possession of any of your employees.

If you fail to take any of the actions or refrain from taking any of the actions described above, we may take whatever action and sign whatever documents we deem appropriate on your behalf to cure the deficiencies. You must reimburse us for all costs and expenses we incur in correcting any such deficiencies. You hereby appoint us your true and lawful attorney-in-fact to take such actions and execute such documents on your behalf as may be required to affect the foregoing purposes.

13.2. Final Payments

13.2.1. Within 5 business days following expiration or termination of this Agreement, you must pay us a final payment in an amount equal to: (a) any Royalty Fees, Brand Fund Contributions, or other fees accrued and unpaid as of the date of expiration or termination; plus (b) the product of your Uninvoiced Revenue as of the date of expiration or termination, multiplied by the aggregated rate of your Royalty Fee and Brand Fund Contribution as of the date of termination or expiration, as applicable. Such amounts are payable in lieu of the Royalty Fees and Brand Fund Contributions that would otherwise be payable on Invoiced Gross Revenue after the date of expiration or termination.

13.2.2. As used in this Agreement, the term “**Uninvoiced Revenue**” means any and all amounts which would constitute Invoiced Gross Sales if an invoice had been issued by you for such work on or prior to the date of termination or expiration of this Agreement.

13.2.3. If you terminate this Agreement in any manner other than Section 12.3, or if we terminate this Agreement due to your default, the parties acknowledge and agree that it would be difficult, if not impossible, to determine the amount of damages that we would suffer due to the loss or interruption of the revenue we otherwise would have otherwise derived through the remainder of the term of this Agreement. Therefore, you and we hereby agree that a reasonable estimation of such

damages, less any cost savings we might have experienced, is an amount equal to the net present value of the Royalty Fees and Brand Fund Contributions that would have become due had this Agreement not been terminated, from the date of termination until the earlier of: (a) 2 years following the date of termination; or (b) the scheduled expiration of the term of this Agreement. For the purposes of this Section 13.2.3, Royalty Fees and Brand Fund Contributions will be calculated based on your average monthly Invoiced Gross Revenue during the 12 full calendar months immediately preceding the ~~termination~~last date of regular operations of your Franchised Business; provided, that if your Franchised Business was not operating for a full 12 months as ~~of the termination~~such date, such calculations will be based on the average monthly Invoiced Gross Revenue of all BlueFrog Businesses during our fiscal year immediately preceding the termination date. You must pay us the foregoing amounts within 15 business days of termination of this Agreement. You and we agree that the calculation described in this Section 13.2.3 is a calculation only of the lost revenue to us from Royalty Fees and Brand Fund Contributions based on the early termination, and that nothing herein shall preclude or limit us from proving and recovering any other damages caused by your breach of the Agreement.

13.3. Our Option to Purchase Certain Business Assets

We have the right ~~(, but not the obligation)~~, for ~~a period of~~ 30 days after termination or expiration of this Agreement, to purchase any or all assets of your Franchised Business including improvements, service vehicles, service tools and equipment, supplies and other inventory ~~or equipment~~. The purchase price for the assets will be equal to their depreciated book value, excluding any value attributable to the Marks, the System, and/or participation in our franchise system. If we and you cannot agree on fair market value, fair market value will be determined by an independent accredited appraiser we appoint, which appraiser will be bound by the criteria for the purchase price described herein, and you and we will share equally the cost of such appraiser. If we elect to exercise our option to purchase any or all assets of your Franchised Business, we have the right to set off all amounts due from you or your affiliates to us or our affiliates, if any, against the purchase price. If we purchase any or all assets of your Franchised Business, we are entitled to all customary warranties and representations, 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. We have the unrestricted right to assign our option to purchase.

13.4. Interim Operations

13.4.1. We have the right, but not the obligation, to operate your Franchised Business on an interim basis, or to appoint a ~~third-party~~third party to operate your Franchised Business on an interim basis, ~~if: (1) if you abandon or fail actively to operate your Franchised Business; or (2) the Franchise for a period of more than 5 consecutive days; (2) at any time after the death or incapacity of you (if you are conducting business as an individual) or any of your Owners (if you are conducting business as an Entity), if your Franchised Business is at any time not being managed properly, as required by Section 14.2.6; or (3) if this~~ Agreement expires or is terminated and we are transitioning your Franchised Business' operations to us or another person we designate, or determining whether to do so.

13.4.2. If we elect to operate your Franchised Business on any interim basis, you must cooperate with us and our designees, continue to support the operations of the Franchised Business, and comply with all of our instructions and System Standards, including making available any and all books, records, and accounts. You understand and acknowledge that during any such interim period, you are still the owner of the Franchised Business, and you continue to bear sole liability for

any and all accounts payable, obligations, and/or contracts, including all obligations under any lease and all obligations to your vendors and employees and contractors, unless and until we expressly assume them in connection with the purchase of the Franchised Business under Section 13.3. You understand that we are not required to use your employees, vendors, or accounts to operate the Franchised Business. You also agree that we may elect to cease such interim operations of the Franchised Business at any time with notice to you.

13.4.3. ~~All funds from~~ If we operate your Franchised Business² ~~operation while we or our designee operate it will be accounted for separately, and all expenses will be deducted from that amount on an interim basis, we will receive the Invoiced Gross Revenue of your Franchised Business, in an account we designate, which may be your business account and/or the business account of ours or one of our affiliates or designees. We will account for and deduct from such Invoiced Gross Revenue all operating expenses of your Franchised Business, including: (a) any applicable Royalty Fee, Brand Fund Contributions, and other amounts due to us or our affiliates, (b) any and all of our and our affiliates' and our designee's costs and expenses arising from such interim operations, which you hereby agree that you will reimburse in full as an operating expense of your Franchised Business, and (c) our then-current interim management fee, which is currently 5% of Invoiced Gross Revenue, but may be increased up to \$1,000 per day. If the Invoiced Gross Revenue derived from the operations of your Franchised Business is less than the amount of the associated expenses during the time of any interim operations, you are solely responsible for the balance of all such expenses and costs, including reimbursement of our and our affiliates' and designee's costs and expenses and our then-current fee~~ for our interim services, plus our or our, and payment of any Royalty Fees, Brand Fund Contributions, and other amounts due to us or our affiliates. We may collect any amounts owed to us, our affiliates, or designee's directly ~~out-of-pocket costs and expenses from any received Invoiced Gross Revenue, and/or pay over such amounts to us, our affiliates, or designees in any manner we see fit.~~ If we or our designee operate the Franchised Business on an interim basis, you acknowledge that we or our designee will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Franchised Business incurs, or to any of your creditors for any supplies, products, or other assets or services your Franchised Business' purchases, while we or our designee manage it.

13.4.4. Our decision to operate the Franchised Business on an interim basis, will not affect our right to terminate this Agreement under Section 12.2. Your indemnification obligations set forth under Section 16.2 will continue to apply during any period that we or our designee operate the Franchised Business on an interim basis.

13.5. Survival of Certain Provisions

All obligations under this Agreement, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire, including the following provisions, which the parties agree will survive termination or expiration hereof, without limiting the generality of the foregoing: Section 5.1 (Intellectual Property), Section 6 (Covenants), Section 10.4 (Information Security), Section 11.15 (Service Warranties), Section 13 (Rights and Duties Upon Expiration or Termination), Section 16 (Relationship and Indemnification), Section 17 (General Conditions and Provisions), and Section 18 (Dispute Resolution).

14. TRANSFERABILITY OF INTEREST

14.1. Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by us and such rights will inure to the benefit of any person to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of our functions, the assignee shall assume our obligations hereunder and we will thereafter have no liability for the performance of any obligations contained in this Agreement. You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations; provided, that such delegation will not relieve our obligations under this Agreement.

14.2. Transfer by Franchisee

14.2.1. Your rights and duties as set forth in this Agreement, and the franchise herein granted, are personal to you (or your Owners), and we have entered into this Agreement in reliance upon your (and your Owners) personal or collective skills, experience, character, aptitude, and financial ability. Accordingly, without our prior written approval, neither you nor any Owner may, voluntarily or involuntarily, directly or indirectly, sell, assign, convey, gift, give away, pledge, mortgage, sublicense, or otherwise transfer or encumber, whether by operation of law or otherwise: (a) this Agreement or any interest in this Agreement, (b) the franchise granted hereby, (c) all or substantially all of the assets of your Franchised Business, or (d) any direct or indirect ownership interest in you, your franchise rights under this Agreement, or your Franchised Business, including any right to share in the governance or profits thereof and/or the management and/or control thereof. A transfer of your Franchised Business' ownership, management, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement.

14.2.2. We will review each transfer in our sole discretion, and may condition our approval on any factors we determine, including that:

(a) All obligations owed by you or your affiliates to us and our affiliates, and all other outstanding obligations relating to your Franchised Business, are fully paid and satisfied;

(b) You and your Owners have materially complied with this Agreement during the term hereof, and you and your Owners are not at the time you request consent for the transfer (or at any time between the date of such request and the time of the transfer) in violation of any term of this Agreement;

(c) You and your Owners, and the prospective transferee and its owners, each sign all of the documents we are then requiring in connection with a transfer, in a form satisfactory to us, including a general release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable law) against us and our affiliates;

(d) You comply with our then-current transfer procedures, including that we may request you to submit an application in writing, and/or that the prospective transferee and its owners satisfy certain application and certification requirements;

(e) We determine that the prospective transferee, its owners, and representatives (including, its designated manager, if applicable) satisfy our criteria for new franchisees, including that we have approved any premises that will be used by the prospective transferee to operate your Franchised Business;

(f) We determine that the terms of the transfer are not detrimental or unfavorable to your Franchised Business or our rights, including that the terms of any financing will not adversely affect the operation of your Franchised Business, and/or that any obligations between the buyer and seller being subordinate to the franchise obligations owed to us or our affiliates;

(g) The prospective transferee expressly assumes in writing, in a form we approve, any and all outstanding Service Warranties for your Franchised Business;

(h) The prospective transferee and its owners execute the form of franchise agreement associated agreements, instruments, and documents then being required for new franchisees and owners, as applicable, which may be substantially different from this Agreement, and may include a different Royalty Fee, Brand Fund Contribution rates and other material provisions; provided, the initial term of such franchise agreement shall be the remaining term of this Agreement, and all renewal terms shall be governed by any remaining renewal terms hereunder, and the Market Territory shall be the same as the Market Territory granted pursuant to this Agreement;

(i) You, or the prospective transferee, pay us a transfer fee in the amount stated in the Summary Page;

(j) The prospective transferee and its key personnel complete, to our satisfaction, our then-current initial training program; **and**

(k) You provide us the evidence we reasonably request to show that appropriate measures have been taken to effect the transfer as it relates to the operation of your Franchised Business, including by transferring all necessary and appropriate business licenses, insurance policies, and material agreements, or obtaining new business licenses, insurance policies and material agreements; **and**

(l) if you operate a Micro Market Territory (as indicated on the Summary Page), you have requested, and received our approval to transfer the contiguous Standard Market Territory to the same buyer, approved by us, pursuant to the terms of the Franchise Agreement for that contiguous Standard Market Territory.

14.2.3. We may review all information regarding your Franchised Business that you give the prospective transferee, correct or supplement any information that we believe is inaccurate or incomplete, and give the prospective transferee copies of any reports regarding your Franchised Business. Our consent to a transfer pursuant to this Section is not a representation of the fairness of the terms of any contract between you and the prospective transferee, a guarantee of your Franchised Business' or prospective transferee's prospects of success, or a waiver of any claims we have against you or your Owners, or of our right to demand the prospective transferee's full compliance with this Agreement.

14.2.4. Notwithstanding anything to the contrary, if you enter into this Agreement as an individual, if you and your Owners are in full compliance with this Agreement, you may transfer this Agreement to an Business Entity in which you maintain management control, and of which you own and control 100% of all outstanding ownership, beneficial, and voting interests; provided, that (i) that Business Entity will own all of your Franchised Business' assets, and will conduct all of your Franchised Business' business, (ii) that Business Entity will conduct no business other than your Franchised Business, (iii) that Business Entity must expressly assume all of your obligations under this Agreement and all Service Warranties, (iv) you provide us with all organizational documents for

the Business Entity that we require, and (v) you reimburse us for any direct costs we incur in processing such transfer, including attorneys' fees. You agree to remain personally liable under this Agreement as if the transfer to the Business Entity did not occur, including by signing a personal guaranty of the obligations of such Business Entity. You must also sign transfer documents satisfactory to us to document the transfer, which may include a release of any and all claims by you and your affiliates (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our affiliates.

14.2.5. You may not use the Marks to advertise or solicit offers for any prospective transfer that would require our consent under this Section 14.2, including that you may not list any interests or assets the transfer of which would require our consent under this Section 14.2 for sale with any broker, listing agent, or listing directory without our approval.

14.2.6. Upon the death or incapacity of you (if you are an individual) or any Owner (if you are a Business Entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding 180 days following such event, transfer such individual's interest in your Franchised Business or in you to a third party approved by us pursuant to the terms of this Agreement. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by applicable law. During such 180-day period, your Franchised Business must remain at all times under the primary management of a Designated Manager who we have approved. For the purposes ~~hereof~~ [of this Agreement](#), "incapacity" means the inability of such person to fulfill their obligations under this Agreement, as applicable, including by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation.

14.3. Right of First Refusal

14.3.1. If you, or any of your Owners, proposes to conduct any transfer that would require our consent under Section 14.2, you agree obtain and deliver to us a bona fide, executed written offer or proposal from the prospective transferee, along with all pertinent documents including any contract or due diligence materials. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of you or any of your owners. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price.

14.3.2. We will have a right of first refusal, exercisable by written notice to you, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer ~~communicated to you~~; provided, that: (a) we notify you within 30 days after we receive a copy of the offer and all other documents and information we have requested that we are electing to exercise our right of first refusal hereunder; (b) we may substitute cash for the fair market value of any form of payment proposed in such offer; (c) our credit shall be deemed at least equal to the credit of any proposed buyer; (d) we receive from you all customary representations and warranties from the seller of the assets or such interests, including relating to title, ownership, condition, encumbrances, liabilities, and authority. After exercising this right of first refusal, we will have up to 60 days to close the purchase. We have the unrestricted right to assign any or all of this right of first refusal.

14.3.3. If we do not exercise our right of first refusal on the terms above, the offer or proposal may be accepted by you or any of your Owners, subject to our prior written approval as required under Section 14.2. Should the sale fail to close the transaction within 120 days after the offer is delivered to us, or if there is a material change to the terms of the sale (which you agree to

notify us of promptly), we will have an additional right of first refusal in accordance with this Section.

15. OWNERS OF FRANCHISEE

15.1. Your Ownership Information

You represent and warrant to us that the information on Exhibit 2 is an accurate and complete description of: (a) each person who signs this Agreement as franchisee, if you are the sole proprietorship; or (b) each person who holds a direct or indirect ownership, voting, or beneficial interest in you, if you are a Business Entity (each an “**Owner**”).

15.2. Your Business Entity

15.2.1. If you enter this Agreement as a corporation, limited liability company, limited partnership or other legal entity or organization (each a “**Business Entity**”), you represent and warrant to us that you are validly existing and in good standing under the laws of the state of your incorporation or formation, and have the authority to execute this Agreement, and perform your obligations under this Agreement. You agree to maintain organizational documents at all times that state that this Agreement restricts the issuance and transfer of any of your ownership interests, and all certificates and other documents representing your ownership interests will bear a legend referring to this Agreement’s restrictions. You agree that your Franchised Business will be the only business that such Business Entity operates, unless we approve you to acquire and operate additional BlueFrog Businesses.

15.2.2. If you are a Business Entity, you must identify one of your Owners who is a natural person with at least a 10% direct or indirect ownership interest and voting power in you (your “**Designated Owner**”). We must approve the person that will act as your Designated Owner. Your Designated Owner will be authorized to deal with us on your behalf for all matters whatsoever that may arise with respect to your Franchise Agreement. Any decision made by the Designated Owner will be final and binding on you, and we will be entitled to rely solely on the decision of the Designated Owner without discussing the matter with any other party. We will not be held liable for any actions based on any decision or actions of the Designated Owner. The person acting as your Designated Owner must have full corporate power and authority to enter into the Franchise Agreement and any other documents to which you are a party, and to make binding decisions on your behalf.

15.3. Guaranty by Owners

Each of your Owners and their respective spouses must execute a guaranty in the form we prescribe, agreeing to be personally bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us and/or our affiliates. Our current form of guaranty is attached hereto as Exhibit 1.

16. RELATIONSHIP AND INDEMNIFICATION

16.1. Relationship

This Agreement is purely a contractual relationship between the parties and does not appoint or make you an agent, representative, joint venturer, partner, or employee of ours for any purpose whatsoever. You may not represent or imply to third parties that you are an agent of ours, and you are in no way authorized to make any contract, agreement, warranty, or representation on our behalf, or to create any obligation, express or implied, on our behalf. During the term of this Agreement, you shall hold yourself out to the public only as a franchisee and an owner of your Franchised Business

operating your Franchised Business pursuant to a franchise from us. Under no circumstances shall we be liable for any act, omission, contract, debt, nor any other obligation of yours, or for any injuries to persons or property resulting from your Franchised Business. Any third-party contractors and vendors retained by you are independent contractors of yours alone. This Agreement does not establish a fiduciary relationship between the parties.

16.2. Indemnification

During and after the term of this Agreement, you hereby agree to hold harmless and indemnify us, our affiliate, and all of our and their owners, holders of a legal or beneficial interest, officers, directors, executives, managers, employees, agents, successors and assigns from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees) incurred in connection with any action, suit, demand, claim, obligations, investigation or proceeding, or any settlement thereof, which arises from or is based upon your, your Owners', your affiliates', or your or their employees' or other representatives': (a) ownership or operation of your Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between you and your affiliates and us or our affiliates; (d) instituted by your employees, or by others that arise from your employment practices; and/or ~~(de)~~ acts, errors, omissions, negligence, or misconduct of any kind. Each indemnified party may defend any claim against it at your expense (including choosing and retaining its own legal counsel) and agree to settlements or take any other remedial, corrective, or other actions. An indemnified party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim for indemnity.

17. GENERAL CONDITIONS AND PROVISIONS

17.1. No Waiver

17.1.1. No failure of ours to exercise any power reserved to it hereunder, or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of our right to demand exact compliance with the terms of this Agreement. Waiver by us of any particular default by you shall not be binding unless in writing and executed by us and shall not affect nor impair our right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by us of any payment(s) due shall not be deemed to be a waiver by us of any breach by you of any terms, covenants or conditions of this Agreement. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective on delivery of 10 days' prior written notice.

17.1.2. The following provision applies if you or the franchise granted hereby are subject to the franchise registration or disclosure laws in California, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin: 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.

17.2. Notices

All notices required or permitted under this Agreement shall be deemed received: ~~(a) at by the earlier of~~ the time actually delivered ~~by hand~~ to the recipient party (or to an officer, director, or partner of the recipient party); ~~or as follows:~~ (ba) on the day ~~after~~of transmission by e-mail or other reasonably reliable electronic communication system, if received during ordinary business hours, otherwise the following business day; (eb) the next business day after being sent via guaranteed overnight delivery by a commercial courier service; or (ec) five business days after being sent by Registered Mail, return receipt requested. Any notice that we send to you by electronic means will be deemed delivered if it is delivered to the email address listed on the Summary Page, and/or any email address for your Designated Owner as listed on Exhibit 2. All notices, payments, and reports required by this Agreement shall be sent to us ~~or you~~ at the address reflected on the Summary Page; ~~except that it will always be deemed acceptable to send notice, and~~ to you at the address of the Franchised Business Office. Either party may change its address by a written notice sent in accordance with this Section 17.2.

17.3. Entire Agreement

This Agreement, including its exhibits, constitutes the entire, complete, and fully integrated agreement between us and you concerning the subject matter hereof, and supersedes all prior representations, promises, and agreements. No amendment, change or variance from this Agreement shall be binding on either party unless memorialized in a writing executed by both parties. Nothing in this or any related agreement, however, is intended to disclaim any representations we made in the franchise disclosure document that we furnished to you.

17.4. Severability

17.4.1. Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If we determine that a finding of invalidity adversely affects the basic consideration of this Agreement, we have the right to, at our option, terminate this Agreement.

17.4.2. If any of the covenants contained in Section 6 is deemed unenforceable by virtue of its scope, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

17.4.3. If any applicable and binding law of any jurisdiction requires more notice of this Agreement's termination or of our refusal to enter into a renewal franchise agreement than this Agreement requires, or some other action that this Agreement does not require, or any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law, ordinance, rule or regulation will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety.

17.5. Construction

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof. References in this Agreement to “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term “**affiliate**” means any person or Business Entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. The term “**control**” means the power to direct or cause the direction of management and policies. The use of the term “**including**” in this Agreement, means in each case “including, without limitation.” The term “**person**” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

17.6. Third-Party Beneficiaries

Except as expressly provided herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or Business Entity other than us or you, and our and your respective successors and assigns any rights or remedies under this Agreement.

17.7. Execution

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement. This Agreement and all other documents related to this Agreement may be executed by manual or electronic signature.

18. DISPUTE RESOLUTION

18.1. Arbitration

18.1.1. All controversies, disputes, or claims between us or any of our affiliates (and our and their respective shareholders, officers, directors, agents, and employees), on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to: (1) this Agreement or any other agreement between you (or any of your Owners) and us (or any of our affiliates); (2) our relationship with you or the franchise granted hereby; (3) the scope or validity of this Agreement or any other agreement between you (or any of your Owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of this arbitration provision, which we and you acknowledge is to be determined by an arbitrator, not a court); or (4) any System Standard, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the “AAA”). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA’s then current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our (or our successor’s or assign’s, as applicable) then current principal place of business (currently, Dallas, Texas). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator’s awards may be entered in any court of competent jurisdiction.

18.1.2. The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys’ fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or

exemplary damages against any party to the arbitration proceeding). In any arbitration brought pursuant to this arbitration provision, and in any action in which a party seeks to enforce compliance with this arbitration provision, the prevailing party shall be awarded its costs and expenses, including attorneys' fees, incurred in connection therewith.

18.1.3. In any arbitration proceeding, each party will be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. Each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by any party.

18.1.4. Arbitration proceedings will be conducted on an individual basis. no arbitration proceeding may be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other arbitration proceeding, (iii) joined with any separate claim of an unaffiliated third-party, or (iv) brought on behalf of any party by any association or agent. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

18.1.5. In any arbitration arising as described in this Section, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as "all documents directly or indirectly related to." No interrogatories or requests to admit shall be propounded, unless the parties mutually agree.

18.1.6. The provisions of this Section are intended to benefit and bind certain third-party non-signatories. The provisions of this Section will continue in full force and effect and survive the expiration or termination of this Agreement. Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

18.2. Injunctive Relief

Nothing in this Agreement, including the provisions of Section 18.1, bars our right to obtain specific performance of the provisions of this Agreement and injunctive or other equitable relief against threatened conduct that will cause us, the Marks and/or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and injunctions. You agree that we may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

18.3. Cost of Enforcement or Defense

The prevailing party in any dispute or proceeding shall be entitled to recover from the other party all damages, costs and expenses, including ~~mediation~~, arbitration and court costs and reasonable attorneys' fees, incurred by the prevailing party in connection with such dispute or proceeding.

18.4. Choice of Law

All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et. seq.). Except to the extent governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et. seq.), the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 et. seq.), or other federal law, this Agreement (or any other agreement between us and our affiliates and you and your affiliates), the Franchise, and all claims arising from the relationship between you and us will be governed by the laws of the State of Texas, without regard to its conflict of laws rules; provided, however, that any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

18.5. Consent to Jurisdiction

Subject to Section 18.1, we and you agree that all controversies, disputes, or claims between us or any of our affiliates (and our and their respective shareholders, officers, directors, agents, and employees), on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to this Agreement or any other agreement between you (or any of your Owners) and us (or any of our affiliates) or our relationship with you must be commenced exclusively in state or federal court closest to our (or our successor's or assign's, as applicable) then-current principal place of business (currently, Dallas, Texas), and the parties irrevocably consent to the jurisdiction of those courts and waive any objection to either the jurisdiction of or venue in those courts. Nonetheless, the parties agree that any of us may enforce any arbitration orders and awards in the courts of the state or states in which you or your Franchised Business or Market Territory is located.

18.6. Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy.

18.7. Limitation of Claims

EXCEPT FOR CLAIMS ARISING FROM YOUR NON PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT (OR ANY OTHER AGREEMENT BETWEEN US AND OUR AFFILIATES, AND YOU AND YOUR AFFILIATES), THE FRANCHISE, AND ALL OR THE RELATIONSHIP BETWEEN US AND YOU WILL BE BARRED UNLESS A PROCEEDING IS COMMENCED IN ACCORDANCE WITH THIS AGREEMENT WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS.

18.8. Limitation of Damages

EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 16.2, 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 AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

18.9. Waiver of Jury Trial and Punitive Damages

~~EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 16.2, 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 AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.~~ WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING, BROUGHT BY EITHER OF US.

18.10. Class Action Waiver

WE AND YOU AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT ANY PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) JOINED WITH ANY CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

FRANCHISOR:

BlueFrog Plumbing and Drain, LLC

FRANCHISEE:

(insert legal name)

Sign: _____

Sign: _____

Name: _____

Name: _____

Title: _____

Title: _____

Dated: _____

Dated: _____

EXHIBIT 1 TO THE FRANCHISE AGREEMENT

UNLIMITED GUARANTY AND PERSONAL UNDERTAKING

THIS UNLIMITED GUARANTY AND PERSONAL UNDERTAKING (this “**Guaranty**”) is executed and delivered to Franchisor to be effective as of the effective date of the Franchise Agreement (defined below). Each of the undersigned make the following representations and warranties to Franchisor, and agree to the following:

1. I have read the franchise agreement between BlueFrog Plumbing + Drain, LLC (“**Franchisor**”) and _____ (the “**Franchisee**”) together with any associated exhibits, agreements, addenda, riders, and other instruments (together, the “**Franchise Agreement**”) and am familiar with its terms (capitalized terms not defined herein will have the meaning in the Franchise Agreement).

2. I own a beneficial interest in the Franchisee and/or the Franchised Business, and/or would be considered an “Owner” within the definition contained in the Franchise Agreement.

3. I understand that, were it not for this Guaranty, Franchisor would not have agreed to enter into the Franchise Agreement.

4. I agree to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise 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 that without limiting the foregoing, I will comply with all of the covenants of confidentiality, exclusivity, non-interference, and non-disparagement contained in Section 6 of the Franchise Agreement.

5. I will comply with all of the provisions contained in Section 14 of the Franchise Agreement concerning the transfer of any interest I may have in the Franchised Business or the Franchisee.

6. I agree that the provisions contained in Section 18 of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty, including the requirement to arbitrate all claims under Section 18.1. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its attorneys’ fees and costs.

7. I hereby personally and unconditionally guarantee to Franchisor and its successors and assigns the punctual and full payment of all amounts owed by the Franchisee under the Franchise Agreement. I understand and agree that Franchisor need not exhaust its remedies against the Franchisee or any other guarantor or person before seeking recovery from me under this Guaranty.

8. No modification, change, impairment, or suspension of any of Franchisor’s rights or remedies shall in any way affect any of my obligations under this Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee’s obligations, I agree that Franchisor’s release of such security will neither affect my liability under this Guaranty or be asserted as a defense to enforcement of this Guaranty.

9. I hereby waive: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right I may have to require that an action be brought against Franchisee or any other person as a condition of my

liability; (e) any and all other notices and legal or equitable defenses to which I may be entitled; and (f) defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.

10. My liability under this Guaranty shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including 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.

11. **I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT AND/OR THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT.**

12. I understand that Franchisor's rights under this Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

13. This Guaranty will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of the Franchisee or by any abandonment of the Agreement by a trustee of Franchisee. Neither my obligations to make payment or render performance in accordance with the terms of this Guaranty nor any remedy for enforcement will be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of the Franchisee or its estate in bankruptcy or of any remedy for enforcement.

14. If more than one person has personally guaranteed any performance under and/or agreed to be bound by the Franchise Agreement, my liability with such person shall be joint and several with such guarantors, parties, and the Franchisee.

15. This Guaranty shall be binding on me and my heirs, executors, administrators, and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, I warrant and agree that my death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that my estate and heirs shall continue to be liable hereunder with respect to any obligations guaranteed hereunder.

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if the Franchisee is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such guarantor (or on such guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

By signing below, any undersigned spouse acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to guarantor's performance of this Guaranty. Each guarantor represents and warrants that, if no signature appears below for such guarantor's spouse, such guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has affixed his signature to be effective as of the Effective Date.

GUARANTOR(S)	SPOUSE(S)
Sign: _____ Name: _____ Address: _____	Sign: _____ Name: _____ Address: _____
Sign: _____ Name: _____ Address: _____	Sign: _____ Name: _____ Address: _____
Sign: _____ Name: _____ Address: _____	Sign: _____ Name: _____ Address: _____

EXHIBIT 2 TO THE FRANCHISE AGREEMENT

FRANCHISE OWNERS

(a) You operate as the following (please complete):

Sole Proprietorship

Business Entity formed in the State of _____

(b) The following is a list of your Owners:

Name	Home Address	Telephone Number	Email Address	% of Ownership

(c) The following individuals of your officers, managers, or other governing persons:

Name	Home Address	Telephone Number	Email Address	Title

EXHIBIT 3 TO THE FRANCHISE AGREEMENT

**ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO
BLUEFROG PLUMBING AND DRAIN, LLC ("PAYEE")**

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above-named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by Depositor. This authority is to remain in full force and effect until Depository has received joint written notification from Payee and Depositor of the Depositor's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity on which to act. The Depositor agrees with respect to any action taken pursuant to the above authorization:

- 1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.
- 2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.
- 3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name of Depository (Bank Name): _____ Bank Account Name: _____

Bank Acct #: _____ Routing # _____

(Please attach one voided check for the above account)

Depositor:

Depository:

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT 4 TO THE FRANCHISE AGREEMENT

RIDER TO THE FRANCHISE AGREEMENT FOR USE IN ILLINOIS

This rider (“**Rider**”) is made part of that certain Franchise Agreement to which it is attached (the “**Franchise Agreement**”) to modify certain provisions of the Franchise Agreement as described in this Rider. Capitalized terms not defined herein will have the meaning in the Franchise Agreement. State law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

1. **BACKGROUND**. This Rider is being signed because (a) you are domiciled in the State of Illinois, or (b) the offer of the franchise is made or accepted in the State of Illinois and your Franchised Business is or will be operated in the State of Illinois.

2. **ILLINOIS FRANCHISE DISCLOSURE ACT**. The following sentence is added to the end of the Franchise Agreement:

~~Illinois law governs the Franchise Agreement.~~

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern this Agreement.

~~In conformance with~~ Section 4 of the Illinois Franchise Disclosure Act; provides that any provision in a franchise agreement that designates jurisdiction ~~and/or~~ 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 ~~T~~ermination and ~~Non-Renewal of a~~ non-renewal of a franchise agreement are ~~set forth in~~ subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

~~In conformance with s~~Section 41 of the Illinois Franchise Disclosure Act; provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

**BLUEFROG PLUMBING AND DRAIN,
LLC**

FRANCHISEE:

(insert legal name)

Sign: _____

Name: _____

Title: _____

Sign: _____

Name: _____

Title: _____

EXHIBIT 4 TO THE FRANCHISE AGREEMENT

**RIDER TO THE FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

This rider (“**Rider**”) is made part of that certain Franchise Agreement to which it is attached (the “**Franchise Agreement**”) to modify certain provisions of the Franchise Agreement as described in this Rider. Capitalized terms not defined herein will have the meaning in the Franchise Agreement. State law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

1. **BACKGROUND.** This Rider is being signed because (a) your Franchised Business will be operated wholly or partly in the State of Minnesota; and/or (b) you either a resident of, domiciled it, or actually present in the State of Minnesota.

2. **INTEREST ON LATE PAYMENTS.** The following language is added to the end of Section 2.7 of the Franchise Agreement:

Notwithstanding the foregoing, you and we acknowledge that under Minnesota Statute 604.113 your penalty for an insufficient funds check will be limited to \$30 per occurrence.

3. **RELEASES.** The following is added to the end of Sections 3.2(j) and ~~14.2~~[14.2.2\(c\)](#) 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.

4. **RENEWAL AND TERMINATION.** The following is added to the end of Sections 3.2 and 12 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 you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

5. **LOST REVENUE DAMAGES.** The following language is added to the end of Section 13.2 of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

6. **INJUNCTIVE RELIEF.** The following is added to the end of Section 18.2 of the Franchise Agreement:

Notwithstanding the foregoing, a court will determine if a bond is required.

7. **LIMITATIONS OF CLAIMS AND CLASS ACTION BAR.** The following is added to the end of Sections [18.7 and 18.8, and](#) 18.10 of the Franchise Agreement:

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

8. **MINNESOTA LAW.** Notwithstanding anything to the contrary, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring you to waive your rights to a jury trial or to waive your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties or judgment notes.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

**BLUEFROG PLUMBING AND DRAIN,
LLC**

FRANCHISEE:

(insert legal name)

Sign: _____

Sign: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT 4 TO THE FRANCHISE AGREEMENT

**RIDER TO THE FRANCHISE AGREEMENT
FOR USE IN NEW YORK**

This rider (“**Rider**”) is made part of that certain Franchise Agreement to which it is attached (the “**Franchise Agreement**”) to modify certain provisions of the Franchise Agreement as described in this Rider. Capitalized terms not defined herein will have the meaning in the Franchise Agreement. State law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

1. **BACKGROUND.** This Rider is being signed because (a) an offer to sell is made in the State of New York; or (b) an offer to buy is accepted in the State of New York; or (c) if you are domiciled in the State of New York, your Franchised Business is or will be operated in the State of New York.

2. **RELEASES AND WAIVERS.** The following is added to the end of Sections 3.2(nj) and 14.2.2(c) of the Franchise Agreement:

Notwithstanding the foregoing all rights enjoyed by you and any causes of action arising in your favor from the provision of Article 33 of the General Business Law of the State of New York and the regulations issued there under shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.4, as amended.

3. **CHOICE OF FORUM AND CHOICE OF LAW.** Nothing herein shall be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York General Business Law, as amended, and the regulations issued thereunder.

4. **TRANSFER.** The following is added to the end of Section 14.1 of the Franchise Agreement:

However, to the extent required by applicable law, 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.

5. **TERMINATION.** The following sentence is added to the end of Section 12.3 of the Franchise Agreement:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

6. FRANCHISE QUESTIONNAIRES AND ACKNOWLEDGEMENTS. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relation-ship 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.

7. **RECEIPTS.** Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law re-quires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

**BLUEFROG PLUMBING AND DRAIN,
LLC**

FRANCHISEE:

(insert legal name)

Sign: _____

Sign: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT 4 TO THE FRANCHISE AGREEMENT

**RIDER TO THE FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND**

This rider (“**Rider**”) is made part of that certain Franchise Agreement to which it is attached (the “**Franchise Agreement**”) to modify certain provisions of the Franchise Agreement as described in this Rider. Capitalized terms not defined herein will have the meaning in the Franchise Agreement. State law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are independently met.

1. **BACKGROUND**. This Rider is being signed because (a) an offer to sell is made or accepted in the State of Rhode Island, or (b) an offer to buy is accepted in the State of Rhode Island, or (c) you are a resident of the State of Rhode Island and your Franchised Business is or will be operated in the State of Rhode Island.

2. **GOVERNING LAW**. The following is added at the end of Section 18.4 of the Franchise Agreement:

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.”

3. **CONSENT TO JURISDICTION**. The following is added at the end of Section 18.5 of the Franchise Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.”

IN WITNESS WHEREOF, the parties have executed and delivered this Rider to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:

**BLUEFROG PLUMBING AND DRAIN,
LLC**

Sign: _____

Name: _____

Title: _____

FRANCHISEE:

(insert legal name)

Sign: _____

Name: _____

Title: _____

EXHIBIT 5 TO THE FRANCHISE AGREEMENT

FRANCHISEE DISCLOSURE QUESTIONNAIRE

DO NOT SIGN THIS QUESTIONNAIRE IF YOU ARE LOCATED, OR YOUR FRANCHISED BUSINESS WILL BE LOCATED IN: CALIFORNIA, [HAWAII](#), ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

You are preparing to enter into a BlueFrog Plumbing + Drain Franchise Agreement. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

Please review each of the following questions carefully and provide responses.

1. Have you received and carefully reviewed the Disclosure Document provided to you?

Yes No

2. Do you understand all of the information contained in the Disclosure Document?

Yes No

If you answered “No”, what parts of the Disclosure Document do you not understand?
(Attach additional pages, if necessary)

3. Have you received and carefully reviewed the Franchise Agreement and each exhibit, appendix, and schedule attached to the Franchise Agreement?

Yes No

4. Do you understand all of the information contained in the Franchise Agreement and each exhibit, appendix, and schedule attached to it?

Yes No

If you answered “No”, what parts of the Franchise Agreement do you not understand?
(Attach additional pages, if necessary)

5. Have you been given the opportunity, whether or not you may have done so, to discuss the risks of operating a BlueFrog Plumbing + Drain Franchise with an attorney, accountant or other professional advisor?

Yes No

6. Do you understand that the purchase of a BLUEFROG PLUMBING + DRAIN Franchise is a business decision that has many of the same risks associated with starting any type of business and that the success or failure of your BlueFrog Plumbing + Drain Franchise will depend in large part upon your skills and abilities, the number of hours you work, your ability to follow and apply the System, competition from other businesses providing the same services, interest rates, inflation, the economy, labor costs, supply costs, and other economic and business factors?

Yes No

7. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and us?

Yes No

If you answered "No" to any of the Questions 1 through 7, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below) If you have answered "No" to each of these questions, please leave the following lines blank.

8. Other than any statements specifically provided in Item 19 of our Disclosure Document, have any of our employees or representatives made any promise, prediction, guarantee, projection or other statement concerning the revenues, profits and/or income of a BLUEFROG PLUMBING + DRAIN Franchise?

Yes No

9. Have any of our employees or representatives made any promise, prediction, guarantee, projection or other statement about the amount of money you may earn or the revenue or profits that you should or might expect to achieve as a franchisee that is contrary to, or different from, the information contained in our Disclosure Document?

Yes No

10. Have any of our employees or representatives made any statement or promise regarding the costs you may incur in operating a BlueFrog Plumbing + Drain Franchise; the advertising, marketing, training, support service or assistance that we will furnish to you; or any other statement, promise or agreement that is contrary to, or different from, the information contained in the Disclosure Document provided to you?

Yes No

11. Have any of our employees or representatives made any promise or agreement concerning the amount or type of customers that may be available to you if you purchase a BLUEFROG PLUMBING + DRAIN Franchise?

Yes No

12. If you answered “Yes” to any of the Questions 8 through 11, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below) If you have answered “No” to each of these questions, please leave the following lines blank.

Explanation

You understand that your answers are important to us and that we will rely on them.

By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions.

Name of Franchisee/Applicant:

Date: _____

_____, Individually

Date: _____

_____, Individually

EXHIBIT B-2
GENERAL RELEASE

WAIVER AND RELEASE OF CLAIMS

BLUEFROG PLUMBING AND DRAIN, LLC (“we,” “us,” or “our”) and _____
_____ (“you” or “your”) are currently are parties to a certain Franchise Agreement (the
“**Agreement**”) dated _____, 20____. You have asked us to take the following
action or to agree to the following request: _____

_____ We have the right under the Agreement to obtain a general release from you and your owners as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you and your owners give us the release and covenant not to sue provided below in this document. You and your owners are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

You and your owners, jointly and severally, on behalf of themselves and their spouses and immediate family members, and each such foregoing person’s or entity’s respective affiliates, employees, owners, officers, directors, successors, assigns, spouses and immediate family members (the “**Releasing Parties**”) hereby fully and forever unconditionally release and discharge us and our current and former affiliates, parents, subsidiaries, franchisees, area developers, owners, agents, insurers and our and their respective affiliates, employees, officers, directors, successors, assigns, owners, guarantors and other representatives (the “**Franchisor Parties**”), of and from any and all claims, obligations, debts, proceedings, demands, causes of action, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever, and known or unknown, suspected or unsuspected, whether at law or in equity, which any of them has, had, or may have against any of the Franchisor Parties, from the beginning of time to the date of this document (together, **Claims**”), including any and all Claims in any way arising out of or relating to the Agreement or the relationship of the Releasing Parties with any of the Franchisor Parties. You and your owners, on your own behalf and the other Releasing Parties, further covenant not to sue any of the Franchisor Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity.

[signature page to follow]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

FRANCHISOR:

FRANCHISEE:

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

EXHIBIT B-3
CONSENT TO TRANSFER

CONSENT TO TRANSFER

This **CONSENT TO TRANSFER** (this “**Consent**”) is made as of _____ (the “**Effective Date**”) by and among **BLUEFROG PLUMBING AND DRAIN, LLC**, a Delaware limited liability company (“**Franchisor**”), _____, a(n) _____ (“**Transferor**”), _____, a(n) _____ (“**Transferor Owner**”), _____, a(n) _____ (“**Transferee**”), and _____, a(n) _____ (“**Transferee Owner**”). Transferor, Transferor Owner, Transferee, and Transferee Owner are hereafter collectively referred to as the “**Franchisee Parties**.” All capitalized used but not defined in this Consent have the meaning given to them in Franchise Agreement (as defined below).

RECITALS

A. Franchisor and Transferor are parties to a certain franchise agreement dated _____ (the “**Franchise Agreement**”) pursuant to which Transferor owns and operates the Franchised Business within the territory described therein;

B. Transferor has notified Franchisor that it wishes to sell, transfer, and convey the Franchised Business to Transferee, and Transferee wishes to purchase, own, and operate the Franchised Business (the “**Transfer**”), pursuant to the terms of that certain _____ dated _____ executed between _____ and _____ (the “**Purchase Agreement**”); and

C. Under the Franchise Agreement, the Transfer requires Franchisor’s prior written consent, which it is willing to grant on the terms of this Consent.

AGREEMENT

IN CONSIDERATION of the foregoing, the covenants and agreements contained in this Consent, and other good and valuable consideration, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Consent to Transfer and Waiver of Right of First Refusal.** Subject to the terms and conditions of this Consent, Franchisor hereby consents to the Transfer and waives its right of first refusal to acquire the Franchised Business. This Consent is strictly limited to the Transfer and will not be construed as Franchisor’s consent to, or the waiver of its rights in respect of, any further or subsequent transfers, each of which will require Franchisor’s separate prior written consent under the Franchise Agreement. Any substantive change or amendment to, or waiver of, any provision of the Purchase Agreement prior to the Transfer will require Franchisor’s separate prior written consent and waiver of right of first refusal. In the event that any term or condition of this Consent is not met by the parties as of the date of the Transfer (the “**Transfer Date**”), including any representation or warranty that is not true as of the Effective Date or the Transfer Date, Franchisor’s consent to the Transfer may be withdrawn, and any transfer that occurs thereafter, of any kind, including the Transfer, shall be deemed an unauthorized transfer under the terms of the Franchise Agreement.

2. **Execution of New Franchise Agreement.** Under the Franchise Agreement, Franchisor may, and does hereby, condition its consent to the Transfer on Transferee’s and Transferee Owner’s execution, concurrently with the execution of this Consent, of the current form of franchise agreement for the Franchised Business, including all related documents such as Unlimited Guaranty and Personal Undertaking (collectively, the “**New Franchise Agreement**”). Therefore, concurrently with the execution

of this Consent, Transferee and Transferee Owner will execute a New Franchise Agreement, which will from and after the Effective Date govern Transferee's ownership and operation of the Franchised Business.

3. **Termination of Franchise Agreement and Surviving Obligations.** Upon the execution of the New Franchise Agreement, as described above, the Franchise Agreement shall be deemed automatically terminated; provided that, the termination of the Franchise Agreement does not (a) affect any obligations that arose or accrued under the Franchise Agreement (or any other related agreements to which they were a party) prior to the termination, or (b) release Transferor from any obligations that, as provided in the Franchise Agreement (or any other related agreements to which they were a party), survive or are triggered by the termination of those agreements (including, for example, the post-termination obligations regarding payment of amounts owed, confidentiality, noncompetition, cessation of use of Marks and other intellectual property, and all other such obligations described in the Franchise Agreement, and the indemnification obligations thereunder with respect to claims arising from or based on events which occurred prior to termination).

4. **Payment of Transfer Fee.** Under the Franchise Agreement and as a condition of granting its consent to the Transfer, Franchisor may, and hereby does, require Transferor to pay a lump sum transfer fee equal to five thousand dollars (\$5,000). Transferor agrees to pay or cause Franchisor to be paid, the transfer fee concurrently upon the execution of this Consent.

5. **Representations and Warranties.** The Franchisee Parties each, jointly and severally, represent and warrant to Franchisor that:

(i) Transferee is a legal entity that is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization;

(ii) each Franchisee Party has all requisite power and authority to be bound by the terms of this Consent and to carry out and perform its obligations under this Consent; and

(iii) except for Franchisor's consent, which will be granted on its execution of this Consent, all conditions precedent to the Transfer (including, without limitation, all required landlord consents, if applicable) have been satisfied or waived, and upon Franchisor's consent and upon Franchisor's consent the Franchised Business will be owned and operated by Transferee.

6. **Further Assurances.** Each Franchisee Party hereby covenants and agrees, at its own expense, to execute and deliver, at Franchisor's request and without additional consideration, such further instruments and to take such other action as Franchisor may request to more effectively consummate the Transfer and the effectiveness of this Consent.

7. **Release.** The Franchisee Parties on behalf of themselves and their current and former affiliates, and each of the foregoing persons' officers, directors, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them (the "**Franchisee Group**") hereby release, acquit and forever discharge Franchisor, any and all of its past and present affiliates, parents, subsidiaries and related companies, divisions and partnerships, consultants, advisors and franchise sellers and its and their respective past and present officers, directors, owners, employees, agents, representatives, affiliates, parents, divisions, successors and assigns, and the spouses of such individuals (collectively, the "**Franchisor Group**") from any and all claims, liabilities, damages, expenses, actions or causes of action of any kind which any member of the Franchisee Group may now have or has ever had, whether known

or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever (collectively “**claims**”), including any claims directly or indirectly arising out of or relating to the Franchise Agreement or the offer, sale or acceptance of the franchises related thereto (including, but not limited to any disclosures and representations made in connection therewith). The Franchisee Parties further covenant on behalf of the Franchisee Group not to sue any member of the Franchisor Group on any of the claims released by this paragraph, and warrant and represent that they have not assigned or otherwise transferred any claims released by this paragraph.

8. **Non-Disparagement.** The Franchisee Parties agree not to, and cause the other members of the Franchisee Group and any other person not to, directly or indirectly (i) disparage, discredit, or otherwise speak negatively of any member of the Franchisor Group, the BlueFrog® brand and its franchisees, or any other brands owned by the members of the Franchisor Group, (ii) take any other action which would, directly or indirectly, subject any of the foregoing to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact or injure the goodwill of the System or the Marks; or (iii) take any other action which would constitute an act of moral turpitude and/or is or could reasonably become the subject of public scandal, disrepute, or infamy.

9. **Franchisor’s Role.** The Franchisee Parties agree that (i) they have negotiated the Transfer without Franchisor’s involvement, and (ii) Franchisor’s only involvement in the Transfer transaction is limited to exercising its right of consent to the Transfer in accordance with the Franchise Agreement. The Franchisee Parties hereby represent to Franchisor that the Transfer will not violate any applicable laws or jeopardize the operations of the Franchised Business.

10. **Dispute Resolution.** Any disputes arising under this Consent shall be subject to and resolved in accordance with the choice of law and dispute resolution provisions of the Franchise Agreement (Section 18), the provisions of which are incorporated herein as though copied in their entirety.

11. **Binding Effect.** This Consent inures to the benefit of the parties and their respective successors and assigns and will be binding upon the parties and their respective successors, permitted assigns, and legal representatives. If there is any conflict between the provisions of this Consent and the provisions of the Franchise Agreement, the provisions of this Consent will prevail.

12. **Miscellaneous.** This Consent constitutes the entire understanding between the parties with respect to the matters it contemplates. All references in this Consent to the singular usage will be construed to include the plural and the masculine and neutral usages to include the other and the feminine. This Consent may be executed in multiple copies, each of which will be deemed an original. This Consent may be executed by electronic means.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Consent as of the Effective Date.

FRANCHISOR

BLUEFROG PLUMBING AND DRAIN,
LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

TRANSFEEE

_____,
a(n) _____

By: _____
Name: _____
Title: _____

TRANSFEROR

_____,
a(n) _____

By: _____
Name: _____
Title: _____

TRANSFEEE OWNER

a(n) _____

Sign: _____

TRANSFEROR OWNER

_____,
a(n) _____

Sign: _____

EXHIBIT C
STATE ADDENDA

EXHIBIT C
STATE ADDENDA

FOR THE FOLLOWING STATES: CALIFORNIA, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

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.

FOR THE STATE OF ILLINOIS

1. ITEM 17 of the Disclosure Document is supplemented to add the following:

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 of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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.

FOR THE STATE OF MINNESOTA

1. ITEM 5 of the Disclosure Document is supplemented to add the following:

Liquidated Damages will not be enforced to the extent prohibited by applicable law.

2. ITEM 13 of the Disclosure Document is supplemented to add the following:

Provided you have complied with all provisions of the Franchise Agreement applicable to the Marks, we will protect your rights to use the Marks and we will also indemnify you from any loss, costs, or expenses from any claims, suits, or demands regarding your use of the Marks in accordance with Minn. Stat. Section 80C.12, Subd. 1(g).

3. ITEM 17 of the Disclosure Document is supplemented to add the following:

With respect to franchises governed by Minnesota law, Minnesota Statutes, Section 80C.14, Subd. 3, 4, and 5, which require, except in certain specified cases, that you be

given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minnesota Statutes Section 80C.21 and Minnesota Rules 2860.4400(J) might prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Disclosure Document or Franchise Agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulation, or provision in the Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

Any release required as a condition of transfer or assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minnesota Rule 2860.4400(D)

FOR THE STATE OF NEW YORK

1. The Cover Page of the Disclosure Document is supplemented to add the following:

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

WE MAY, IF WE CHOOSE, 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. ITEM 3 of the Disclosure Document is supplemented to add the following:

With regard to us, our parent, predecessor, or affiliate, the persons identified in Item 2, or an affiliate offering franchises under our principal trademark:

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.

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.

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 held liable in a civil action alleging: violation of a franchise, antitrust, or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; unfair or deceptive practices; or comparable allegations.

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 or any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. ITEM 4 of the Disclosure Document is supplemented to add the following:

Neither the franchisor nor its affiliate, its predecessor, officers, or general partners or any other individual who will have management responsibility relating to the sale or operation of franchises offered by this Disclosure Document have, during the 10-year period immediately before the date of this Disclosure Document: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of ours held this position in the company or partnership.

4. ITEM 5 of the Disclosure Document is supplemented to add the following:

We apply the initial franchise fee to defray our costs for site review and approval, sales, legal compliance, salary, and general administrative expenses and profits.

5. ITEM 17 of the Disclosure Document is supplemented to add the following:

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.

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

To the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.

The governing choice of law and choice of forum should 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.

FOR THE STATE OF RHODE ISLAND

1. ITEM 17 of the Disclosure Document is supplemented to add the following:

Section 19-18.1-14 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. To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.”

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Total Number of Pages in Manual:102

EXHIBIT E
FINANCIAL STATEMENTS

UNAUDITED FINANCIAL STATEMENTS

BLUEFROG PLUMBING AND DRAIN, LLC
BALANCE SHEETS
January 1, 2025 to March 31, 2025
UNAUDITED FINANCIAL STATEMENTS
ASSETS

	<u>YTD 2025</u>	<u>2024</u>
Current Assets:		
Cash and cash equivalents	478,579	782,905
Restricted cash	280,415	252,379
Accounts receivable, net	139,972	110,256
Accounts receivable, related party	-	-
Prepaid expenses	47,344	8,521
Deferred costs, current	-	29,590
Total current assets	946,310	1,183,651
Property and equipment, net	3,244	3,708
Other assets:		
Intangibles, net	256,141	265,567
Goodwill, net	556,043	583,390
Deferred costs, net of current	288,484	255,881
Total other assets	1,100,669	1,104,838
Total assets	2,050,224	2,292,197

LIABILITIES AND MEMBER'S EQUITY

	<u>YTD 2025</u>	<u>2024</u>
Current liabilities:		
Accounts payable	18,412	43,551
Accounts payable, related party	-	1,237
Accrued expenses and other payables	40,709	92,956
Deferred brand fund	175,549	175,549
Deferred revenue, current	79,518	66,892
Total current liabilities	314,188	380,185
Due to related party	127,919	-
Deferred revenue, net of current	620,020	513,821
Total liabilities	1,062,127	894,006
Member's equity	988,097	1,398,191
Total liabilities and members' equity	2,050,224	2,292,197

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

BLUEFROG PLUMBING AND DRAIN, LLC
STATEMENTS OF OPERATIONS
January 1, 2025 to March 31, 2025
UNAUDITED FINANCIAL STATEMENTS
STATEMENTS OF OPERATIONS

	<u>YTD 2025</u>	<u>2024</u>
Operating Revenues:		
Franchise fees	110,776	312,222
Royalty fees	214,039	838,124
Brand fund	71,651	272,706
Technology fees	27,222	152,171
Other	152	586
Total operating revenues	423,840	1,575,809
Operating expenses:		
Shared services	-	330,313
Brand Fund	66,799	261,326
Salaries, wages, and benefits	42,804	205,593
Technology services	28,975	163,290
Franchise sales commissions	66,722	161,763
Depreciation and amortization	37,235	149,856
Advertising	26,856	100,961
Professional fees	22,949	90,811
Other expense	(7,397)	59,066
Management fee	-	50,022
Consulting	4,570	44,005
Travel and entertainment	8,966	18,731
Insurance	2,145	8,802
Training programs	2,155	7,384
Office expense	1,154	3,270
Total operating expenses	303,931	1,655,193
Net loss from operations	119,908	(79,384)
Net loss	119,908	(79,384)

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

AUDITED FINANCIAL STATEMENTS

BLUEFROG PLUMBING & DRAIN, LLC
FINANCIAL STATEMENTS
Years Ended December 31, 2024 and 2023
with
Independent Auditors' Report

BLUEFROG PLUMBING & DRAIN, LLC
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Member of
BlueFrog Plumbing & Drain, LLC

Opinion

We have audited the accompanying financial statements of BlueFrog Plumbing & Drain, LLC (the "Company") (a subsidiary of Stellar Brands, LLC), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, changes in member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our 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.

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, which 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:

- 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, which 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.

AT&M Group, LLC

Dallas, Texas
March 18, 2025

BLUEFROG PLUMBING & DRAIN, LLC
BALANCE SHEETS
December 31, 2024 and 2023

ASSETS

	2024	2023
Current assets:		
Cash and cash equivalents	\$ 782,905	\$ 250,022
Restricted cash	252,379	261,433
Accounts receivable, net	110,256	118,457
Accounts receivable, related party	-	4,627
Prepaid expenses	8,521	13,396
Deferred costs, current	29,590	29,392
Total current assets	1,183,651	677,327
Property and equipment, net	3,708	6,478
Other assets:		
Intangibles, net	265,567	303,267
Goodwill, net	583,390	692,776
Deferred costs, net of current	225,881	216,608
Total other assets	1,074,838	1,212,651
Total assets	\$ 2,262,197	\$ 1,896,456

LIABILITIES AND MEMBER'S EQUITY

	2024	2023
Current liabilities:		
Accounts payable	\$ 43,551	\$ 12,982
Accounts payable, related party	1,237	15,388
Accrued expenses and other payables	92,956	46,317
Deferred brand fund	175,549	175,549
Deferred revenue, current	66,892	54,049
Due to related party, current	-	126,369
Total current liabilities	380,185	430,654
Deferred revenue, net of current	513,821	398,561
Total liabilities	894,006	829,215
Member's equity	1,368,191	1,067,241
Total liabilities and member's equity	\$ 2,262,197	\$ 1,896,456

See accompanying notes to the financial statements.

BLUEFROG PLUMBING & DRAIN, LLC
STATEMENTS OF OPERATIONS
Years Ended December 31, 2024 and 2023

	2024	2023
Operating revenues:		
Royalty fees	\$ 838,124	\$ 981,704
Brand fund	272,706	301,269
Technology fees	152,171	185,682
Franchise fees	312,222	132,429
Other	586	889
Total operating revenues	1,575,809	1,601,973
Operating expenses:		
Shared services	330,313	308,248
Brand fund	261,326	218,933
Salaries, wages, and benefits	205,593	251,533
Technology services	163,290	160,752
Franchise sales commissions	161,763	73,361
Depreciation and amortization	149,856	152,116
Advertising	100,961	130,209
Professional fees	90,811	89,679
Other expense	59,066	58,851
Management fee	50,022	43,992
Consulting	44,005	61,485
Travel and entertainment	18,731	17,593
Insurance	8,802	6,250
Training programs	7,384	5,100
Office expense	3,270	2,398
Total operating expenses	1,655,193	1,580,500
Net (loss) income from operations	(79,384)	21,473
Net (loss) income	\$ (79,384)	\$ 21,473

See accompanying notes to the financial statements.

BLUEFROG PLUMBING & DRAIN, LLC
STATEMENTS OF CHANGES IN MEMBER'S EQUITY
Years Ended December 31, 2024 and 2023

Balance at December 31, 2022	\$ 693,527
Net income	21,473
Contribution	352,241
	<hr/>
Balance at December 31, 2023	1,067,241
Net loss	(79,384)
Contribution	380,334
	<hr/>
Balance at December 31, 2024	<u><u>\$ 1,368,191</u></u>

See accompanying notes to the financial statements.

BLUEFROG PLUMBING & DRAIN, LLC
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Net (loss) income	\$ (79,384)	\$ 21,473
Adjustments to reconcile net (loss) income to net cash provided (used) by operating activities:		
Depreciation and amortization	149,856	152,116
Bad debt expense	98,422	57,497
Changes in operating assets and liabilities:		
Increase (decrease) in:		
Restricted cash	9,054	(60,700)
Accounts receivable	(90,221)	(60,142)
Accounts receivable, related party	4,627	318
Prepaid expenses	4,875	10,351
Deferred costs	(9,471)	9,776
Decrease (increase) in:		
Accounts payable	30,569	(3,042)
Accounts payable, related party	(14,151)	11,337
Accrued expenses and other payables	46,639	(24,546)
Deferred brand fund	-	(4,875)
Deferred revenue	128,103	(29,079)
Net cash provided by operating activities	278,918	80,484
Cash flows from investing activities:		
Payments to related party	(126,369)	(527,222)
Net cash used by investing activities	(126,369)	(527,222)
Cash flows from financing activities:		
Contribution from member	380,334	352,241
Net cash provided by financing activities	380,334	352,241
Net increase (decrease) in cash and cash equivalents	532,883	(94,497)
Cash and cash equivalents, beginning of year	250,022	344,519
Cash and cash equivalents, end of year	\$ 782,905	\$ 250,022

See accompanying notes to the financial statements.

BLUEFROG PLUMBING & DRAIN, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

1. NATURE OF OPERATIONS

BlueFrog Plumbing & Drain, LLC (the "Company"), is a master franchisor that grants franchises for the operation of a business offering plumbing services, drain cleaning services, water and gas leak detection and repair services, and water heater, water softener, and water filtration system services using their proprietary methods and the BLUEFROG PLUMBING + DRAIN mark. The Company earns revenues predominantly from initial franchise fees, royalty fees, and advertising fee revenues.

The Company was organized and formed under the laws of the state of Delaware and is a wholly owned subsidiary of Stellar Brands, LLC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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). 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.

On January 1, 2023, the Company adopted ASU 2016-13 using the modified retrospective method. The Company has evaluated the requirements of the new standard and determined it does not have material impact on the financial statements.

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

Restricted cash held by the Company relates to cash provided by franchisees that is to be used solely for marketing and advertising purposes.

Fair Value of Financial Instruments

The Company's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses. Management estimates that the fair value of all financial instruments as of December 31, 2024 and 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to a concentration of a credit risk principally consist of cash and trade receivables. The Company's franchisees operate throughout the United States. To reduce credit risk, the Company performs on-going credit evaluations of its franchisees' financial condition.

In the normal course of business, the Company may have bank account balances in excess of federally insured limits. If cash balances exceed the amounts covered by insurance provided by the Federal Deposit Insurance Corporation, the excess balances could be at risk of loss. The amount at risk of loss at December 31, 2024, is \$785,284.

Accounts Receivable and Allowance for Credit Losses

The Company's accounts receivable are primarily due from franchisees for monthly royalty fees. As previously mentioned, the Company adopted ASU 2016-13. Before adoption, the allowance for doubtful accounts was based on the Company's estimate of potential accounts receivable write-offs associated with recognized revenue based on historical trends and factors surrounding the credit risk of specific franchisees. After adoption, the allowance for doubtful accounts is referred to as the allowance for credit losses. Additionally, the allowance for credit losses is also based on the credit losses expected to arise over the life of the accounts receivable while also giving consideration to current conditions and reasonable and supportable forecasts. Accounts receivable balances are written off when franchises have resold or are terminated and other means for collection have been exhausted and the potential for recovery is considered remote. Payments subsequently collected are credited back to the provision for doubtful accounts in the period the payments are received.

Costs to Obtain Contracts with Customers

The Company capitalizes incremental contract cost associated with obtaining franchise contracts which include broker fees, sales commissions, and general fees that would not have been incurred had the franchise sale not occurred. These costs are reported as deferred costs (assets) and are expensed pro-rata similarly to franchise fee revenue with a portion being recognized as a pre-opening services cost and the remaining on a straight-line basis over the term of the underlying franchise agreement. Amortization of deferred costs is included in commission expenses in the Statements of Operations.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Property and Equipment

Property and equipment are stated at cost. The Company capitalizes assets with useful lives greater than one year and a value of more than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. The estimated useful lives range from three to five years. Repairs and maintenance costs that do not substantially increase the useful lives of the property and equipment are expensed as incurred.

Intangible Assets

Intangible assets are recorded at their estimated fair values as of the date of acquisition. Intangible assets with definite lives consist of franchise contracts acquired and are amortized on a straight-line basis over their economic useful lives. The Company assesses the recoverability of its definite lived intangible assets primarily based on its current and anticipated future undiscounted cash flows. Intangible assets with indefinite lives consist of the Company's trade name.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of tangible and identifiable intangible assets acquired through acquisitions. The Company has adopted the accounting alternative offered to nonpublic entities for the subsequent measurement of goodwill. In accordance with this alternative, the Company amortizes goodwill over ten years on a straight-line basis and only evaluates goodwill for impairment at the entity level when a triggering event occurs.

Income Taxes

Under existing provisions of the Internal Revenue Code, the income or loss of a limited liability company is recognized by the individual member for federal income tax purposes. Accordingly, no provision for federal income tax has been provided for in the accompanying financial statements. However, the Company remains liable for state income taxes.

Management has evaluated the Company's tax positions and has not identified any material uncertain tax positions that would not be sustained in a federal or state income tax examination. Accordingly, no provision for uncertainties in income taxes has been made in the accompanying financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Advertising

Advertising and promotion expenses related directly to franchisees are expensed as incurred and are included in brand fund expenses in the Statement of Operations. All general advertising and promotion costs of the Company are allocated as operating expenses in the Statements of Operations. Advertising expenses that were directly related to franchisees for the years ended December 31, 2024 and 2023, totals \$261,326 and \$218,933, respectively. General advertising and promotion expenses for the years ended December 31, 2024 and 2023, totals \$100,961 and \$130,209, respectively.

3. ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable by major classification and the related allowance for credit losses at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Royalty fees	\$ 94,331	\$ 80,713
Brand fund	27,931	21,801
Technology fees	7,182	12,535
Digital marketing	5,382	5,083
Other receivables	2,307	325
Less: allowance for credit losses	<u>(26,877)</u>	<u>(2,000)</u>
Total	<u>\$ 110,256</u>	<u>\$ 118,457</u>

Bad debt expense for the years ended December 31, 2024 and 2023, totals \$98,422 and \$57,497, respectively.

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment by major classification and the related accumulated depreciation and at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Equipment	\$ 10,979	\$ 10,979
Software	7,820	7,820
	18,799	18,799
Less: accumulated depreciation	<u>(15,091)</u>	<u>(12,321)</u>
Total	<u>\$ 3,708</u>	<u>\$ 6,478</u>

Depreciation expense for the years ended December 31, 2024 and 2023, totals \$2,770 and \$5,031, respectively.

5. INTANGIBLE ASSETS

The following is a summary of intangible assets and related accumulated amortization as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Franchise contracts acquired	\$ 377,000	\$ 377,000
Less: accumulated amortization	<u>(175,933)</u>	<u>(138,233)</u>
Total amortizable intangibles	201,067	238,767
Trade name	<u>64,500</u>	<u>64,500</u>
Total	<u>\$ 265,567</u>	<u>\$ 303,267</u>

Amortization expense for the years ended December 31, 2024 and 2023, totals \$37,700.

Remaining amortization expense over the next five years and thereafter is as follows:

	<u>Franchise Contracts</u>
2025	\$ 37,700
2026	37,700
2027	37,700
2028	37,700
2029	37,700
Thereafter	<u>12,567</u>
	<u>\$ 201,067</u>

6. GOODWILL

The following is a summary of goodwill and the related amortization expense at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Goodwill	\$ 1,093,858	\$ 1,093,858
Less: accumulated amortization	<u>(510,468)</u>	<u>(401,082)</u>
Total	<u>\$ 583,390</u>	<u>\$ 692,776</u>

Amortization expense for the years ended December 31, 2024 and 2023, totals \$109,386.

Remaining amortization expense over the next five years and thereafter is as follows:

	<u>Goodwill</u>
2025	\$ 109,386
2026	109,386
2027	109,386
2028	109,386
2029	109,386
Thereafter	<u>36,460</u>
	<u>\$ 583,390</u>

7. REVENUE RECOGNITION

The Company generates franchise revenues through royalties, initial and successor franchise fees, transfer fees, and other fees. The Company's primary performance obligations under the franchise license is providing certain pre-opening services and granting certain rights to use the Company's intellectual property. All other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for as a single performance obligation, which is satisfied by granting certain rights to use intellectual property over the term of each franchise agreement.

The Company has elected not to adjust consideration for the effects of financing which is allowable under a practical expedient when the period between the receipt of payment and the transfer of the goods or services to the customer is one year or less.

The Company does not believe the contracts contain any terms that would result in variable consideration that should be considered in the transaction price. Thus, the transaction price for financial reporting purposes is the total value of the franchise agreement, excluding royalty fees, brand fund fees, and tech fees.

Royalty and Brand Fund Revenues

Royalties, including franchisee contributions to national advertising funds, are calculated as a percentage of franchise monthly dues and annual fees over the term of the franchise agreement. The franchise royalties represent sales-based royalties that are related entirely to the performance obligation under the franchise agreement and are recognized as the underlying sales occur at the franchisee-level. Additionally, contributions to national advertising funds are due monthly and are recognized in income when earned.

Franchise Licenses

Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. The Company has elected the practical expedient available for the recognition of income related to franchise licenses. The guidance allows for all pre-opening service obligations to be bundled and considered on single performance obligation rather than each pre-opening service (site selection, training, quality control, information technology, etc.) being a standalone performance obligation. Accordingly, franchise licenses revenue recognition includes two performance obligations: 1) pre-opening services, 2) ongoing assistance and continued access to the brand's intellectual property provided to that franchisee through the term of the franchise agreement. Pre-opening services revenue is recognized once the services have been provided and the franchisee commences business operations. The Company recognizes franchise fee revenue of \$12,110 for pre-opening services based on an estimate of the cost of specific goods and services provided. The remaining franchisee fee revenue is amortized on a straight-line basis over the term of the franchise agreement.

Franchise fee revenue disaggregated by type for the year ended December 31, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Pre-opening revenue	\$ 74,130	\$ 24,422
Ongoing revenue	<u>238,092</u>	<u>108,007</u>
Total	<u>\$ 312,222</u>	<u>\$ 132,429</u>

Contract assets consist of deferred costs related to obtaining franchise contracts, such as broker fees, sales commissions, and general fees. The following table reflects the change in contract assets:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 246,000	\$ 255,776
Increase	171,184	63,585
Expense recognized	<u>(161,713)</u>	<u>(73,361)</u>
Ending balance	<u>\$ 255,471</u>	<u>\$ 246,000</u>

The following table illustrates estimated costs expected to be expensed in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2024.

2025	\$ 29,490
2026	29,490
2027	29,490
2028	29,490
2029	29,490
Thereafter	<u>108,021</u>
Total	<u>\$ 255,471</u>

Contract liabilities consist of deferred revenue resulting from initial and successor franchise fees, as well as transfer fees. The following table reflects the change in contract liabilities:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 452,610	\$ 481,689
Increase	440,325	103,350
Revenue recognized	<u>(312,222)</u>	<u>(132,429)</u>
Ending balance	<u>\$ 580,713</u>	<u>\$ 452,610</u>

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2024. The Company has elected to exclude short term contracts, sales and usage-based royalties and any other variable consideration recognized on an "as invoiced" basis.

2025	\$ 66,892
2026	66,892
2027	66,892
2028	66,892
2029	66,892
Thereafter	<u>246,253</u>
Total	<u>\$ 580,713</u>

8. RELATED PARTY TRANSACTIONS

The Company receives financial support from a commonly owned affiliated company, Restoration 1 Franchising Holding, LLC ("Restoration"). The Company expects to pay any balance owed within the next year, therefore, the balance is classified as due to related party, and presented in the current liabilities section in the accompanying Balance Sheets for the year ended December 31, 2024. For the year ended December 31, 2024 and 2023, the amount due to Restoration totals \$0 and \$126,369, respectively. Restoration has confirmed they will continue to support the operations of the Company for liquidity needs.

In the ordinary course of business, the Company transacts with other related entities. The following is a summary of accounts receivable, related party at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Softroc Global, LLC	-	4,627
Total	<u>\$ -</u>	<u>\$ 4,627</u>

In the ordinary course of business, the Company transacts with other related entities. The following is a summary of accounts payable, related party at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Stellar Brands, LLC	\$ 1,237	\$ 1,788
TDC Franchising, LLC	-	13,600
Total	<u>\$ 1,237</u>	<u>\$ 15,388</u>

The Company participates in a shared services agreement with Stellar Brands, LLC for the related party to provide various shared services. These shared services are classified as other expenses on the accompanying Statements of Operations. These services include strategic planning and oversight, oversight of new franchisee onboarding and training, supply chain assistance, marketing and advertising, back-office support (legal, accounting, technology) and various other management services. The Company paid \$330,313 and \$308,248 for these services for the years ended December 31, 2024 and 2023, respectively.

Stellar Brands LLC, a related company, participates in a management agreement with an affiliated entity. The agreement calls for \$112,500 quarterly payments (\$450,000 annually) as part of the compensation consideration to be paid under the agreement. These payment obligations are allocated among various related entities. The Company was allocated \$50,022 and \$43,992 for these services for the years ended December 31, 2024 and 2023, respectively. These expenses are reported in management fee in the accompanying Statements of Operations.

9. COMMITMENTS AND CONTINGENCIES

From time to time, the Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company. Events could occur that would change this estimate materially in the near term.

10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the balance sheet date through March 18, 2025, the date at which the financial statements were available to be issued, and determined there are no items to disclose.

BLUEFROG PLUMBING & DRAIN, LLC
FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022
with
Independent Auditors' Report

BLUEFROG PLUMBING & DRAIN, LLC
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Member of
BlueFrog Plumbing & Drain, LLC

Opinion

We have audited the accompanying financial statements of BlueFrog Plumbing & Drain, LLC (the "Company") (a subsidiary of Stellar Brands, LLC), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our 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.

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, which 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:

- 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, which 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.

Huseltan, Morgan + Maultsby, P.C.

Dallas, Texas
April 15, 2024

BLUEFROG PLUMBING & DRAIN, LLC

BALANCE SHEETS

December 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 250,022	\$ 344,519
Restricted cash	261,433	200,733
Accounts receivable, net	118,457	115,812
Accounts receivable, related party	4,627	4,945
Prepaid expenses	13,396	23,747
Deferred costs, current	29,392	27,637
Total current assets	<u>677,327</u>	<u>717,393</u>
Property and equipment, net	<u>6,478</u>	<u>11,509</u>
Other assets:		
Intangibles, net	303,267	340,967
Goodwill, net	692,776	802,161
Deferred costs, net of current	<u>216,608</u>	<u>228,139</u>
Total other assets	<u>1,212,651</u>	<u>1,371,267</u>
Total assets	<u>\$ 1,896,456</u>	<u>\$ 2,100,169</u>

LIABILITIES AND MEMBER'S EQUITY

	<u>2023</u>	<u>2022</u>
Current liabilities:		
Accounts payable	\$ 12,982	\$ 16,024
Accounts payable, related party	15,388	4,051
Accrued expenses and other payables	46,317	70,863
Deferred brand fund	175,549	180,424
Deferred revenue, current	54,049	52,113
Due to related party, current	<u>126,369</u>	<u>-</u>
Total current liabilities	430,654	323,475
Due to related party, net of current	-	653,591
Deferred revenue, net of current	<u>398,561</u>	<u>429,576</u>
Total liabilities	<u>829,215</u>	<u>1,406,642</u>
Member's equity	<u>1,067,241</u>	<u>693,527</u>
Total liabilities and member's equity	<u>\$ 1,896,456</u>	<u>\$ 2,100,169</u>

See accompanying notes to the financial statements.

BLUEFROG PLUMBING & DRAIN, LLC
STATEMENTS OF OPERATIONS
Years Ended December 31, 2023 and 2022

	2023	2022
Operating revenues:		
Royalty fees	\$ 981,704	\$ 804,794
Brand fund	301,269	257,094
Technology fees	185,682	107,855
Franchise fees	132,429	134,856
Other	889	11,170
Total operating revenues	1,601,973	1,315,769
Operating expenses:		
Shared services	352,240	417,697
Salaries, wages, and benefits	251,533	315,938
Brand fund	218,933	211,220
Technology services	160,752	129,601
Depreciation and amortization	152,116	150,813
Professional fees	89,679	176,929
Advertising	77,662	35,361
Franchise sales commissions	73,361	64,900
Other expense	67,406	-
Consulting	61,485	44,275
Management fee	43,992	49,500
Travel and entertainment	17,593	28,854
Insurance	6,250	-
Training programs	5,100	-
Office expense	2,398	4,566
Total operating expenses	1,580,500	1,629,654
Net income (loss) from operations	21,473	(313,885)
Other income:		
Interest income	-	58
Total other income	-	58
Net income (loss)	\$ 21,473	\$ (313,827)

See accompanying notes to the financial statements.

BLUEFROG PLUMBING & DRAIN, LLC
STATEMENTS OF CHANGES IN MEMBER'S EQUITY
Years Ended December 31, 2023 and 2022

Balance at December 31, 2021	\$ 1,007,354
Net loss	<u>(313,827)</u>
Balance at December 31, 2022	693,527
Net income	21,473
Contribution	<u>352,241</u>
Balance at December 31, 2023	<u><u>\$ 1,067,241</u></u>

See accompanying notes to the financial statements.

BLUEFROG PLUMBING & DRAIN, LLC
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net income (loss)	\$ 21,473	\$ (313,827)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	152,116	150,813
Bad debt expense	57,497	25,587
Changes in operating assets and liabilities:		
Increase (decrease) in:		
Restricted cash	(60,700)	(37,044)
Accounts receivable	(60,142)	(108,536)
Accounts receivable, related party	318	222
Prepaid expenses	10,351	(13,147)
Deferred costs	9,776	(202,350)
Inventory	-	1,243
(Increase) decrease in:		
Accounts payable	(3,042)	10,107
Accounts payable, related party	11,337	4,051
Accrued expenses and other payables	(24,546)	34,863
Deferred brand fund	(4,875)	(24,444)
Deferred revenue	(29,079)	373,519
Net cash provided (used) by operating activities	80,484	(98,943)
Cash flows from investing activities:		
Due to related party	(527,222)	347,675
Purchase of property and equipment	-	(14,049)
Net cash (used) provided by investing activities	(527,222)	333,626
Cash flows from financing activities:		
Proceeds from notes receivable	-	4,120
Contribution from member	352,241	-
Net cash provided by financing activities	352,241	4,120
Net (decrease) increase in cash and cash equivalents	(94,497)	238,803
Cash and cash equivalents, beginning of year	344,519	105,716
Cash and cash equivalents, end of year	\$ 250,022	\$ 344,519

Supplemental Disclosures

	2023	2022
Cash paid for interest	\$ -	\$ 58

See accompanying notes to the financial statements.

BLUEFROG PLUMBING & DRAIN, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

1. NATURE OF OPERATIONS

BlueFrog Plumbing & Drain, LLC (the "Company"), is a master franchisor that grants franchises for the operation of a business offering plumbing services, drain cleaning services, water and gas leak detection and repair services, and water heater, water softener, and water filtration system services using their proprietary methods and the BLUEFROG PLUMBING + DRAIN mark. The Company earns revenues predominantly from initial franchise fees, royalty fees, and advertising fee revenues.

The Company was organized and formed under the laws of the state of Delaware and is a wholly owned subsidiary of Stellar Brands, LLC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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). 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.

On January 1, 2023, the Company adopted ASU 2016-13 using the modified retrospective method. The Company has evaluated the requirements of the new standard and determined it does not have material impact on the financial statements.

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

Restricted cash held by the Company relates to cash provided by franchisees that is to be used solely for marketing and advertising purposes.

Fair Value of Financial Instruments

The Company's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses. Management estimates that the fair value of all financial instruments as of December 31, 2023 and 2022, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to a concentration of a credit risk principally consist of cash and trade receivables. The Company's franchisees operate throughout the United States. To reduce credit risk, the Company performs on-going credit evaluations of its franchisees' financial condition.

In the normal course of business, the Company may have bank account balances in excess of federally insured limits. If cash balances exceed the amounts covered by insurance provided by the Federal Deposit Insurance Corporation, the excess balances could be at risk of loss. The amount at risk of loss at December 31, 2023, is \$261,455.

Accounts Receivable and Allowance for Credit Losses

The Company's accounts receivable are primarily due from franchisees for monthly royalty fees. As previously mentioned, the Company adopted ASU 2016-13. Before adoption, the allowance for doubtful accounts was based on the Company's estimate of potential accounts receivable write-offs associated with recognized revenue based on historical trends and factors surrounding the credit risk of specific franchisees. After adoption, the allowance for doubtful accounts is referred to as the allowance for credit losses. Additionally, the allowance for credit losses is also based on the credit losses expected to arise over the life of the accounts receivable while also giving consideration to current conditions and reasonable and supportable forecasts. Accounts receivable balances are written off when franchises have resold or are terminated and other means for collection have been exhausted and the potential for recovery is considered remote. Payments subsequently collected are credited back to the provision for doubtful accounts in the period the payments are received.

Costs to Obtain Contracts with Customers

The Company capitalizes incremental contract cost associated with obtaining franchise contracts which include broker fees, sales commissions, and general fees that would not have been incurred had the franchise sale not occurred. These costs are reported as deferred costs (assets) and are expensed pro-rata similarly to franchise fee revenue with a portion being recognized as a pre-opening services cost and the remaining on a straight-line basis over the term of the underlying franchise agreement. Amortization of deferred costs is included in commission expenses in the Statements of Operations.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Property and Equipment

Property and equipment are stated at cost. The Company capitalizes assets with useful lives greater than one year and a value of more than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. The estimated useful lives range from three to five years. Repairs and maintenance costs that do not substantially increase the useful lives of the property and equipment are expensed as incurred.

Intangible Assets

Intangible assets are recorded at their estimated fair values as of the date of acquisition. Intangible assets with definite lives consist of franchise contracts acquired and are amortized on a straight-line basis over their economic useful lives. The Company assesses the recoverability of its definite lived intangible assets primarily based on its current and anticipated future undiscounted cash flows. Intangible assets with indefinite lives consist of the Company's trade name.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of tangible and identifiable intangible assets acquired through acquisitions. The Company has adopted the accounting alternative offered to nonpublic entities for the subsequent measurement of goodwill. In accordance with this alternative, the Company amortizes goodwill over ten years on a straight-line basis and only evaluates goodwill for impairment at the entity level when a triggering event occurs.

Income Taxes

Under existing provisions of the Internal Revenue Code, the income or loss of a limited liability company is recognized by the individual member for federal income tax purposes. Accordingly, no provision for federal income tax has been provided for in the accompanying financial statements. However, the Company remains liable for state income taxes.

Management has evaluated the Company's tax positions and has not identified any material uncertain tax positions that would not be sustained in a federal or state income tax examination. Accordingly, no provision for uncertainties in income taxes has been made in the accompanying financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Advertising

Advertising and promotion expenses related directly to franchisees are expensed as incurred and are included in brand fund expenses in the Statement of Operations. All general advertising and promotion costs of the Company are allocated as operating expenses in the Statements of Operations. Advertising expenses that were directly related to franchisees for the years ended December 31, 2023 and 2022, totals \$218,933 and \$211,220, respectively. General advertising and promotion expenses for the years ended December 31, 2023 and 2022, totals \$77,662 and \$35,361, respectively.

3. ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable by major classification and the related allowance for doubtful accounts at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Royalty fees	\$ 80,713	\$ 82,673
Brand fund	21,801	20,861
Technology fees	12,535	13,633
Digital marketing	5,083	-
Other receivables	325	645
Less: allowance for credit losses	(2,000)	
Less: allowance for doubtful accounts	<u>-</u>	<u>(2,000)</u>
Total	<u>\$ 118,457</u>	<u>\$ 115,812</u>

Bad debt expense for the years ended December 31, 2023 and 2022, totals \$57,497 and \$25,587, respectively.

Changes in the allowance for credit losses during the year were as follows:

Balance, beginning of year	(2,000)
Adoption of CECL	-
Bad debt expense	57,497
Write-offs	(57,497)
Balance, end of year	<u>(2,000)</u>

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment by major classification and the related accumulated depreciation and at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Equipment	\$ 10,979	\$ 10,979
Software	7,820	7,820
	18,799	18,799
Less: accumulated depreciation	(12,321)	(7,290)
Total	<u>\$ 6,478</u>	<u>\$ 11,509</u>

Depreciation expense for the years ended December 31, 2023 and 2022 totals \$5,031 and \$6,768, respectively.

5. INTANGIBLE ASSETS

The following is a summary of intangible assets and related accumulated amortization as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Franchise contracts acquired	\$ 377,000	\$ 377,000
Less: accumulated amortization	(138,233)	(100,533)
Total amortizable intangibles	238,767	276,467
Trade name	64,500	64,500
Total	<u>\$ 303,267</u>	<u>\$ 340,967</u>

Amortization expense for the years ended December 31, 2023 and 2022, totals \$37,700.

Remaining amortization expense over the next five years and thereafter is as follows:

	<u>Franchise Contracts</u>
2024	\$ 37,700
2025	37,700
2026	37,700
2027	37,700
2028	37,700
Thereafter	<u>50,267</u>
	<u>\$ 238,767</u>

6. GOODWILL

The following is a summary of goodwill and the related amortization expense at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Goodwill	\$ 1,093,858	\$ 1,093,858
Less: accumulated amortization	<u>(401,082)</u>	<u>(291,697)</u>
Total	<u>\$ 692,776</u>	<u>\$ 802,161</u>

Amortization expense for the years ended December 31, 2023 and 2022 totals \$109,386.

Remaining amortization expense over the next five years and thereafter is as follows:

	<u>Goodwill</u>
2024	\$ 109,386
2025	109,386
2026	109,386
2027	109,386
2028	109,386
Thereafter	<u>145,846</u>
	<u>\$ 692,776</u>

7. REVENUE RECOGNITION

The Company generates franchise revenues through royalties, initial and successor franchise fees, transfer fees, and other fees. The Company's primary performance obligations under the franchise license is providing certain pre-opening services and granting certain rights to use the Company's intellectual property. All other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for as a single performance obligation, which is satisfied by granting certain rights to use intellectual property over the term of each franchise agreement.

The Company has elected not to adjust consideration for the effects of financing which is allowable under a practical expedient when the period between the receipt of payment and the transfer of the goods or services to the customer is one year or less.

The Company does not believe the contracts contain any terms that would result in variable consideration that should be considered in the transaction price. Thus, the transaction price for financial reporting purposes is the total value of the franchise agreement, excluding royalty fees, brand fund fees, and tech fees.

Royalty and Brand Fund Revenues

Royalties, including franchisee contributions to national advertising funds, are calculated as a percentage of franchise monthly dues and annual fees over the term of the franchise agreement. The franchise royalties represent sales-based royalties that are related entirely to the performance obligation under the franchise agreement and are recognized as the underlying sales occur at the franchisee-level. Additionally, contributions to national advertising funds are due monthly and are recognized in income when earned.

Franchise Licenses

Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. The Company has elected the practical expedient available for the recognition of income related to franchise licenses. The guidance allows for all pre-opening service obligations to be bundled and considered on single performance obligation rather than each pre-opening service (site selection, training, quality control, information technology, etc.) being a standalone performance obligation. Accordingly, franchise licenses revenue recognition includes two performance obligations: 1) pre-opening services, 2) ongoing assistance and continued access to the brand’s intellectual property provided to that franchisee through the term of the franchise agreement. Pre-opening services revenue is recognized once the services have been provided and the franchisee commences business operations. The Company recognizes franchise fee revenue of \$12,110 for pre-opening services based on an estimate of the cost of specific goods and services provided. The remaining franchisee fee revenue is amortized on a straight-line basis over the term of the franchise agreement.

Franchise fee revenue disaggregated by type for the year ended December 31, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Pre-opening revenue	\$ 24,422	\$ 96,883
Ongoing revenue	108,007	37,973
Total	<u>\$ 132,429</u>	<u>\$ 134,856</u>

Contract assets consist of deferred costs related to obtaining franchise contracts, such as broker fees, sales commissions, and general fees. The following table reflects the change in contract assets:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 255,776	\$ 53,426
Increase	63,585	267,250
Expense recognized	(73,361)	(64,900)
Ending balance	<u>\$ 246,000</u>	<u>\$ 255,776</u>

The following table illustrates estimated costs expected to be expensed in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2023.

2024	\$ 29,392
2025	29,392
2026	29,392
2027	29,392
2028	29,392
Thereafter	<u>99,040</u>
Total	<u>\$ 246,000</u>

Contract liabilities consist of deferred revenue resulting from initial and successor franchise fees, as well as transfer fees. The following table reflects the change in contract liabilities:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 481,689	\$ 108,170
Increase	103,350	508,375
Revenue recognized	<u>(132,429)</u>	<u>(134,856)</u>
Ending balance	<u>\$ 452,610</u>	<u>\$ 481,689</u>

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2023. The Company has elected to exclude short term contracts, sales and usage-based royalties and any other variable consideration recognized on an "as invoiced" basis.

2024	\$ 54,049
2025	54,049
2026	54,049
2027	54,049
2028	54,049
Thereafter	<u>182,365</u>
Total	<u>\$ 452,610</u>

8. RELATED PARTY TRANSACTIONS

The Company receives financial support from a commonly owned affiliated company, Restoration 1 Franchising Holding, LLC ("Restoration"). The Company is expected to pay this balance within the next year, therefore, the balance is classified as due to related party, and presented in the current liabilities section in the accompanying Balance Sheets for the year ended December 31, 2023. The Company did not expect to pay on the balance due for the year ended December 31, 2022, therefore, the balance is presented in the noncurrent liabilities section in the accompanying Balance Sheet for the year ended December 31, 2022. For the year ended December 31, 2023 and 2022, the amount due to Restoration totals \$126,369 and \$653,591, respectively. Restoration has confirmed they will continue to support the operations of the Company for liquidity needs.

In the ordinary course of business, the Company transacts with other related entities. The following is a summary of accounts receivable, related party at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
FranXperts, LLC	\$ -	\$ 181
Softroc Global, LLC	<u>4,627</u>	<u>4,764</u>
Total	<u>\$ 4,627</u>	<u>\$ 4,945</u>

In the ordinary course of business, the Company transacts with other related entities. The following is a summary of accounts payable, related party at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
TDC Franchising, LLC	\$ 13,600	\$ 4,051
Stellar Brands, LLC	<u>1,788</u>	<u>-</u>
Total	<u>\$ 15,388</u>	<u>\$ 4,051</u>

The Company participates in a shared services agreement with Stellar Brands, LLC for the related party to provide various shared services. These shared services are classified as other expenses on the accompanying Statements of Operations. These services include strategic planning and oversight, oversight of new franchisee onboarding and training, supply chain assistance, marketing and advertising, back-office support (legal, accounting, technology) and various other management services. The Company paid \$308,248 and \$368,197 for these services for the years ended December 31, 2023 and 2022, respectively. These expenses are reported in other expenses in the accompanying Statements of Operations.

Stellar Brands LLC, a related company, participates in a management agreement with an affiliated entity. The agreement calls for \$112,500 quarterly payments (\$450,000 annually) as part of the compensation consideration to be paid under the agreement. These payment obligations are allocated among various related entities. The Company was allocated \$43,992 and \$49,500 for these services for the years ended December 31, 2023 and 2022, respectively. These expenses are reported in management fee in the accompanying Statements of Operations.

9. COMMITMENTS AND CONTINGENCIES

From time to time, the Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company. Events could occur that would change this estimate materially in the near term.

10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the balance sheet date through April 15, 2024, the date at which the financial statements were available to be issued, and determined there are no items to disclose.

EXHIBIT F

**LIST OF CURRENT FRANCHISEES
AND LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM
AS OF DECEMBER 31, ~~2023~~2024**

List of Current Franchisees as of December 31, ~~2023~~2024

	Franchisee	Address	City	State	Zip	Telephone
1.	Matt Johnston ⁺ Jason Jones	2116 Tidewater Circle ³⁷⁷¹ East Arianna Court	Orange County ^{Orange County} Gilbert	California ^{Arizona} ona	92627 85298	949-433-7477 ²⁰⁶ -313-5827
2.	Tom Lilly	214 Hudson Street ^{7310 S.} Alton Way	Arvada	Colorado	80220	720-940-9693
3.	Tom Lilly	214 Hudson Street ^{7310 S.} Alton Way	Centennial	Colorado	80220	720-940-9693
4.	Tom Lilly	214 Hudson Street ^{7310 S.} Alton Way	Central Denver	Colorado	80220	720-940-9693
5.	Tom Lilly	214 Hudson Street ^{7310 S.} Alton Way	Lakewood	Colorado	80220	720-940-9693
6.	Tom Lilly	214 Hudson Street ^{7310 S.} Alton Way	Boulder	Colorado	80220	720-940-9693
7.	Tom Lilly	214 Hudson Street ^{7310 S.} Alton Way	Boulder	Colorado	80220	720-940-9693
8.	Guy Fazzino	1191 Hanover Ave ^{19 St.} Andrew Circle	Wallingford	Connecticut	06451	203-284-0881 H 860-301-8705 C 203-937-2772 CI
9.	Erik Menendez	37 NE 1st Terrace	Ft. Lauderdale	Florida	33441	561-420-9042 C 954-687-9393 CI
10.	Robert and Courtney Reeder ⁺ Chris Mead	1199 Kendrick Rd. ²³⁵⁷ Warm Springs Road	Atlanta ^{Columbu} s	Georgia	30319 31909	509-771-1247 ⁷⁰⁶ -610-4916
11.	Robert and Courtney Reeder ⁺ Shayna Straus	1199 Kendrick Rd. ^{414 E} Schiller Street	Atlanta ^{Elmhurst}	Georgia ^{Illinois}	30319 60126	509-771-1247 ³¹² -599-0284
12 :	Chris Mead	7844 Cleo Drive	Columbus	Georgia	31909	706-610-4916
12. ⁺ 3.	Chris Gonzales ¹	2681 Teresa Street	Portage	Indiana	46368	219-841-1756 C 219-707-8080 CI
14 :	Chris Hodes ⁺	305 W. 51st Street	Overland Park	Kansas	66202	816-863-6577
15 :	Walter Ryan Hulett ⁺	108 Scenie View Dr.	Laneaster	Kentucky	40444	859-325-8181
13. ⁺ 6.	Manny Mitten ¹	2211 Engineers Red Road , Unit M	New Orleans	Louisiana	70037	504-475-0044 CI 985-290-9172 C
14. ⁺ 7.	Manny Mitten ¹	2211 Engineers Road, Unit M	North Shore	Louisiana	70037	504-475-0044 CI 985-290-9172 C
15. ⁺ 8.	Ed Mahoney ²¹	44 George Aggott Rd.	Needham	Massachusetts	02492	617-538-4560
16. ⁺ 9.	Robert Couture	226 Pearl Street, Unit 1L	Springfield	Massachusetts	01105	310-922-5436
17. ² 0.	Frank Foster ⁺ Alan Soukup	713 Northeast Dr. ^{#65} 5415 Bandera Road	Davidson ^{Frisco}	North Carolina ^{Texas}	28036 70534	972-322-4355 317-985-2327 ²¹⁴ -736-1881 CI

	Franchisee	Address	City	State	Zip	Telephone
18.2 1.	Frank Foster ⁺ Alan Soukup	713 Northeast Dr. #65 5415 Bandera Road	Davidson Frisco	North Carolina Texas	28036 70534	972-322-4355 317-985-2327 214-736-1881 CI
19.2 2.	Alan Soukup	207 King Rd., Suite 301 5415 Bandera Road	Frisco	Texas	70534	972-322-4355 214-736-1881 CI
20.2 3.	Alan Soukup	207 King Rd. Suite 301 5415 Bandera Road	Frisco	Texas	70534	972-322-4355 214-736-1881 CI
21.2 4.	Alan Soukup	207 King Rd. Suite 301 5415 Bandera Road	Frisco	Texas	70534	972-322-4355 214-736-1881 CI
22.2 5.	Alan Soukup	207 King Rd. Suite 301 122 Rose Lane	Frisco Hackberry	Texas	70534 75036	972-322-4355 214-736-1881 CI
23.	Alan Soukup	122 Rose Lane	Hackberry	Texas	75036	972-322-4355 214-736-1881 CI
24.	Alan Soukup	122 Rose Lane	Hackberry	Texas	75036	972-322-4355 214-736-1881 CI
25.	Alan Soukup	122 Rose Lane	Hackberry	Texas	75036	972-322-4355 214-736-1881 CI
26.	Alan Soukup	122 Rose Lane	Hackberry	Texas	75036	972-322-4355 214-736-1881 CI
27.	Alan Soukup	122 Rose Lane	Hackberry	Texas	75036	972-322-4355 214-736-1881 CI
28.2 6.	Stephen Desselle	10015 N Eldridge Parkway Ste. #E100	Houston	Texas	77065	832-515-1533 832-918-3993 CI
29.2 7.	Ben and Jamie Casmer	17350 State Hwy 249, Ste 220	Houston	Texas	77064	281-757-3932
30.2 8.	Kris/Karen Stewart	22003 Chesterwick Dr. 10645 Richmond Avenue	Katy	Texas	77450	832-788-3118
31.2 9.	Kris/Karen Stewart	22003 Chesterwick Dr. 10645 Richmond Avenue	Katy	Texas	77450	832-788-3118
32.3 0.	Steven Bryan	2113 Olivereta Drive 2360 Seaborn Road	Little Elm Ponder	Texas	75068 76259	214-724 - 9009
33.3 1.	Steven Bryan	2113 Olivereta Drive 2360 Seaborn Road	Little Elm Ponder	Texas	75068 76259	214-724 - 9009
32.	Duane Larkin ⁻³	8613 Broad Meadow Lane	McKinney	Texas	75071	972-369-1144
33.	Duane Larkin ⁻³	8613 Broad Meadow Lane	McKinney	Texas	75071	972-369-1144
34.	Amy Sheegog ⁺	5417 Bandera Rd., Suite 607	San Antonio	Texas	78238	817-938-1032 C 210-762-3925 CI
35.	Amy Sheegog ⁺	5417 Bandera Rd., Suite 607	San Antonio	Texas	78238	817-938-1032 C 210-762-3925 CI
36.	Amy Sheegog ⁺	5417 Bandera Rd., Suite 607	San Antonio	Texas	78238	817-938-1032 C 210-762-3925 CI
37.	Amy Sheegog ⁺	5417 Bandera Rd., Suite 607	San Antonio	Texas	78238	817-938-1032 C 210-762-3925 CI

	Franchisee	Address	City	State	Zip	Telephone
38	Amy Sheegog[†]	5417 Bandera Rd., Suite 607	San Antonio	Texas	78238	817-938-1032-C 210-762-3925-CI
39	Chris Hodes[†]	1902 Easton Dr.	Round Rock	Texas	78664	(816) 863-6577
40	Chris Hodes[†]	1902 Easton Dr.	Round Rock	Texas	78664	(816) 863-6577
34.4	Josh Green¹	3487 Chambery Lane <u>671 W.</u> <u>1987 Street</u>	Riverton	Utah	84065	801-870-1312
35.4	Josh Green¹	3487 Chambery Lane <u>671 W.</u> <u>1987 Street</u>	Riverton	Utah	84065	801-870-1312

~~Note 1: These franchisees have left the system since the end of our most recent fiscal year.~~

~~Note 2:¹ This franchisee has ceased operations since the end of our most recent fiscal year.~~

~~Note 3: This franchisee's franchise agreement has been transferred to a new owner since the end of our last fiscal year.~~

Franchise Agreement Signed But Outlet Not Yet Open as of December 31, ~~2023~~2024

Owner Name(s)	Address	City	State	Phone
Chris Hodes⁺Paul Clemons	305 W. 51st Street, Kansas City, Missouri 64112 8220 White Rock Circle	Ballwin Boynnton Beach	Missouri Florida	816-863-6577 61-767-6396
Nathan Gardels	13475 Browne Street	Omaha	Nebraska	308-991-4637
Nathan Gardels	13475 Browne Street	Omaha	Nebraska	308-991-4637
Morgan Buck	2211 SE Ochoco St	Portland	Oregon	323-770-6438
Morgan Buck	2211 SE Ochoco St	Portland	Oregon	323-770-6438
Chris Todd	3216 Hollow Creek Rd., Germantown, Tennessee 38138	Memphis	Tennessee	818-667-8285
Chris Hodes⁺	305 W. 51st Street, Kansas City, Missouri 64112	Austin	Texas	816-863-6577
Chris Hodes⁺	305 W. 51st Street, Kansas City, Missouri 64112	Round Rock	Texas	816-863-6577

Note 1: These franchisees have left the system since the end of our most recent fiscal year.

**Franchisees Who Had An Outlet Terminated, Cancelled, Not Renewed
or Otherwise Ceased To Do Business**

The following is a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, cancelled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year ending December 31, ~~2023~~2024, or who had not communicated with us within ten weeks of the date of the disclosure document issuance date.

Owner Name(s)	City	State	Last Known Phone	Reason (i.e. Termination/Transfer)
Matt Johnston [†]	Orange County	CA	949-433-7477	Termination
Robert and Courtney Reeder [†]	Atlanta	GA	509-771-1247	Termination
Robert and Courtney Reeder [†]	Atlanta	GA	509-771-1247	Termination
<u>Chris Gonzales</u> [†]	<u>Portage</u>	<u>IN</u>	<u>219-841-1756</u>	<u>Ceased Operations</u>
Chris Hodes [†]	Overland Park	KS	816-863-6577	Termination
Walter Ryan Hulett [†]	Lancaster	KY	859-325-8181	Termination
<u>Manny Mitten</u> [†]	<u>New Orleans</u>	<u>LA</u>	<u>504-475-0044</u>	<u>Ceased Operations</u>
<u>Manny Mitten</u> [†]	<u>North Shore</u>	<u>LA</u>	<u>504-475-0044</u>	<u>Ceased Operations</u>
Ed Mahoney ²¹ ₌	Needham	MA	617-538-4560	Ceased Operations
Chris Hodes [†]	Ballwin	MO	816-863-6577	Failure to Open
Frank Foster [†]	Davidson	NC	317-985-2327	Termination
Frank Foster [†]	Davidson	NC	317-985-2327	Termination

Owner Name(s)	City	State	Last Known Phone	Reason (i.e. Termination/Transfer)
Michael Dean	Richmond	VA	804-414-0512	Termination
Chris Hodes ⁺	Austin	TX	816-863-6577	Failure to Open
Duane Larkin ³	McKinney	TX	972-369-1144	Transfer
Duane Larkin ³	McKinney	TX	972-369-1144	Transfer
Chris Hodes ⁺	Round Rock	TX	816-863-6577	Failure to Open
Chris Hodes ⁺	Waco	TX	816-863-6577	Termination
Chris Hodes ⁺	Temple-Killeen	TX	816-863-6577	Termination
Amy Sheegog ⁺	San Antonio	TX	817-938-1032	Termination
Amy Sheegog ⁺	San Antonio	TX	817-938-1032	Termination
Amy Sheegog ⁺	San Antonio	TX	817-938-1032	Termination
Amy Sheegog ⁺	San Antonio	TX	817-938-1032	Termination
Amy Sheegog ⁺	San Antonio	TX	817-938-1032	Termination
Bret Craytor Josh Green ¹	Waco Riverton	TX UT	816-863-6577 801-870-1312	Transfer Ceased Operations
Bret Craytor Josh Green ¹	Waco Riverton	TX UT	816-863-6577 801-870-1312	Transfer Ceased Operations
Valerie Baccrott	Houston	TX	832-483-9639	Transfer

Note 1: ~~These franchisees have left the system since the end of our most recent fiscal year.~~

Note 2: ¹ This franchisee has ceased operations since the end of our most recent fiscal year.

~~Note 3: These franchise agreements were transferred to a new owner after the end of our most recent fiscal year.~~

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

NEW YORK REPRESENTATIONS PAGE

FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

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
Illinois	April 26, 2024; as amended December 20, 2024 30, 2025
Indiana	May 3, 2024; as amended December 20, 2024 Pending
Michigan	April 25, 2024; as amended December 20, 2024 30, 2025
Minnesota	June 12, 2024; as amended January 2, 2025 Pending
New York	July 25, 2024; as amended January 10, 2025 Pending
Rhode Island	May 1, 2024; as amended December 24, 2024 Pending
Wisconsin	April 25, 2024; as amended December 20, 2024 30, 2025

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT G
RECEIPTS

RECEIPT

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

If BlueFrog Plumbing and Drain, LLC offers you a franchise, it must provide this disclosure document to you fourteen (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, or sooner if required by applicable state law. Under Iowa law, BlueFrog Plumbing and Drain, LLC must give you this disclosure document at the earlier of its 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, BlueFrog Plumbing and Drain, LLC or an affiliate in connection with the proposed franchise sale. Under Michigan law, BlueFrog Plumbing and Drain, LLC must 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. Under New York law, BlueFrog Plumbing and Drain, LLC must provide this disclosure document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, BlueFrog Plumbing and Drain, LLC or an affiliate in connection with the proposed franchise sale.

If BlueFrog Plumbing and Drain, 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 listed in Exhibit A.

BlueFrog Plumbing and Drain, LLC's registered agents authorized to receive service of process are set forth on Exhibit A.

Date of Issuance: ~~April 25, 2024; as amended December 20, 2024~~ 30, 2025

The franchise seller(s) involved with the sale of this franchise are:

- _____ ~~Chase Fennyson~~ Mac Harmon, 2929 Carlisle St., Suite 100, Dallas, Texas 75204, (~~940~~254) ~~781-9850~~366-5239
- _____ ~~Steven Rose~~ Zach Munroe, 2929 Carlisle St., Suite 100, Dallas, Texas 75204, (~~940~~704) ~~781-9850~~962-7432
- _____ (insert name, if applicable)

I have received a disclosure document dated **April 25, 2024; as amended December 20, 2024** 30, 2025 that included the following Exhibits:

- | | |
|---|---|
| A – List of State Administrators / Agents | D – Table of Contents of Confidential Operations Manual |
| B -1 – Franchise Agreement | E – Financial Statements |
| B-2 – Sample General Release | F – List of Current and Former Franchisees |
| B-3 – Consent to Transfer | G – Receipts |
| C – State Addenda to Disclosure Document | |

Please sign and print your name below, date and return one copy of this receipt to BlueFrog Plumbing and Drain, LLC and keep the other for your records.

If a business entity:

If an individual:

(Name of Business Entity)

(Name of Individual)

Sign: _____

Sign: _____

Title: _____

Dated: _____

Name: _____

Dated: _____

[KEEP THIS RECEIPT FOR YOUR RECORDS]

RECEIPT

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Please sign and print your name below, date and return one copy of this receipt to BlueFrog Plumbing and Drain, LLC and keep the other for your records.

If a business entity:

If an individual:

(Name of Business Entity)

(Name of Individual)

Sign: _____

Sign: _____

Title: _____

Dated: _____

Name: _____

Dated: _____

[RETURN THIS COMPLETED RECEIPT]