

CERTA PROPAINTERS, LTD.

FRANCHISE DISCLOSURE DOCUMENT

2024  
2025

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## FRANCHISE DISCLOSURE DOCUMENT

CERTA PROPAINTERS, LTD.  
a Massachusetts Corporation  
2621 Van Buren Avenue, Suite 550A  
Audubon, PA 19403  
610-650-9999

As a franchisee, you will sell and perform painting and decorating services under the CertaPro Painters® marks. The total investment necessary to begin operation of a CertaPro Painters franchise varies depending upon whether you use subcontractors or employee painters in your CertaPro Business. If you use subcontractors to perform painting services, your total investment necessary to begin operation is \$171,000 to \$246,000. If you use employees to perform painting services, your total investment necessary to begin operation is \$203,250 to \$320,500. This investment includes the total amount of Item 5, the Initial Franchise Fee of \$65,000, the Business and Technology Setup Fee of \$7,500, and the Commercial Services Fee of \$10,000.

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 the Certa ProPainters, Ltd. Recruiting Team at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403; (610) 650-9999.

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 contracts 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," 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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

| Issuance date: March 25, ~~2024~~2025

## How to Use This Franchise Disclosure Document

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

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	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 A.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Exhibit B includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only CertaPro Painters® business in my area?</b>	Item 12 and the "territory" provisions in the Franchise Agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a CertaPro Painters® franchisee?</b>	Exhibit A lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this Franchise Disclosure Document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

### Some States Require Registration

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

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

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.

## STATE COVERAGE PAGE

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

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

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

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

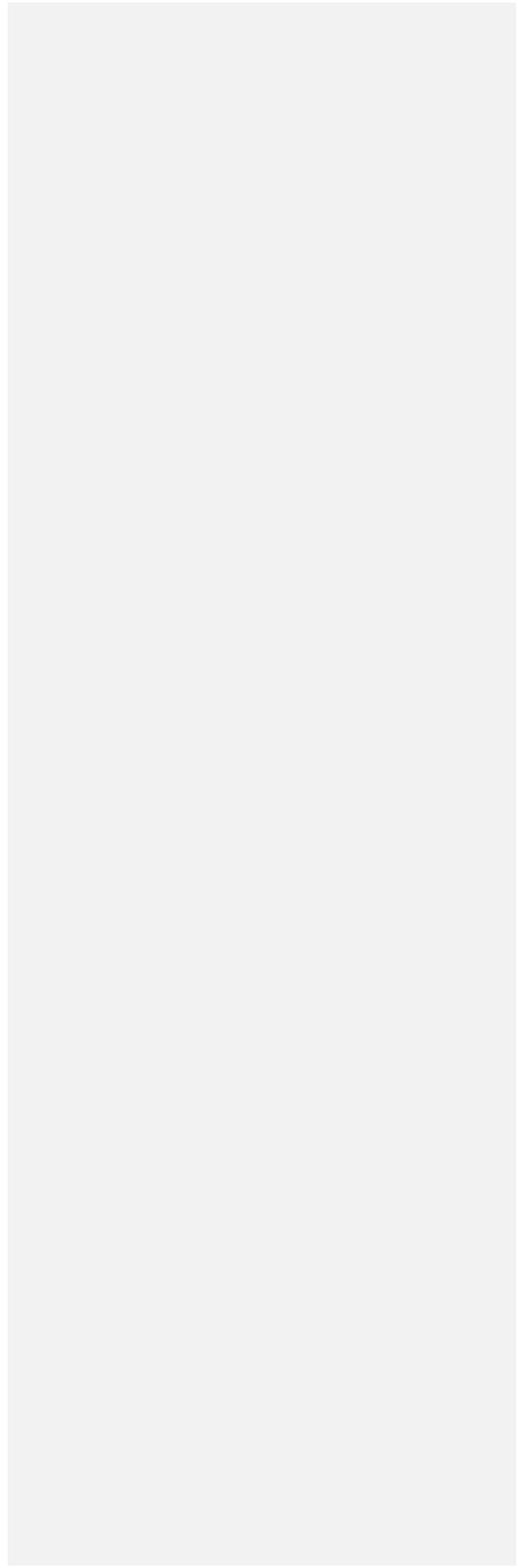
1. THE FRANCHISE AGREEMENT REQUIRES THAT YOU MEDIATE DISPUTES AND RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN PENNSYLVANIA. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN PENNSYLVANIA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT PENNSYLVANIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. TO KEEP YOUR TERRITORY, YOU MUST SATISFY THE PERFORMANCE CRITERIA DESCRIBED IN ARTICLE 6 OF THE FRANCHISE AGREEMENT.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

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## **ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language of this disclosure document, "CertaPro" means Certa ProPainters, Ltd., the franchisor. "You" means the person or entity who buys the franchise.

### **CORPORATE HISTORY**

In 1971, Cameron Greig Clark and his partner, Stewart, found Stewart & Clark Painting in Thunder Bay, Ontario, Canada. In 1972, they changed the name of this company to College Pro Painters and in August of 1975, incorporated as College Pro Painters Limited in Ontario, Canada. In 1978, College Pro Painters Limited expanded into the United States and formed a subsidiary, College Pro Painters (U.S.) Ltd. ("College Pro"). At that time, College Pro's operations were seasonal and generally limited to offering exterior painting services for single family homes and small residential buildings. All franchises and company-owned outlets were run entirely by college students or college age individuals with assistance from College Pro. In 1991 College Pro decided to expand its operations and formed CertaPro to offer a full range of interior and exterior painting and decorating services, year-round, throughout the United States.

CertaPro was incorporated in Massachusetts on December 18, 1991. CertaPro's parent is FS Brands, Inc., formerly TFC Brands, Inc., whose principal place of business is at 2621 Van Buren Avenue, 550A, Audubon, PA 19403. FS Brands, Inc. absolutely and unconditionally guarantees CertaPro's obligations under the Franchise Agreement. CertaPro does not have any predecessors. CertaPro does business under the names CERTAPRO and CERTAPRO PAINTERS.

### **BUSINESS ADDRESSES**

The address of CertaPro's principal place of business is 2621 Van Buren Avenue, Suite 550A, Audubon, Pennsylvania 19403.

CertaPro's Agent for Service of Process in your state is disclosed in Exhibit D.

### **CERTAPRO'S BUSINESS**

CertaPro sells residential and commercial painting and decorating franchises. We conduct our own franchise sales, and we also use the services of franchise brokers. We have offered painting and decorating franchises in the United States since the fall of 1992 and in Canada, through our affiliate, Certa Pro Painters Ltd. (Canada), since 1990.

### **THE CERTAPRO FRANCHISE**

CertaPro grants the right to use the CertaPro trademark, logo, operations manual, business format, and certain technology and software for the operation of a residential painting and decorating business. The license you are granted gives you the right to perform defined residential painting and decorating services within your contractual geographic area ("Territory"). CertaPro provides you with operating information, trains you in the techniques of operating a painting business, assists you in the marketing your CertaPro Business, and provides you with advice, assistance, and recommendations regarding the operation of your CertaPro Business.

You will operate your CertaPro Business on a year-round basis and will be authorized to offer, sell and perform residential painting and decorating services of the interior or exterior of an individual residential dwelling that contains one, two, three or four units; and the interior of an individual's residential apartment, condominium or townhouse, not subject to Program Services or the National Account Program ("Residential Services"). You are not authorized to offer, sell, or perform these Residential Services in any area outside your Territory. We may offer qualified franchisees, including you, the right to perform services not specifically defined as Residential Services ("Commercial Services") upon the payment of a one-time non-refundable Commercial Services Fee, the execution our Commercial Services Addendum, and the completion of our Commercial Training Program and such other conditions as we may require. While other CertaPro franchisees authorized to perform Commercial Services are permitted to offer and sell their Commercial Services in your Territory, they will not be competing with you for the sale of Residential Services. Also, if you become authorized to perform Commercial Services as described (See Item 6), you

will be permitted to offer and sell your Commercial Services, but not Residential Services, outside your Territory.

From time to time, CertaPro may establish certain programs by which qualified CertaPro franchisees may be permitted to offer, sell, and perform certain painting and/or decorating services ("Program Services"), in accordance with the qualifications and specifications described in any particular program. CertaPro may require additional training, the payment of certain participation, administration or marketing fees or additional royalty fees for or on such Program Services work. Program Services participants may deliver these Program Services in your Territory and/or from a location in your Territory. See Item 12 for more information about the Commercial Services, Program Services, and the National Account Program.

The market for painting services is well developed throughout the United States. Your competitors are local painting companies, regional and other franchises, individuals in the painting business and in some areas, student run summer painting franchises. CertaPro may have other national franchise competitors. The amount of competition depends upon the location of your franchise Territory.

### **INDUSTRY SPECIFIC REGULATIONS**

There are federal, state, and in some cases, local regulations pertaining specifically to the painting industry, the building and construction industry, and your franchise, which vary and can change over time. These regulations pertain to contractor licensing or registration, lead paint removal and disposal, asbestos handling and removal, and hazardous waste handling and disposal. In addition, there are also worker safety laws with which you will have to comply. Among the federal regulations that are applicable to your franchise are the Federal Hazardous Waste Management laws regulating the handling and disposal of wastewater and Occupational Safety and Health Administration ("OSHA") regulations pertaining to worker safety and health in the workplace. OSHA has also issued regulations pertaining to exposure to airborne concentrations of lead above certain levels. On April 22, 2010, the EPA's Renovation, Repair and Maintenance Final Rule went into effect. This RRP details both information that must be given to certain homeowners, as well as processes and procedures that must be followed in homes and other structures built before 1978. See <http://www.epa.gov/opptintr/lead/index.html>. Many states and municipalities also have laws regulating the handling and disposal of hazardous materials, including paint and solvents, as well as laws and regulations pertaining to worker safety and health in the workplace. There are also many state and local laws, codes, or ordinances regarding contractor licensing and/or registration requirements.

You should investigate whether there are any state or local laws, regulations or requirements that may apply in the geographic area in which you intend to conduct business. You are responsible for obtaining licenses required in your locality. One source of information regarding laws and regulations is Painting and Decorating Contractors Association at [www.pdca.org](http://www.pdca.org). You should consider both the effect of any such laws and regulations on your business and the cost of compliance.

There are federal, state and possibly local laws covering how to classify workers, for example, whether as independent contractors or employees, or as exempt or non-exempt, for different purposes, such as tax, wage and hour laws, unemployment compensation and workers' compensation. These laws and regulations can vary from state to state, city to city and at the federal level, and could affect, in some instances materially, the operation of your CertaPro Business.

A list of state contractor licensing or registration laws is attached as Exhibit P and a list of state laws regarding independent contractors is attached as Exhibit Q. Although we monitor legal requirements that affect our franchises, and we make our information available to you, because of the number of potential state and local issues, which can and do change over time, we cannot guarantee that this information is complete, current and accurate. Therefore, we recommend that before signing the franchise agreement, you engage an attorney or other professional advisor to assist you both in determining which laws, ordinances and regulations may affect the establishment or operation of your CertaPro business, and the cost of complying with them.

### **CERTAPRO'S COMPETITIVE EDGE IN THE MARKETPLACE**

CertaPro has a competitive edge in the painting industry because we operate nationally, make substantial investments in marketing, and provide our franchisees with a comprehensive training program. CertaPro is North America's largest international, full-time, full service, year-round painting franchise. Because of this, a CertaPro franchise offers entrepreneurs a unique opportunity to enter into a service industry with few competitive restraints. The residential and commercial painting markets offer our franchisees a potential service marketplace that is in large demand by property owners and management companies.

CertaPro places franchisees in franchise areas that have been researched and determined, through demographic research, to have ample demand for interior and exterior, residential, and commercial painting services. Through our marketing, training, and support programs, we assist our franchisees in getting their businesses up and running quickly. We also assist our franchisees with supplier discount programs designed to get you national pricing on products and supplies. In addition, we offer a telephone answering service, payroll contacts and other systems that help make managing the administrative aspects of your business easier.

### **CERTAPRO'S AFFILIATES**

Below are CertaPro's affiliates including the principal address, a description of the business, and the number and type of franchises of each. Other than as listed below, neither CertaPro nor its predecessors or affiliates, presently operate businesses of the type that they franchise, offer franchises in any line of business, or engage in any other type of business.

The market for painting services is well developed throughout North America. Your competitors are local painting companies, regional and other franchises, individuals in painting businesses and, in some areas, student-run summer painting franchises. CertaPro may have other national competitors. The amount of competition depends on location of your franchise area.

### **CERTA PRO PAINTERS LTD. (CANADA)**

Certa Pro Painters Ltd. is a Canadian corporation with its principal place of business at 1255 Bay Street, Suite 600, Toronto, ON, Canada M5R 2A9. Certa Pro Painters Ltd. (Canada) sells residential and commercial painting and decorating franchises in Canada and has offered these franchises since 1990. As of December 31, ~~2023, 28~~2024, 26 franchises operated in Canada.

<b><i>Company/Address</i></b>	<b><i>Type of Business/Year Began Offering Franchises</i></b>	<b><i>Number of Franchises as of December 31, 2023</i></b>
California Closet Company, Inc., a California corporation  2001 W. Phelps Road, Suite 1 Phoenix, AZ 85023	Residential and commercial customized closet, office, garage, and storage space design, production, and installation services and related products / 1980	<del>37</del> 38 (United States) 5 (Canada) 2 (International)
Floorcoverings International, Ltd., a Georgia corporation  5390 Triangle Parkway Suite 125 Norcross, GA 30092	Mobile retail floor covering and window blind business / 1998	<del>252</del> 281 (United States) 8 (Canada)

<b>Company/Address</b>	<b>Type of Business/Year Began Offering Franchises</b>	<b>Number of Franchises as of December 31, 2023</b>
Paul Davis Restoration, Inc., a Florida corporation  7251 Salisbury Road Suite 6 Jacksonville, FL 32256	Loss mitigation and emergency services for residential and commercial structures / 2009	245 (United States) PDES <u>3626</u>
Paul Davis Restoration, Inc., a Canadian corporation  38 Crockford Boulevard Toronto, Ontario M1R 3C2 Canada	Structural reconstruction and emergency services, including drying, cleaning, loss mitigation and mold remediation, of residential and commercial structures and contents / 2014	<u>6463</u> (Canada)
Pillar To Post Inc., a Delaware corporation  14502 North Dale Mabry Highway, Suite 200 Tampa, FL 33618	Residential inspection services for single family and some various smaller multi-family residences / 1995	<u>445412</u> (United States)
Pillar To Post Inc., a Canadian corporation  5399 Eglinton Avenue W. Suite 110 Etobicoke, Ontario M5C 5K9 Canada	Residential inspection services for single family and various multi-family homes / 1994	<u>4743</u> (Canada)

The following are affiliates that may, from time to time, provide products or services to CertaPro and/or its Franchisees:

#### **TELE-LINK SERVICES**

Tele-Link Services is a Canadian company with its principal place of business at 700 Richmond Street, Suite 416, North London, Ontario N6A 5C7 Canada. Tele-Link Services provides evening, weekend, and holiday answering services for CertaPro and its franchises. Tele-Link also provides certain telemarketing and customer survey services for CertaPro and its franchises.

#### **ITEM 2: BUSINESS EXPERIENCE**

The following is a list of persons affiliated with CertaPro, including their principal occupations and employers during the past 5 years.

##### President and Chief Executive Officer: Michael Stone

Mr. Stone was appointed President in March 2015 and Chief Executive Officer in February 2019. Previously, Mr. Stone served as Vice President of Operations from January 2013 until his appointment as President. Mr. Stone also served as Regional Vice President from 2007 until 2013. Mr. Stone has been with CertaPro since March 2003, first as a General Manager in Development and later as a General Manager in Operations. Prior to that, Mr. Stone was a Residential Sales Associate and later a Commercial Sales Associate for a CertaPro franchisee for four years.

##### Executive Vice President of Operations: Bill Palliser

Mr. Palliser joined CertaPro in September 2021 as Executive Vice President of Operations. Previously, Mr. Palliser spent 18 years with Sherwin Williams. Over his 18 years, he has held numerous positions in Store Management, Commercial and Residential Sales, as well as District Management. Mr. Palliser spent five years on their National Account team managing the CertaPro relationship across North America, developing strategies to strengthen the partnership between the two companies. Most recently, he was the National

Accounts Sales Director, where he led a team offering innovative solutions for strategic clients in the residential, multi-family, commercial, hospitality, and healthcare market segments.

Chief Brand Officer: Dawn Perry

Ms. Perry joined CertaPro in August 2022 as the Chief Brand Officer. Previously Ms. Perry held two roles over 12 years at Anywhere Real Estate as Senior Vice President Cross Brand Marketing and Chief Marketing Officer at ERA Real Estate. Ms. Perry also successfully ran her own Little Gym franchise for four years. She has held marketing management positions with Avis Budget Car Rental Group, Scholastic Book Club, and Time Inc., providing her with more than 30 years of marketing experience and a proven track record of driving lead generation through effective programs across multiple platforms and audiences.

Chief Information Officer: Dean Riviera

Mr. Riviera joined CertaPro in October 2023 as Chief Information Officer, taking the lead on IT infrastructure and business applications. A recognized expert in digital technology growth, with a Corporate Vision Magazine award to his name, Dean brings extensive experience as an accomplished executive technology leader. His diverse expertise across various industry sectors and franchises have helped companies improve their agility through strategic architecture, data-driven management, and strong engineering practices. Before joining CertaPro, Dean held executive positions at The Robert Allen Group, Neighborly, and Safelite AutoGlass.

Vice President of Finance: Jason Seward

Mr. Seward was named Vice President of Finance in March 2024. He joined CertaPro as Director of Finance in May of 2022. Mr. Seward has over 20 years of finance knowledge and experience. Before joining CertaPro, he led the finance function as Chief Financial Officer for a national retail construction company. In addition, he also brings experience, having held senior finance roles with a global investment management firm. Interestingly, this is Mr. Seward's second stint at CertaPro, as he previously held financial positions within the company over 12 years.

Vice President of Franchise Business Development: Adam Biedenbender

Mr. Biedenbender joined CertaPro in October 2022 as Vice President of Franchise Business Development. Prior to joining CertaPro, Mr. Biedenbender was Vice President of Franchise Development for Lift Brands and its subsidiaries from July 2021 to October 2022. From September 2020 to July 2021, Mr. Biedenbender served as Director of Franchise Development with Closet & Storage Concepts located in West Berlin, New Jersey. From December 2017 to December 2020, Mr. Biedenbender served as Vice President of Development for Primo Hoagies Inc. located in Westville, New Jersey. From June 2016 to November 2017, Mr. Biedenbender served as Senior Director, Multi-Unit Development for Papa Murphy's International located in Vancouver, WA. From February 2014 to June 2016, Mr. Biedenbender served as Director of Franchise Sales for Icon Burger, the parent company of Smashburger Franchising LLC located in Denver, Colorado. Mr. Biedenbender has over 21 years of experience in franchise development.

Vice President of Operational Excellence: Rich Volp

Mr. Volp was appointed Vice President of Operational Excellence in October 2023. He previously served as Vice President of Business Solutions, with responsibilities for leading the Information Technology team. Mr. Volp joined CertaPro in 2007 as a Development General Manager, a position he held until becoming an Operations General Manager in January 2009. In 2012, Mr. Volp became Regional Director of the Southeast and MidAtlantic; Mr. Volp became Regional Vice President in 2014 for these regions. During January of 2018 Mr. Volp moved from the Operations Team to the Leadership & Development Team assuming the role of Leadership Director.

Vice President of Operations: David Proulx

In January 2022, Mr. Proulx was appointed Vice President of Operations. Mr. Proulx originally joined CertaPro in 2013 as a General Manager and went on to serve as Director of Startups, Director of Strategic Operations, and Regional Vice President. Previously, Mr. Proulx was a Project Manager with Paul Davis from 2012 to 2014 and a Regional Business Manager with College Pro from 2008 to 2011.

Senior Vice President of Leadership and Development: Richard Hoffmann

~~Mr. Hoffmann was appointed Senior Vice President of Leadership and Development in March 2021. Mr. Hoffmann joined CertaPro in October 2008 as a General Manager. In January 2013, Mr. Hoffmann became responsible for the development and deployment of CertaPro University Online, and was appointed Vice President of Leadership and Development in January 2017.~~

Director: Charles E. Chase

Mr. Chase became President of CertaPro in 1992, a position he held until June 2010. Mr. Chase was appointed CEO in January 1998, a position he held until January 2012; Mr. Chase resumed the position of CEO in March 2015 until February 2019. Mr. Chase has been a Director of CertaPro since 2003. Prior to joining CertaPro, Mr. Chase was Vice President of College Pro Painters (U.S.) Ltd. from 1984 – 1992, an affiliate of CertaPro. Mr. Chase left CertaPro in July 2000 to pursue business opportunities in the internet industry, including establishing a start-up internet company. Mr. Chase rejoined CertaPro in May 2003. Mr. Chase also serves as a director of various affiliates listed in Item 1. Mr. Chase is also CEO, President and Director of FS Brands, Inc., the parent of CertaPro, and maintains an office at FS Brands, Inc.'s office in Pennsylvania.

Secretary/Treasurer and Director: Brian McDonough

In January 2021, Mr. McDonough was appointed Secretary/Treasurer of CertaPro. Mr. McDonough joined College Pro Painters, a former affiliate of CertaPro, in January 2014 as Controller. Mr. McDonough was appointed Controller for FS Brands, Inc. in January 2019, and was promoted to VP of Finance for FS Brands, Inc. in January 2021. Mr. McDonough has his office at 1255 Bay Street, Suite 600, Toronto, ON, Canada M5R 2A9.

**ITEM 3: LITIGATION**

There is no litigation, criminal or civil, alleging a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, and misappropriation of property or comparable allegations that is required to be disclosed in this disclosure document.

In 2021, CertaPro initiated an arbitration action against a former franchisee to enforce the restrictive covenant. The arbitration was captioned as Certa ProPainters, Ltd. v. Kaizen Associates, Inc. and David M. Joynt, American Arbitration Association Case No. 01-21-0016-9400. This arbitration action was settled in 2022. CertaPro accepted a financial payment from the former franchisee and agreed to dismiss the action in exchange for a negotiation of the restrictive covenant.

~~In 2022, there was no franchisor-initiated litigation involving the franchise relationship.~~

In 2024, CertaPro initiated legal action in the United States District Court for the Eastern District of Pennsylvania against a former franchisee for financial damages and to enforce the restrictive covenant. The case is captioned as Certa ProPainters, Ltd. v. Theodore Gargano and TNT Painting, LLC, Case No. 2024-5887. The case is pending as of March 2025.

**ITEM 4: BANKRUPTCY**

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

**ITEM 5: INITIAL FEES**

New franchisees generally pay an Initial Franchisee Fee of \$65,000, which is due in full upon signing of the franchise agreement.

If a franchisee purchases an existing CertaPro Painters franchised business, the Initial Franchisee Fee is not due. However, there will be different fees due. If the selling franchisee decides to use CertaPro's assistance, which is not required, then the seller is responsible for payment of a Listing and Referral Fee that will include the Transfer Fee. The Listing and Referral Fee is the greater of \$50,000 or 9% of the purchase price and can vary based on the terms of the sale, the sale price of the CertaPro Business, and/or

negotiations. The Transfer Fee applies when an existing franchisee sells its CertaPro Business to a buyer located without assistance from CertaPro. This amount includes a transfer/processing fee and a training fee for the buyer. See Item 6, Note 3.

Upon signing the Franchise Agreement, you will pay CertaPro a Business and Technology Setup Fee of \$7,500 and a Commercial Services Fee of \$10,000. These fees may be lower if you purchase an existing CertaPro Business. When an existing CertaPro Business is sold, the buyer will be required to pay CertaPro a reduced Business and Technology Setup Fee of \$5,000. If you purchase an existing CertaPro business with an existing Commercial Services License, the Commercial Services License may be transferred to you with no additional fee due to CertaPro. See Item 6 and Item 7.

CertaPro is a member of the International Franchise Association and participates in the IFA's VetFran program, which provides special incentives to qualified veterans of the U. S. Armed Forces who meet the requirements of the VetFran program. CertaPro reduces the Initial Franchise Fee by 15% to \$55,250 for qualified veterans participating in the VetFran program.

The Initial Franchise Fee is fully refundable if CertaPro, in its sole discretion, rescinds the Franchise Agreement prior to the completion of Development Owner School 101. If you have not commenced operation of your franchised business within 120 days from the effective date of your Franchise Agreement, CertaPro, at its sole discretion, may terminate the Franchise Agreement and give a partial refund of \$10,000 of the Initial Franchise Fee. There are no refunds under any other circumstances. The Business and Technology Setup Fee and the Commercial Services Fee are also non-refundable.

**ITEM 6: OTHER FEES**

CertaPro requires you to pay additional recurring or isolated fees or payments as described in the following table. CertaPro imposes all fees which you must pay to us. All fees are non-refundable unless otherwise indicated. The fees imposed for local advertising cooperative may vary by cooperative and, therefore, will not be uniform. For new franchisees, other fees, such as royalty, general advertising fund, and technology fees are uniform across the CertaPro system, although some may not be applicable to your franchise, depending on your actions, such as, late fees, additional training fees, and legal costs. Some current franchisees may be paying royalties and general advertising fees that are not uniform and which may be transferred to new franchisees purchasing these businesses.

Type of Fee	Amount	Due Date	Remarks
Royalties	Royalty is the greater of the percentage listed below or the required Minimum Royalty Payment. Royalty is based upon total annual Gross Sales in any Calendar Year. On your first \$2,500,000 in annual Gross Sales, the Royalty Fee is 6%; the Royalty Fee on your Gross Sales between \$2,500,000.01 and \$5,000,000 is 5%; and the Royalty Fee on Gross Sales of \$5,000,000.01 or greater is 4%.	Payable monthly on the 10 <sup>th</sup> day of the month	Gross Sales means the total amount of all Residential or Commercial Services and sales for labor, material and/or services performed or rendered by you or third-party subcontractors. The Royalty Fee is calculated on a Calendar Year basis. If, for example, the Royalty Fee is reduced to 5% in any Calendar Year based upon total annual Gross Sales, the Royalty Fee will return to 6% at the start of the following Calendar Year.
CertaPro® University Recurrent Training	\$40 per month	Payable monthly on the 10 <sup>th</sup> day of the month	You are required to participate in and satisfactorily and timely complete annual recurrent online training through CertaPro® University.

Type of Fee	Amount	Due Date	Remarks
Additional Training	CertaPro does not charge for additional training that it facilitates or coordinates. If you or your employee(s) attend in-person training, you may incur costs for airfare or other travel, meals, and accommodations.	Payable as incurred	We may also require you or your key employee(s) to attend and satisfactorily and timely complete 3 to 4 additional training sessions per year. See Item 11. If so, you may have to reimburse the agreed daily or weekly compensation for such employee(s). You will also need to attend and satisfactorily and complete Commercial Services Level One Training before you are authorized to perform Commercial Services.
Advertising Fees and Expenses	12% of Gross Sales during your 1 <sup>st</sup> year of operation, for both startup territories and existing CertaPro businesses; after 1 <sup>st</sup> year, 10% of Gross Sales	Payable as incurred	See Item 11 for more information relating to your local advertising obligations. These amounts include contributions to the General Advertising Fund and payments to the local advertising cooperative (if applicable).
General Advertising Fund ("GAF")	Contributions to GAF are based upon total annual Gross Sales. If your annual Gross Sales are \$2,500,000 or less, the contribution to GAF is 3% of Gross Sales, and if your total annual Gross Sales are greater than \$2,500,000, the contribution to GAF is 2% of Gross Sales.	Payable monthly on the 10 <sup>th</sup> day of the month	See Item 11 for more information relating to this advertising and marketing fund.
Advertising Cooperative Fees	As voted by franchisees in the advertising cooperative; the amounts are determined by the franchisees and generally range from of 1% to 4% of Gross Sales	As approved by the individual cooperative franchisees in the cooperative agreement (See Note 2 and Exhibit N). Payable monthly on the 10 <sup>th</sup> day of the month.	Amounts paid to your advertising cooperative are credited against your required local advertising expenditures. See Item 11 for more information relating to local marketing and advertising cooperatives.
Type of Fee	Amount	Due Date	Remarks
Transfer/Sale/Assignment	\$25,000	As arranged	You must pay the Transfer Fee before you sell or transfer your CertaPro Business to a buyer whom you located. This buyer must meet CertaPro's then current requirements to become a franchisee and to purchase the CertaPro Business being sold. This buyer must also sign a new

			franchise agreement with then current language and terms. If you have more than one territory and transfer more than one territory, you pay one Transfer Fee per transaction, not per territory being transferred. See Note 3.
Renewal	Fifteen percent (15%) of the current Initial Franchisee Fee at the time of renewal	As arranged	You must pay our attorney's fees, if applicable, when you renew your franchise. All franchisees must sign the then-current form of Franchise Agreement to renew the franchise, and some legacy franchisees may pay different Royalty and GAF amounts based upon prior Franchise Agreements (See Note 1 and Item 17).
Annual Conference	\$2,500 to \$5,500	2 months prior to conference date	This amount is per person and includes a registration fee paid to CertaPro and the cost of lodging but does not include air fare which will vary depending on the location of the Annual Conference, where the franchisee lives, and whether or not the franchisee brings staff to the Annual Conference. If you do not attend the Annual Conference, CertaPro will charge you the greater of \$549 or the then-current registration fee
Sales/Production/Marketing Conference/Meeting	\$2,000 to \$3,000	1 month prior to start date(s)	This amount is per person and includes registration fee(s) paid to CertaPro and the cost of lodging but does not include air fare, which will vary depending on the location of the meetings(s) or conference(s) where the franchisee lives and how many staff attend.
<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Technology Fee	0.35% of Gross Sales.	Payable monthly on the 10 <sup>th</sup> day of the month	
CertaOne User Fee	Currently, \$90 per month per user <del>for Franchise Owners, Office Associates and Commercial Marketing Associates. Currently \$30 per month per user</del>	Payable monthly on the 10 <sup>th</sup> day of the month (See Note 4)	All franchisees use CertaOne, CertaPro's proprietary software (See Item 11). CertaPro handles the billing and payment to the licensor in order to secure favorable pricing for franchisees. Due to ongoing negotiations with

	for Sales Associates, Commercial Estimators and Production Associates; (See note 5); which includes cost of license fees due Microsoft for Dynamic 365 and Office 365; User Fee is subject to increase upon 60 days' advance notice.		Microsoft, there may be additional types of licenses and license fees.
Production Scheduler User Fee	Currently not assessed, although CertaPro reserves the right to implement such a fee upon reasonable notice of not less than 60 days (See Note 4).	Payable as incurred	CertaPro anticipates introducing production scheduler software in 2024 on an optional basis, and further anticipates that such software will be mandatory in the future (See Note 4).
Late Payment Penalty	The lesser of 1.5% or the maximum rate allowed by law.	Payable as incurred	Any amounts you owe to CertaPro will begin to accrue interest the day after the date such amounts first become due.
Commercial Services Fee	\$10,000	Payable as incurred, typically when you sign the Franchise Agreement, unless you purchase an existing CertaPro business and the Commercial Services Licenses will be transferred to you with no additional fee due to CertaPro (see Item 7)	Before you will be authorized to perform Commercial Services, you must complete Commercial Services Training, pay the Commercial Services Fee, and sign the Commercial Services Addendum. You must also timely and successfully complete such Commercial Training as required by CertaPro. See Exhibit O.
Assumption of Management	\$500 per day, plus costs and expenses	Payable as incurred	In the event that you should abandon the franchise operation or fail to comply with any provision of the Franchise Agreement or the SOP, and such failure is not cured within the prescribed time period, CertaPro shall have the right (but not the obligation) to assume the operation of Franchisee's CertaPro Business (or appoint a third party to assume the management) for such time period as CertaPro deems necessary to protect the CertaPro System and the CertaPro Brand and to ensure proper customer experience.
Legal Fees	See Note 5	Payable as incurred	You must pay our costs and expenses if we are involved in litigation by or against you.

Note 1: If you sign the Agreement in January through May, for the Second Calendar Year, you must pay a minimum of \$21,000 in Royalty Fees on Sales of Residential Services and a minimum of \$27,000 in Royalty Fees on Total Gross Sales; if you sign the Agreement in June through December, for the Second Calendar Year, you must pay a minimum of \$15,000 in Royalty Fees on Sales of Residential Services and a minimum of \$15,000 in Royalty Fees on Total Gross Sales. For the Third Calendar Year, you must pay a minimum of \$24,000 in Royalty Fees on Sales of Residential Services and a minimum of \$30,000 in Royalty Fees on Total Gross Sales. For the Fourth Calendar Year, you must pay a minimum of \$27,000 in Royalty Fees on Sales of Residential Services and a minimum of \$36,000 in Royalty Fees on Total Gross Sales. For the Fifth and Sixth Calendar Years, you must pay a minimum of \$30,000 in Royalty Fees on Sales of Residential Services and a minimum of \$39,000 in Royalty Fees on Total Gross Sales in each Calendar Year. For the Seventh and Eighth Calendar Years, you must pay a minimum of \$30,000 in Royalty Fees on Sales of Residential Services and a minimum of \$51,000 in Royalty Fees on Total Gross Sales in each Calendar Year. For the Ninth and Tenth Calendar Years, you must pay a minimum of \$36,000 in Royalty Fees on Sales of Residential Services and a minimum of \$51,000 in Royalty Fees on Total Gross Sales in each Calendar Year; the Minimum Royalty Fees for the Tenth Calendar Year will be pro-rated according to the number of months during that Tenth Calendar Year that you operated. Payment of Minimum Royalty Fees is due by December 31 of each Calendar Year. For a renewal franchise agreement (see Item 17), the amounts of the annual Minimum Royalty Fees are increased according to the renewal policy in effect at the time of the renewal.

Note 2: CertaPro has company owned outlets that participate in the local advertising cooperative.

Note 3: The Transfer Fee applies when an existing franchisee sells its CertaPro Business to a buyer located without assistance from CertaPro. This amount includes a transfer/processing fee and a training fee for the buyer. CertaPro offers assistance to existing franchisees who wish to sell their CertaPro Business by locating a potential buyer. All buyers of an existing CertaPro Business have to meet CertaPro's requirements to become a franchisee and to purchase the business being sold. If the selling franchisee decides to use CertaPro's assistance, which is not required, then the seller is responsible for payment of a Listing and Referral Fee that will include the Transfer fee. The Listing and Referral Fee is the greater of \$50,000 or 9% of the purchase price and can vary based on the terms of the sale, the sale price of the CertaPro Business, and/or negotiations. Also, as a result of negotiations and agreement between the seller and buyer, the buyer may, in fact, pay the Listing and Referral Fee on behalf of the seller. In addition, when an existing CertaPro Business is sold, the buyer will be required to pay CertaPro a Business and Technology Setup Fee of \$5,000, which is due before the buyer starts the required CertaPro training. See Item 7 for more information about this Business and Technology Setup Fee.

Note 4: All franchisees must use CertaOne, our proprietary software solution based on the Microsoft Dynamics 365 platform that has been customized for CertaPro's processes to enable CertaPro Painters® franchisees to manage their residential and commercial painting business. CertaOne includes features and functions for CRM, marketing, sales, estimating, job scheduling and crew management for both residential and commercial work. CertaOne combines cloud and mobile technology to enable franchisees to create and deliver proposals in the customer's home. CertaPro anticipates that it will implement a software upgrade to assist franchisees with production scheduling. Franchisees that elect to utilize this software ~~in 2024~~ will be responsible for the costs as determined by CertaPro, and it is anticipated that this software will be mandatory in the future.

Note 5: Franchisee agrees to reimburse CertaPro and/or to pay for all costs and expenses, including reasonable legal fees, that CertaPro incurs as a result of litigation brought by or against the franchisee, as stated in Section 18.9 of the Franchise Agreement. If the Franchisee breaches any of the terms of the Franchise Agreement, the Franchisee agrees to pay all of CertaPro's costs and expenses, including reasonable legal fees that CertaPro has incurred to enforce its rights under the Franchise Agreement.

**ITEM 7: YOUR ESTIMATED INITIAL INVESTMENT**

Your estimated initial investment varies depending upon whether your painters are subcontractors or employees.

**Subcontractor Painter Model**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is to Be Made</b>
Initial Franchise Fee	\$65,000	Lump sum	Due when you sign the Franchise Agreement	CertaPro
Advertising & Marketing	\$45,000	As incurred	Typically, within the first 3 months of commencing operations, but CertaPro may recommend a different timeframe based upon location and seasonality of business	Suppliers
Commercial Services Fee	\$10,000	Lump sum	Due when you sign the Franchise Agreement, unless you purchase an existing CertaPro business with an existing Commercial Services Licenses will be transferred to you with no additional fee due to CertaPro (see Note 11)	CertaPro
Miscellaneous Opening Costs	\$2,000 to \$5,000	As incurred	Before opening	Suppliers, utilities, EPA RRP Rule, OSHA 10 online training, additional training, etc.
<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is to Be Made</b>
Equipment	\$1,000 to \$3,000 (See Note 1)	Lump Sum	Before opening	Suppliers
Office Equipment	\$500 to \$5,000 (See Note 2)	As incurred	Before opening	Suppliers
Vehicle	\$2,500 to \$10,000 (See Note 3)	Lump Sum	Before opening	Suppliers
Contractor License	\$250 to \$2,500 (See Note 4)	As incurred	Before opening	State/Local Administrators; attorney's fees.
Computer System and Proprietary Software Solution	\$9,000 to \$11,500 (See Note 5)	Lump Sum	Before training	CertaPro and Suppliers
Travel and Living Expenses While Training	\$2,250 to \$5,000 (See Note 6)	As incurred	During training and Forum Program	Airlines, hotels, and restaurants

Insurance	\$5,000 to \$7,500 (See Note 7)	(See Note 7)	(See Note 7)	(See Note 7)
Real Estate and Improvements	\$9,000 to \$24,000 (See Note 8)	As incurred	Within the first 3 months of commencing operations	Property owner
Additional Funds (3-6 months of operation)	\$19,500 to \$52,500 (See Notes 9 & 10)	As incurred	As Incurred	Employees, suppliers, utilities
<b>TOTAL</b>	<b>\$171,000 to \$246,000</b>			

This table estimates your initial startup expenses, most incurred during the first three months of operation. Training expenses may be spread out over a longer time period, See Note 7 below. All fees are non-refundable unless otherwise indicated.

Note 1: If you use subcontractors, most usually have the necessary equipment. If a new franchisee uses an employee model, as most do in the states of Arizona, California, Nevada and New Mexico, there could be an additional cost of \$5,000.

Note 2: The estimate given for office equipment includes the cost of office desks and chairs, and other office equipment such as laptops, printers, and internet.

Note 3: You are required to purchase or lease only one vehicle. This amount represents the cost of a lease. The specifications for this vehicle are that it must be an approved, wrapped vehicle suitable for the operation of your painting franchise. You may elect to purchase additional vehicles to keep up with the growth of your franchise but are not required to do so.

Note 4: Many states and localities require you to obtain a painting or home improvement contractor license or registration before you begin operating your franchise.

Note 5: This amount is an estimate of the cost for the hardware and any auxiliary software. This amount includes the \$7,500 Business and Technology Setup Fee. When an existing CertaPro Business is sold, the buyer will be required to pay CertaPro a reduced Business and Technology Setup Fee of \$5,000, which is due before the date the buyer starts the required CertaPro training. The Business and Technology Setup Fee covers setup and configuration of the franchise territory, website, email, CertaPro portal, accounting, financial and vendor integration, Office 365 and CertaOne setup, and data conversion, as applicable. You must pay a CertaOne User fee for each person, staff member or worker in your CertaPro business who has access to CertaOne. The CertaOne User fee is \$90 per month per User ~~for Franchise Owners, Office Associates and Commercial Marketing Associates, and \$30 per month per User for Sales Associates, Commercial Estimators and Production Associates.~~ These User fees include applicable license fees for use of Microsoft Dynamic 365, the platform for CertaOne, and Microsoft Office 365. You must obtain the CertaOne proprietary software solution directly from CertaPro and purchase the hardware from CertaPro's designated vendor. See Items 8 and 11 for more details regarding technology related requirements.

Note 6: Training includes participation in the Development Owner School 101 & 201, the CertaPro Forum Program, and Commercial Services Training, as well as attendance at sales, regional, and national conferences. Also, see Item 11.

Note 7: You must purchase workers' compensation in the minimum amount required by state law, employers' liability insurance with limits of \$500,000/\$500,000/\$500,000, general liability insurance (occurrence basis), including products and ongoing and completed operations in the aggregate amount of \$2,000,000; \$1,000,000 per occurrence, excess insurance of \$1,000,000 per occurrence and business automobile liability insurance of \$1,000,000 combined single limit per occurrence. Some states may require a deposit for workers' compensation insurance. CertaPro and FS Brands, Inc. must be covered as additional insureds under all liability policies, which must include waiver of subrogation, and must be primary and non-contributory for all additional insureds. You should consult with a business insurance broker for

an estimate of the cost of obtaining this insurance before you sign the Franchise Agreement. See Article 13 of the Franchise Agreement (Exhibit C) for more information on the current CertaPro requirements for insurance.

Note 8: Initially, some franchisees operate their franchises from their homes, although if you reside outside your Territory or have staff, you may need to have office space sooner. We require that you rent an office within your Territory as soon as possible. Within the first three months of starting your business, it is strongly encouraged that you hire an Office Assistant and, therefore, you will need to secure office space, which must be located in your Territory. When you rent office space, your initial investment will increase by the amount of any deposit you may be required to pay in connection with such rental, build-out costs, or prepaid rent which the landlord may require. Your office must be located in your Territory. The cost of your office space will depend upon your location, how much space you rent, and other factors based upon your Territory and personal choices.

Note 9: These additional funds represent the working capital requirements you should expect to need for the first three to six months of operations, including your payroll costs. Franchisees may not need the entire amount of working capital; however, those franchisees who intend to operate their franchise in the states of Arizona, California, Florida, Maryland, Michigan, Nevada, New Mexico, New York, Oregon, Utah, Virginia or Washington should expect it to take a longer period of time to get their business fully operational due to licensing requirements, and, therefore, should budget for six to twelve months of start-up expenses.

Note 10: Although CertaPro does not list living expenses necessary to support your lifestyle on the initial investment chart, you will need to have adequate funds available to you to support your standard of living for up to fifteen months after you begin operation of your business, which are separate from the funds necessary for your initial franchise investment requirements and are not included in this Item 7.

Note 11: If you purchase an existing CertaPro business, you may receive a Commercial Services License from the seller. If you receive a Commercial Services License from the seller, you are not required to pay a Commercial Services Fee to CertaPro, although you will be required to attend Commercial Services Training.

CertaPro cannot guarantee that you will not have additional expenses starting your business. We based these figures on information we gathered from our franchisees. CertaPro does not audit or independently verify this information provided by our franchisees. Your costs will depend on various factors such as, how closely you follow CertaPro's methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; competition; and the sales level reached during the initial period.

**Employee Painter Model**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Initial Franchise Fee	\$65,000	Lump sum	Due when you sign the Franchise Agreement	CertaPro
Advertising & Marketing	\$45,000	As incurred	Within the first 3 months of commencing operations	Suppliers
Commercial Services Fee	\$10,000	Lump sum	Due when you sign the Franchise Agreement, unless you purchase an existing CertaPro business with an existing Commercial Services Licenses will be transferred to you (see Note 11)	CertaPro

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Miscellaneous Opening Costs	\$2,000 to \$5,000	As incurred	Before opening	Suppliers, utilities, EPA RRP Rule, OSHA 10 online training, training, etc.
Equipment	\$5,000 to \$15,000 (See Note 1)	Lump Sum	Before opening	Suppliers
Office Equipment	\$500 to \$5,000 (See Note 2)	As incurred	Before opening	Suppliers
Vehicle	\$10,000 to \$40,000 (See Note 3)	Lump Sum	Before opening	Suppliers
Contractor License	\$3,000 to \$7,500 (See Note 4)	As incurred	Before opening	State/Local Administrators; attorney's fees.
Computer System and Proprietary Software Solution <sup>5</sup>	\$9,000 to \$11,500 (See Note 5)	Lump Sum	Before training	CertaPro and Suppliers
Travel and Living Expenses While Training <sup>6</sup>	\$2,250 to \$5,000 (See Note 6)	As incurred	During training and Forum Program	Airlines, hotels, and restaurants
Insurance	\$7,500 to \$12,500 (See Note 7)	(See Note 7)	(See Note 7)	(See Note 7)
Real Estate and Improvements	\$9,000 to \$24,000 (See Note 8)	(See Note 8)	(See Note 8)	(See Note 8)
Additional Funds (3-6 months of operation)	\$35,000 to \$75,000 (See Notes 9 & 10)	As incurred	As Incurred	Employees, suppliers, utilities
<b>TOTAL</b>	<b>\$203,250 to \$320,500</b>			

This table estimates your initial startup expenses, most incurred during the first three months of operation. Training expenses may be spread out over a longer time period, See Note 7 below. All fees are non-refundable unless otherwise indicated.

Note 1: If a new franchisee uses an employee model, as most do in the states of Arizona, California, Nevada and New Mexico, franchisee will need to purchase painting equipment.

Note 2: The estimate given for office equipment includes the cost of office desks and chairs, and other office equipment such as laptops, printers, and internet.

Note 3: This amount represents the cost associated with leasing 3-4 vehicles for your CertaPro Business, including maintenance. The specifications for these vehicles are that they must be approved, wrapped vehicles suitable for the operation of your painting franchise. You may need to purchase additional vehicles to keep up with the growth of your CertaPro Business.

Note 4: Many states and localities require you to obtain a painting or home improvement contractor license or registration before you begin operating your franchise.

Note 5: This amount is an estimate of the cost for the hardware and any auxiliary software. This amount includes the \$7,500 Business and Technology Setup Fee. When an existing CertaPro Business is sold, the buyer will be required to pay CertaPro a reduced Business and Technology Setup Fee of \$5,000, which is due before the earlier of (1) the date the buyer starts the required CertaPro training or (2) the date of closing on the sale of the CertaPro Business. The Business and Technology Setup Fee covers setup and

configuration of the franchise territory, website, email, CertaPro portal, accounting, financial and vendor integration, Office 365 and CertaOne setup, and data conversion, as applicable. You must pay a CertaOne User fee for each person, staff member or worker in your CertaPro business who has access to CertaOne. The CertaOne User fee is \$90 per month per User ~~for Franchise Owners, Office Associates and Commercial Marketing Associates, and \$30 per month per User for Sales Associates, Commercial Estimators and Production Associates~~. These User fees include applicable license fees for use of Microsoft Dynamic 365, the platform for CertaOne, and Microsoft Office 365. You must obtain the CertaOne proprietary software solution directly from CertaPro and purchase the hardware from CertaPro's designated vendor. See Items 8 and 11 for more details regarding technology related requirements.

Note 6: Training includes participation in the Development Owner School 101 & 201, the CertaPro Forum Program, and Commercial Services Training, as well as attendance at sales, regional, and national conferences. Also, see Item 11.

Note 7: You must purchase workers' compensation in the minimum amount required by state law, employers' liability insurance with limits of \$500,000/\$500,000/\$500,000, general liability insurance (occurrence basis), including products and ongoing and completed operations in the aggregate amount of \$2,000,000; \$1,000,000 per occurrence, excess insurance of \$1,000,000 per occurrence and business automobile liability insurance of \$1,000,000 combined single limit per occurrence. Some states may require a deposit for workers' compensation insurance. CertaPro and FS Brands, Inc. must be covered as additional insureds under all liability policies, which must include waiver of subrogation, and must be primary and non-contributory for all additional insureds. You should consult with a business insurance broker for an estimate of the cost of obtaining this insurance before you sign the Franchise Agreement. See Article 13 of the Franchise Agreement (Exhibit C) for more information on the current CertaPro requirements for insurance.

Note 8: Initially, some franchisees operate their franchises from their homes, although if you reside outside your Territory or have staff, you may need to have office space sooner. We require that you rent an office within your Territory as soon as possible. Within the first three months of starting your business, it is strongly encouraged that you hire an Office Assistant and, therefore, you will need to secure office space, which must be located in your Territory. When you rent office space, your initial investment will increase by the amount of any deposit you may be required to pay in connection with such rental, build-out costs, or prepaid rent which the landlord may require. Your office must be located in your Territory. The cost of your office space will depend upon your location, how much space you rent, and other factors based upon your Territory and personal choices.

Note 9: These additional funds represent the working capital requirements you should expect to need for the first three to six months of operations, including your payroll costs. Franchisees may not need the entire amount of working capital; however, those franchisees who intend to operate their franchise in the states of Arizona, California, Florida, Maryland, Michigan, Nevada, New Mexico, New York, Oregon, Utah, Virginia or Washington should expect it to take a longer period of time to get their business fully operational due to licensing requirements, and, therefore, should budget for six to twelve months of start-up expenses.

Note 10: Although CertaPro does not list living expenses necessary to support your lifestyle on the initial investment chart, you will need to have adequate funds available to you to support your standard of living for up to fifteen months after you begin operation of your business, which are separate from the funds necessary for your initial franchise investment requirements and are not included in this Item 7.

Note 11: If you purchase an existing CertaPro business, you may receive a Commercial Services License from the seller. If you receive a Commercial Services License from the seller, you are not required to pay a Commercial Services Fee to CertaPro, although you will be required to attend Commercial Services Training.

CertaPro cannot guarantee that you will not have additional expenses starting your business. We based these figures on information we gathered from our franchisees. CertaPro does not audit or independently verify this information provided by our franchisees. Your costs will depend on various factors such as, how closely you follow CertaPro's methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; competition; and the sales level reached during the initial period.

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

You must purchase or lease certain goods and services required for the operation of your business under specifications in the confidential Methods of Operations Manual. These specifications include standards for, among other things, performance, design, appearance, quality, and safety.

You must use CertaOne, CertaPro's proprietary software solution, as well as periodic upgrades. These are obtained from CertaPro. You typically must use CertaPro's designated toll-free telephone answering service, Tele-Link Services, an affiliate.

In addition, you must purchase the following according to our specifications: computer hardware and software, as detailed in Item 7, Note 6, and Item 11. The estimated cost of these products represents 5.3% to 6.5% of your total purchases in connection with the establishment of your business.

You must also purchase the following goods and services in accordance with our specifications: paint, general liability insurance coverage, including products and ongoing and completed operations coverage, workers' compensation and employer's liability insurance, business automobile liability insurance and excess liability insurance, wraps on your vehicles, signs, certain miscellaneous business stationery and paper goods, direct mail, digital marketing, such as pay-per-click, social media, online review generation and pay-per-lead programs; assertive marketing, such as lawn signs, wrapped vehicles, door hangers and attendance at home shows, and other forms of marketing and advertising services, and consumer financing services. CertaPro works with approved vendors that are licensed to reproduce our trademarks and other imagery and who have established fulfillment systems and favorable pricing. We will provide you with a list of these approved vendors that provide these goods and services to our franchisees, upon request, after you sign the Franchise Agreement and pay the Initial Franchise Fee.

You must procure and maintain insurance policies meeting Brand's minimum coverage requirements. Each policy shall provide a separate endorsement naming Brand, and its designee(s) as additional named insureds; shall provide that the policy is primary over the coverage of Brand; cannot be canceled without 30 days prior written notice to Brand; and shall insure your contractual liability. Any failure to have the appropriate insurance shall be considered a material breach of the Franchise Agreement.

From time to time, we may add or remove suppliers from our approved list. In addition to our approved suppliers, we will approve a supplier if, in our business judgment, the supplier is able to provide goods or services that conform to our specifications, with appropriate fulfillment systems and pricing. To obtain our approval, you or a supplier must submit requested information, including business history and financial information, to [marketing@certapro.com](mailto:marketing@certapro.com) to have that supplier's goods or services approved by CertaPro. The request should contain the specifications of the product or service that the supplier will provide. We do not charge a fee for approving suppliers and will issue our approval or denial of the request within a reasonable period of time of receiving a request for approval and performing such investigation into that vendor as CertaPro believes reasonably necessary. To offset the cost of maintaining brand consistency and compliance with standards, CertaPro may require that approved suppliers pay a licensing fee of up to five percent of franchisee sales from such approved suppliers and will require the execution of an agreement containing non-disclosure and non-competition provisions, among other terms. CertaPro will revoke the approval of a supplier if the products or services provided by the supplier fail to meet CertaPro's standards and specifications when used in the field. We may modify our specifications at our discretion to meet the changing needs of the CertaPro system. Any modifications we make will generally be based on comparisons and reviews of industry standards as well as on information we collect from our existing franchisees. CertaPro's total revenue for the sale of these goods and services, as well as commissions, that varies from one-half to five percent, earned on franchisee purchases from approved suppliers, for the fiscal year ending December 31, 20232024, was \$4,291,687 or 11.7% of its total gross revenues of \$36,213,236.

Certain of our approved paint suppliers pay CertaPro varying amounts on certain franchisee purchases, ranging from a flat start-up fee to a 5.5% commission. We will provide you with the current list of these paint suppliers, upon request, after you sign the Franchise Agreement. In some cases, CertaPro negotiates purchase arrangements with suppliers for your benefit. You may, but are not guaranteed to, receive a material benefit from CertaPro for using any of our or approved suppliers. Certain of these approved suppliers pay CertaPro varying commissions on certain franchisee purchases ranging from a

one-half percent to a five and one-half percent commission. CertaPro's affiliates did derive revenue from the sale of goods or services directly to CertaPro franchisees during the fiscal year ending December 31, ~~2023~~2024. CertaPro does engage the services of some of its affiliates for the benefit of its franchisees, but CertaPro pays for such goods or services itself. None of CertaPro's officers has an ownership interest in any of the affiliates that do business with CertaPro franchisees.

It is difficult to determine what percentage of the total purchases you make in either establishing or operating your CertaPro franchise that will come from purchases you make from our approved suppliers. The precise amount of the purchases you make will be determined by a number of variables that we cannot predict. Some of the variables include the size of your business; your particular buying habits and preferences; the availability of our approved suppliers in your Territory; the ratio of residential work to commercial work you perform; the location of your business; and market conditions in general. We estimate that approximately 34% of your total purchases to establish your business will be made from our approved suppliers, and approximately 44% to operate your business.

We reserve the right to formulate and modify our standards and specifications for operating a Business. This includes requiring that you take all steps, including but not limited to those related to visibility and management of your Business that are necessary to ensure that your Store is compliant with all data privacy and security laws and Payment Card Industry Data Security Standards (PCI DSS) requirements, as such standards may be revised and modified by the PCI Security Standards Council (see [pcisecuritystandards.org](http://pcisecuritystandards.org)), or such successor organization or standards that we may reasonably specify. Our standards and specifications are described in the Franchise Agreement, the Operations Manual, and other written documents. We have the right, under the Franchise Agreement, to change the standards and specifications applicable to operation of the franchise, including standards and specifications for Approved Services and Products, equipment, signs, furnishings, supplies, fixtures, inventory, computer systems (hardware, software, applications, data network and internet connection minimum bandwidth capacities), privacy policies, encryption requirements, data and IT security policies - including implementation of phishing and other security awareness programs and training, cyber incident notification requirements, and Artificial Intelligence policies by written notice to you or through changes in the Operations Manual. We may issue our standards or specifications for goods and services, and changes to those standards and specifications, in writing directly to you or our approved supplier. You may incur an increased cost to comply with these changes at your own 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.

#### FRANCHISEE OBLIGATIONS

Obligation	Section In Franchise Agreement	Item In Disclosure Document
A. Site Selection and Acquisition/Lease	Not applicable	Items 6, 7 and 11
B. Pre-opening Purchases/Leases	Articles 5, 6 and 13	Items 5, 6, 7 & 8
C. Site Development and Other Pre-Opening Requirements	Article 5	Items 6, 7 and 11
D. Initial and Ongoing Training	Article 4	Items 6, 7 and 11
E. Opening	Article 16.2.2	Item 11
F. Fees	Articles 2 and 19.2	Items 5 and 6
G. Compliance With Standards and Policies/Operating Manual	Articles 5, 6 and 7	Items 8, 11 and 15
H. Trademarks and Proprietary Information	Articles 8 and 9	Items 13 and 14
I. Restrictions on Products/Services Offered	Articles 1, 5 and 6	Items 8 and 11
J. Warranty and Customer Service Requirements	Article 6	Item 11
K. Territorial Development and Sales Quotas	Articles 2.2.1 and 6	Items 6 and 12

L.	Ongoing Product/Service Purchases	Article 6.3	Items 8 and 11
	<b>Obligation</b>	<b>Section In Franchise Agreement</b>	<b>Item In Disclosure Document</b>
M.	Maintenance, Appearance and Remodeling Requirements	Article 6.2.4	Item 11
N.	Insurance	Article 13	Items 7 and 8
O.	Advertising	Article 11	Items 6, 7 and 11
P.	Indemnification	Articles 19.3 and 20.2.2	Item 6
Q.	Owners' Participation/Management/Staffing	Articles 4 and 6	Items 11, 15 and 16
R.	Records and Reports	Articles 2, 6 and 12	Item 6
S.	Inspections and Audits	Article 12	Items 6 and 11
T.	Transfer	Article 14	Items 6 and 17
U.	Renewal	Article 3	Items 6 and 17
V.	Post-Termination Obligations	Articles 8, 10 and 16	Item 17
W.	Non-Competition Covenants	Articles 10 and 16	Items 16 and 17
X.	Dispute Resolution	Articles 16, 18 and 19	Item 17

**ITEM 10: FINANCING**

CertaPro does not offer financing at this time. CertaPro does not guarantee any notes, leases, or obligations for any of its franchisees.

Commercial paper from franchisees has not been and is not sold nor assigned to anyone, and CertaPro has no plans to do so. CertaPro does not receive direct or indirect payments for placing financing and CertaPro does not guarantee your obligations to third parties.

Franchisees of the CertaPro System are eligible for expedited and streamlined SBA loan processing through the SBA's Franchise Registry Program, [www.franchiseregistry.com](http://www.franchiseregistry.com).

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

**Except as stated below, CertaPro is not required to provide you with any assistance.**

**CERTAPRO'S OBLIGATIONS**

Before you begin your business, CertaPro will do the following:

a. Grant you the right to operate one CertaPro franchise offering the Services described in Article 1.4 of the Franchise Agreement, within a specific franchise area, for the franchise term (Franchise Agreement – Articles 1 and 3 and Schedule A). The Services described in Article 1.4 are restricted to certain types of defined Residential buildings only. You may offer certain Commercial Services only if you qualify to do so as determined by CertaPro, pay CertaPro all additional fees required and satisfy all additional training and other conditions as determined by CertaPro.

b. Grant you the right to use our trade names, trademarks, distinctive signs, and business system (Franchise Agreement – Articles 1 and 9).

c. Provide you with management instruction and training (Franchise Agreement – Article 4). A description of the training program is set out below.

d. Provide you with access to our confidential Methods of Operations Manual. The Operations Manual is confidential and remains our property. You may not copy any material that is part of the Operations Manual without CertaPro's permission. CertaPro may modify the Operations Manual, but the modifications will not alter your status or rights under the Franchise Agreement. Your access to the Operations Manual will be restricted at the Termination or Expiration and non-renewal of the Franchise Agreement or at CertaPro's request (Franchise Agreement – Articles 7 and 16). The materials included in the confidential Operations Manual are listed in Exhibit H. Your employees must sign a confidentiality

agreement agreeing not to disclose the information in the Operations Manual or any information pertaining to CertaPro's trade secrets or proprietary information (Franchise Agreement – Article 8).

- e. Provide you with a list of our approved suppliers

During your operation of your franchise, CertaPro will do the following:

- a. Offer advice, guidance, and recommendations with respect to the operation of your business as CertaPro deems reasonably required (Franchise Agreement – Article 4.3).
- b. Maintain specifications for the operation of the Franchised Business (Franchise Agreement – Articles 6.4 and 7).
- c. Provide a toll-free answering service for your benefit (Franchise Agreement – Article 2.9).
- d. Approve certain supplies, services, products, and suppliers required in connection with your business (Franchise Agreement – Article 6).
- e. Approve or prepare advertising or promotional materials for your purchase to use with your business (Franchise Agreement – Article 11).
- f. Make changes and/or improvements to the CertaPro system including developing new services or products (Franchise Agreement – Article 6.4)
- g. Maintain a General Advertising Fund (Franchise Agreement – 11.1)

**CERTAPRO'S TRAINING PROGRAM<sup>1</sup> FOR NEW OWNERS**

**Development Owner School 101 & 201**

Subject	Hours of Virtual Training	Hours of Live Classroom Training	Location
Brand Experience	0	2-3	(see note 1)
CertaOne/CRM Software	6	3	(see note 1)
Estimating	18	11	(see note 1)
Financial and Business Planning Management	4.25	6	(see note 1)
Marketing	6.75	8	(see note 1)
Overview	1.5	0	(see note 1)
Painting and Job Site Management	0	6	(see note 1)
Paint Systems and Failures	0	3	(see note 1)
Personnel, Recruiting and Management	0	6.5	(see note 1)
Production Management	5	6 – 7	(see note 1)
Resales	3	0	(see note 1)
Sales	2.5	8.5 – 9.5	(see note 1)
<b>TOTAL</b>	<b>42.5</b>	<b>60 – 63</b>	<b>(see note 1)</b>

Note 1: Most of the training takes place at CertaPro's offices in Audubon, Pennsylvania, or at the franchisee's business site. CertaPro, in its sole discretion, can make all or a portion of training virtual and require attendees to participate through such technology platforms as CertaPro may deem appropriate. These training hours are a good faith estimate, but CertaPro may require additional training hours in its sole discretion as it deems appropriate.

As a new franchise owner, also referred to as a "Development Owner," you are required to attend and successfully complete Development Owner Training/School which consists of two sections where content is presented in a graduated learning format, referred to as Development Owner School 101 and Development Owner School 201. Many components of Development Owner Training/School are facilitated through independent course work and eLearning.

### **Development Owner School 101**

Development Owner School 101 consists of two components: two weeks of instructor led Virtual Classroom training, one week of in-field shadowing of other CertaPro businesses, and two weeks of live classroom training. The virtual classroom portion has six virtual modules over a two-week period. Each week consists of three scheduled virtual sessions, each approximately three hours in length. Also included are eLearning exercises assigned as "training homework" that are completed outside of the virtual classroom sessions, typically about 2 hours per day. The virtual classroom portion plus out of classroom work will total 20-30 hours per week, depending upon how much time you choose to spend on the eLearning modules.

The Live Classroom portion occurs in two components. The first is the first week of the training process, and the second immediately follows the virtual classes. Each component is held at CertaPro's office. The Live Classroom portion consists of three to five consecutive eight-hour days plus exercises that may occasionally be assigned as "training homework" that are completed during evenings of that week.

### **Development Owner School 201**

After successful completion of Development Owner School 101, you will be required to complete additional eLearning and virtual preparation for Development Owner School 201.

The classroom portion of Development Owner School 201 is typically held twice a year – typically in February and July. Depending on when you complete Development Owner School 101, there could be several weeks between the classroom sessions of Schools 101 and 201. The live classroom training portion of Development Owner School 201 is typically four to five consecutive days at CertaPro's Office and may include exercises assigned as "training homework" that are completed during the evenings.

In addition to the virtual and live training listed above, during your first year, you are also required to participate in a series of monthly, web-based one and one-half hour training conference calls with other new franchises, called a Forum Group. These calls are conducted by a member of the Development team. In your second year, your Forum Group likely will require overnight travel for up to four nights, along with airfare or other travel arrangements. During your first two years, all national, regional and sales conferences are part of the required training program.

Development Owner Schools 101 and 102 will require air or other travel to Audubon, PA and overnight accommodations. CertaPro generally holds additional training sessions and/or meetings each year that may require air or other travel and overnight accommodations. Typically, the additional training session and/or meetings offer advanced training in project and people management, marketing, selling and general business skills.

Members of CertaPro's Development team conduct the initial training program and the additional training programs. These are Nick Groninger, Training Specialist (~~thirteen~~fourteen years of experience); the General Managers of Development, Jonathan Kittner (~~seven~~eight years of experience), Stephen Kuhn (~~five~~six years of experience), ~~Matt Miedema (fourteen years of experience)~~, Nick Capozzi (~~sixteen~~seventeen years of experience), Caleb Crandall (~~two~~ years of experience), ~~Karri Plecko (three years of experience)~~, and ~~Tyler Golby (2~~Karri Plecko (four years of experience); Madie Cortina, Marketing Coordinator (~~four~~five years of experience); ~~Ryan Adamaski, Senior Production Manager (thirteen years of experience)~~, and Andre Jesus, Production Associate Training Specialist (~~one~~two years of experience); and Alex Lewis, Residential Sales Manager (~~eighteen~~nineteen years of experience). Some third-party vendors also participate in the initial training program. Various instructional materials are used, including virtual electronic learning via the internet, classroom lectures, webinars, on-the-job and in-field advice, and instruction.

You must attend all segments of the initial training program, must participate in the Forum Group, and must attend the national conference and regional and sales/production/marketing meetings each year. You must complete the initial training program to CertaPro's satisfaction. CertaPro can terminate your franchise if you cannot satisfactorily complete the initial training program and are shown to be incapable of managing or operating a CertaPro franchise. CertaPro requires that you satisfactorily complete the initial

training of Development Owner School 101 and begin operation of your business within 120 days after signing the franchise agreement. Your spouse or partner may attend the initial training program without any additional cost. CertaPro does not require that a spouse or partner satisfactorily complete the initial training. Additional training programs may not be mandatory, but it is advised that you attend these training sessions which offer advanced training in estimating, marketing, management, and general business skills. More than 80% of new franchisees participate in these non-mandatory training programs.

Due to EPA regulations dealing with work on homes built before 1978, you will need to attend additional training that is conducted by various third-party vendors at various locations across the country, at varying cost, generally ranging \$300 to \$1,000.

You pay the travel and living expenses for all persons attending the training sessions and Forum Group meetings. The initial training program for new franchisees is free. Fees for the additional training sessions are disclosed in Items 6 and 7.

### **ADVERTISING AND MARKETING**

CertaPro has a general advertising, marketing, and sales promotion fund ("Fund"). CertaPro selects the types of media used and the location of the advertising and marketing campaigns administered through the Fund. We use or may use the following media: digital, print, radio, television, trade shows, internet, online directories, email marketing, assertive marketing and direct mail and any other form of advertising or marketing medium that is appropriate for the use intended. The media coverage may be national, regional, or local in scope. We coordinate the advertising and marketing through in-house specialists and approved outside agencies. CertaPro is affiliated with Tele-Link Services, an outbound and inbound call center.

While you may develop your own marketing or advertising, you must obtain CertaPro's written approval before you can use it.

CertaPro has a brand and marketing advisory board ("BMAB"), which works collaboratively with CertaPro on advertising and marketing strategies. The BMAB serves in an advisory capacity; it has no decision-making power over what advertising or marketing CertaPro will use in the campaigns administered through the Fund.

The Fund collects fees from all franchisees. Each franchisor-owned outlet of CertaPro would contribute to the Fund on the same basis as a franchisee. You must contribute the amounts described in Item 6 under the heading "General Advertising Fund," which are in addition to local advertising expenditures listed below. Other franchisees may contribute to the Fund at a different rate than you.

CertaPro administers the Fund. During ~~2023~~2024, CertaPro's most recently concluded fiscal year, proceeds from the Fund were used as follows: Commercial Marketing – 8%; Brand Development – 28%; Internet –12%; Local Marketing – 30%; and TV/Radio – 22%.

We do not have to spend a specific amount on advertising or marketing in your franchise territory or DMA. We prepare an annual report of the Fund's expenditures as a percentage in the categories listed above and make the report available to you upon request. CertaPro is entitled to receive payment for reasonable salaries, administrative costs and overhead in connection with the services it provides to the Fund. We will use the Fund only to promote the Services sold by the franchisee or to promote the CertaPro Brand, and not specifically to sell additional franchises (Franchise Agreement – Article 11.1.5). If we do not spend all contributions to the Fund by the end of each fiscal year, that amount is available to the Fund for use in the next fiscal year.

During the Term of your franchise agreement, you will be required to make monthly contributions to the Fund equal to of your Gross Sales. Contributions to the Fund will be due and payable at the same time and in the same manner as your Royalty Fees are due and payable.

You must also conduct a local advertising and marketing campaign in your franchise area and such other marketing programs or tactics as CertaPro may, from time to time, direct. CertaPro highly recommends that you sign up your franchised business in local online directories for the free listing available for your business. You are required to spend 12% of your Gross Sales on your local advertising and

marketing campaigns during your first year of operation, which is required whether you purchase a startup or existing franchised business. After your first year of operation, you are required to spend 8% of Gross Sales on your local advertising and marketing campaigns. Your contributions to the General Advertising Fund and payments to your local advertising cooperative (if applicable) are considered part of these required expenditures.

CertaPro has the right to require that you submit reports at the end of June and December detailing the amounts you have spent on local advertising. CertaPro may require similar reports at other times. If you do not spend the required amounts on local advertising and marketing, CertaPro requires you to make an additional contribution to the Fund to make up the difference between what you were required to spend on local advertising and marketing and what you, in fact, spent for that year.

You may be required to participate in a local or regional advertising cooperative. CertaPro may require cooperatives to be formed, changed, dissolved, or merged. Currently, local advertising cooperatives have been established or are in the process of being established in the following areas: Alabama – Birmingham/Tuscaloosa and Mobile; Arizona – Phoenix; Arkansas – Fayetteville and Little Rock; California – Bay Area, Los Angeles, Sacramento, ~~and San Diego~~; Colorado – Colorado Springs and Denver; Connecticut – New England and NYC Metro area; Delaware – Philadelphia area; ~~and~~ Salisbury; District of Columbia; Florida - Orlando, Palm Beach County, Tampa/St. Petersburg and Sarasota area; Georgia – Atlanta, ~~and~~ Augusta; Illinois – Bloomington and Chicago; Indiana – ~~–~~ Chicago area, Fort Wayne, Indianapolis and Louisville, KY area; Iowa – Des Moines and Eastern Iowa; Kansas – Kansas City; ~~and~~ Wichita; Kentucky – Lexington; Louisiana – New Orleans; Louisville; Maine – New England and Portland; Maryland – Baltimore and Frederick; Massachusetts – New England; Michigan – Grand Rapids and Metro Detroit; Minnesota – Twin Cities/Minneapolis; Mississippi – Jackson; Missouri – Kansas City and St. Louis; Nebraska – Omaha; Nevada – Reno; New Hampshire; New Jersey – NYC Metro area, Philadelphia area and Southern NJ; New Mexico – Albuquerque; New York – NYC Metro area and Rochester; North Carolina – Asheville, Charlotte, Greensboro and Raleigh; Ohio – Cincinnati, Cleveland, Columbus and Dayton; Oklahoma – Oklahoma City; Oregon – Portland/Vancouver; Pennsylvania – Central PA; Philadelphia area; ~~and~~ Pittsburgh; Rhode Island – New England; South Carolina – Charlotte; Tennessee – Chattanooga, Knoxville, Memphis, and Nashville; Texas – Austin, Dallas/Ft. Worth, Houston, Killeen and San Antonio; Utah – Salt Lake City; Vermont – New England; Virginia – Charlottesville, Norfolk; Roanoke, Virginia Peninsula and Washington DC; Washington – Seattle, Spokane and Portland/Vancouver ; Wisconsin – ~~–~~ Madison, Milwaukee and Northeast Wisconsin. In addition, there are ongoing efforts to organize local advertising cooperatives in the cities across the country. As a result, it is possible that there will be an operating local advertising cooperative in the area in which you are interested. Each cooperative is governed by written governing documents which are available for your review upon reasonable request. If a cooperative has been established for the area in which your CertaPro franchise is located, you must agree to participate in the cooperative by signing the program participation amendment or addendum. CertaPro assists franchisees in the administration of these local advertising cooperatives. Upon written request to CertaPro once a year, you may request an accounting of your advertising cooperative fund. Copies of these sample amendments or addenda are attached to this disclosure document as Exhibit N. Members of each local advertising cooperative determine the amount of assessment that will range from 1% to 4.0% of Gross Sales.

CertaPro makes local direct mail service and local digital advertising and marketing programs available to you through approved third-party suppliers that you will pay directly. These services and programs are not paid for by the Fund, but rather by you. CertaPro recommends that franchisees purchase direct mail services and local digital advertising and marketing from approved suppliers.

### **COMPUTER SYSTEMS**

Due to the changing nature of technology, you will need to contact CertaPro for current technology specifications. You must purchase the systems specified by CertaPro directly from CertaPro or a designated supplier. Currently, the cost of computer hardware will vary from approximately \$1,500 to \$4,000. You are also required to use CertaOne, our proprietary software solution, which is based on the Microsoft Dynamics 365 platform that has been customized for CertaPro's processes to enable CertaPro Painters franchisees to manage their residential and commercial painting business. CertaOne includes features and functions for CRM, marketing, sales, estimating, job scheduling and crew management for both residential and commercial work. CertaOne combines cloud and mobile technology to enable franchisees to create and deliver proposals in the customer's home. To use CertaOne, you are required to

pay a monthly User fee that includes the license fees due to Microsoft for Dynamic 365 and Office 365. This fee is paid to CertaPro who handles the billing and payment in order to secure favorable pricing for franchisees. Also, see Item 6, Note 5 and Item 7, Note 5. You will also need an operating system, virus protection software, and internet connectivity. The CertaOne mobile estimating application is not currently supported by MacOS; therefore, Apple laptops are not recommended. You must maintain and upgrade your hardware and software systems as needed and according to CertaPro's specifications. There is no limit to how often you may be required to upgrade your computer or software system. You are also required to pay a monthly technology fee of 0.35% of your Gross Sales; also see Item 7.

You must transfer the data contained in your data bases at least once a day to CertaPro's servers. Data is transferred over the internet using a high-speed cable/DSL/LAN/Wi-Fi connection. The information collected in our proprietary software solution includes customer lists, sales volumes, job reports and other general information. All system data that is transmitted, used, contained on, or entered into the computer system of the Franchised Business, including customer data, is derived from the use of the CertaPro trademarks, is confidential information, and is owned by CertaPro. CertaPro will not have independent access to information stored in your computer, other than the data that you send to us. In addition to the proprietary software solution, there are numerous other applications and websites that CertaPro makes available for your use to assist you in operating your CertaPro Business more effectively and efficiently. All can be accessed by using your primary computer and most can be accessed by using an Apple or Android mobile device, which, of course, you need to purchase, maintain, and upgrade as needed.

CertaPro has browser and device recommendations for franchisees, which are updated from time to time as needed and are available upon request. Franchisees need to be experienced in working with the Microsoft suite of products, including Word, Outlook, Excel, and PowerPoint. If you are not, CertaPro recommends that you complete a Microsoft proficiency training course before starting Development Owner School 101.

#### **SELECTION OF BUSINESS LOCATION**

You will receive a specific designated Territory, as described in Item 12 below. Within three (3) months of opening your business, you required to secure office space, which is required to be located in your Territory. If you live outside your Territory, we recommend that you obtain office space within your Territory sooner than three (3) months. The cost of your office space will depend upon your location, how much space you rent, and other factors based upon your Territory and personal choices. We do not select nor approve a site for your office. CertaPro will assist you in this selection by obtaining information on the income levels and number of single-family dwellings in your target market to help you determine where to locate your office.

Franchisees typically open their businesses within 30 to 60 days after signing the franchise agreement. Factors that may affect this time frame are the ability to obtain financing, weather conditions, the schedule for Development Owner School 101, and licensing in certain states - see Items 2 and 7 for more information on licensing.

#### **ITEM 12: TERRITORY**

You will receive an exclusive territory for the offer and sale of Residential painting and decorating Services (the "Territory"). This Territory will be selected by you and CertaPro before you sign the Franchise Agreement, and a description of the Territory will be included in Schedule A of your Franchise Agreement. The size and configuration of your exclusive Territory for Residential Services is based on households, income levels and number of residential dwellings, and is determined before you sign the Franchise Agreement. The geographic boundaries of the franchise Territory are set by natural and artificial boundaries and town lines, principally zip codes.

**You will not receive an exclusive territory to sell Commercial painting or decorating Services. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution of competitive brands that we control or with which we are affiliated. Other CertaPro franchisees will be permitted to offer and sell Commercial painting and decorating Services in your Territory, through designated Program Services, developed or approved by CertaPro or through the National Accounts Program, including National Account Services Licenses granted by CertaPro.**

You may not sell or offer any Services outside the boundaries of your Territory, except as provided in your Franchise Agreement. You do not have the right to acquire additional painting franchises in your Territory or in contiguous or other territories. You do not have the right to change or relocate your Territory or your CertaPro Business.

CertaPro will not grant other Residential Services franchises (as described in Article 1.4) in your Territory without your permission. CertaPro has the exclusive right to negotiate and enter into agreements or approve forms of agreement to provide Residential or Commercial Services to any business that owns, manages, controls or otherwise has responsibility for buildings or common services in more than one location whose presence is not confined within any one particular franchisee's territory regardless of the contract amount of the services to be performed (a "National Account"). After the National Account is established, CertaPro may, at our option, provide you the option to perform the services under the National Account contract. If CertaPro decides, or if you choose not to provide services to the National Account, the services may be provided, by or through another franchisee or third party, or by CertaPro, even if the job site is in your Territory, without compensation to you. CertaPro also has the right to grant National Account Services Licenses to approved franchisees.

Until you become certified to perform Commercial Services, you have no right to Commercial Services contracts within your Territory, and CertaPro or another franchisee or third party who is qualified to perform Commercial Services may perform Commercial Services within your Territory, without compensation to you. If you are interested in the Commercial Services Program, you should contact CertaPro for more information.

From time to time, CertaPro may create a marketing or other program ("Business Program") to generate new business opportunities for our franchisees ("Program Services"). CertaPro may condition participation in any Business Program or Program Services upon such terms and conditions as CertaPro determines are appropriate, including experience, staff qualifications, the payment of additional or different fees and additional training. If you are not a participant in any particular Business Program, all Program certified franchisees will be permitted to perform Program Services in your Territory without compensation to you.

CertaPro may establish other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, in your franchise Territory using our trademarks, and you are not entitled to any compensation for any sales that result from such efforts. You do not have the right to establish such other channels of distribution, or to solicit customers or accept orders outside your Territory.

With the exception of Paul Davis Restoration, Floorcoverings International franchisees, the CertaPro franchisees authorized to perform Commercial Services, our National Accounts Program including National Account Services Licenses, and other Program Services, neither CertaPro nor our Affiliates have established or currently plan to establish franchises, company-owned outlets or other channels of distribution selling or leasing the same or similar painting services under a different trademark; however, we are not restricted from doing so.

To keep your Territory, you must comply with the terms of the Franchise Agreement and satisfy the Performance Criteria described in Article 6 of the Franchise Agreement. These Performance Criteria require that in your Second Calendar Year, depending on the date of your Franchise Agreement: if dated January through May, you must achieve minimum Gross Sales of \$450,000 and minimum Sales of Residential Services of \$350,000, or if dated June through December, you must achieve minimum Gross Sales of \$250,000 and minimum Sales of Residential Services of \$250,000. In the Third Calendar Year, you must achieve minimum Gross Sales of \$500,000 and minimum Sales of Residential Services of \$400,000. In the Fourth Calendar Year, you must achieve minimum Gross Sales of \$600,000 and minimum Sales of Residential Services of \$450,000. In the Fifth and Sixth Calendar Years, you must achieve minimum Gross Sales of \$650,000 in each year and minimum Sales of Residential Services of \$500,000 in each year. In your Seventh and Eight Calendar Years, you must achieve minimum Gross Sales of \$850,000 in each year and minimum Sales of Residential Services of \$500,000. In your Ninth and Tenth Calendar Years, you must achieve minimum Gross Sales of \$850,000 in each year and minimum Sales of Residential Services of \$600,000 in each year. Your exclusive rights to the Territory and the Franchise

Agreement can be terminated if you do not achieve these Performance Criteria or otherwise breach the terms of the Franchise Agreement. In the event of an increase in population in the Territory, your territorial rights are maintained.

### ITEM 13: TRADEMARKS

CertaPro grants you the right to operate a full-service painting and decorating business under the name and trademarks CERTAPRO and CERTAPRO PAINTERS. You may also use our other current or future trademarks to operate your outlet. The term "trademark" includes service marks, word marks, trade names, slogans, insignia, logos, labels, and trade dress. CertaPro has registered the following trademarks with the United States Patent and Trademark Office on the Principal Register; all required affidavits of use in connection with the application for trademark registration have been filed and each of the four listed below has been renewed:

CERTA PROPAINTERS  
Registration No. 1,809,577  
Registered: December 7, 2013

CERTA PROPAINTERS & DESIGN  
Registration No. 1,815,143  
Registered: January 4, 2014

CERTAPRO  
Registration No. 3,570,002  
Registered: February 3, 2009

CERTAPRO PAINTERS  
Registration No. 3,570,003  
February 3, 2009

The CERTA PROPAINTERS & Design is the words CertaPro Painters above a solid bar with five stars superimposed on the bar. A horizontal paint brush is located at the far-right end of the bar.

CertaPro also holds the following Registered Trademarks:

THE COLOR OF CERTAINTY  
Registration No. 3,079,447  
Registered: April 11, 2006

PAINTING WITH CERTAINTY  
Registration No. 3,162,588  
Registered: October 24, 2006

CERTAINTY SERVICE SYSTEM  
Registration No. 3,402,510  
Registered: March 25, 2008

PAINTING. PASSION. PROFESSIONALISM  
Registration No. 3,504,600  
Registered: September 23, 2008

BORN IN CANADA SPREADING ALL OVER  
THE WORLD  
Registration No. 3,680,165  
Registered: September 8, 2009

BRISTLES AND DESIGN  
Registration No. 3,866,955  
Registered: October 26, 2010

BRISTLES  
Registration No. 3,981,530  
Registered: June 21, 2011

PAINTING SMILES ON  
FACES EVERYWHERE  
Registration No. 3,997,747  
Registered: July 19, 2011

THE CUSTOMER ONLY HAS  
TO TELL THEIR STORY ONCE  
Registration No. 5,702,214  
Registered: March 19, 2019

CONSISTENTLY DELIVERING  
EXTRAORDINARY EXPERIENCES  
Registration No. 5,702,213  
Registered: March 19, 2019

DE<sup>2</sup>  
Registration No. 5,727,910  
Registered: April 16, 2019

BECAUSE PAINTING IS  
PERSONAL  
Registration No. 4,210,003  
Registered: September 18, 2012

PROVEN AND TRUSTED EXPERTS  
IN PAINTING  
Registration No. 4,225,194  
Registered: October 16, 2012

CERTAINTY PLEDGE  
Registration No. 4,232,259  
Registered: October 30, 2012

THE PATH TO BETTER PAINTING  
Registration No. 4,331,921  
Registered: May 7, 2013

ROGER THAT!  
Registration No. 4,667,207  
Registered: January 6, 2015

FAVICON (and design)  
Registration No. 4,892,827  
Registered: January 26, 2016

WE DO PAINTING. YOU DO LIFE.  
Registration No. 5,171,163  
Registered: March 28, 2017

MYPAINTCOLORS  
Registration No. 5,231,316  
Registered: June 27, 2017

In addition, CertaPro has registered the following trademark with the United States Patent and Trademark Office on the Supplemental Register; all required affidavits have been filed and none has yet been renewed:

NORTH AMERICA'S MOST REFERRED  
PAINTING COMPANY  
Registration No. 3,726,900  
Registered: December 15, 2009

You must follow our rules when you use these marks. You cannot use a name or mark as part of a corporate or limited liability entity name or with modifying words, designs, or symbols. You may not use CertaPro's marks with the sale of unauthorized services or in a manner not authorized in writing by CertaPro. You may not use these marks outside your franchise Territory.

There are presently no effective determinations of the United States Patent and Trademark Office, the trademark trial and appeal board, the Trademark Administrator of a state or of any court involving the above trademarks. There are no pending infringement, opposition or cancellation proceedings, and no pending material litigation involving the above trademarks. No agreements limit CertaPro's right to use or license the use of CertaPro's trademarks.

CertaPro must defend you against a claim brought against you for your use of our trademarks and reimburse you for your liability. You must notify CertaPro immediately when you learn about an infringement of or challenge to your use of our trademarks. CertaPro will take the action we think is appropriate, including control and direction of any administrative proceeding or litigation. You must authorize CertaPro to defend you against any infringement claims. You may retain your own lawyer and participate in the litigation at your own expense. If we are required to modify or discontinue use of one of our marks, your obligations under the Franchise Agreement continue.

CertaPro does not know of any infringing uses that could materially affect your use of CertaPro's trademarks.

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

You do not receive the right to use an item covered by a patent or a filed copyright, but you can use the proprietary information in CertaPro's confidential Methods of Operations Manual and other manuals, guides and materials provided in any medium as part of the CertaPro System. The Confidential Operations Manual is described in Item 11. Although CertaPro has not filed an application for the registration of these written materials, we claim a copyright and the information contained in them is proprietary. Item 11 describes the limitations on the use of the confidential Methods of Operations Manual by you and your employees. CertaPro does not have to take any action against the unauthorized use of this proprietary information by third parties, but will respond to the unauthorized use as we think is appropriate. CertaPro is not required to defend you against any infringement, unfair competition or other claim connected with your use of any of this proprietary information.

You cannot show CertaPro's proprietary and confidential information to third parties not employed by you, either during the Term of the Franchise Agreement or at any time after termination or Expiration of the Franchise Agreement. You will pay for any losses that CertaPro suffers if you disclose this proprietary information to third parties.

CertaPro also has proprietary rights in our trade secrets, including CertaOne, our proprietary software solution, our unique system of estimating, our customer lists, our marketing methods, our applications, and other technical information. We will disclose this information to you after you sign the Franchise Agreement. This information is proprietary and confidential. Confidential Information also includes all system data and customer data that you may use only in the operation of the Franchised Business. Also, see Item 11, information about Computer Systems. CertaPro has established security procedures aimed at maintaining the secrecy of its trade secrets and proprietary information.

All data collected from former, existing, and/or potential customers including customer names and addresses, discounts and credit extensions to customers, customer contracts, designs, and status information (collectively "Customer Information") are our trade secrets and Confidential Information. You are prohibited from disclosing Customer Information and our other proprietary information, trade secrets, and Confidential Information to third parties, including entering such information into public/open AI models or any other AI model that uses such information to train the AI unless specifically authorized by us, and you must adhere to any privacy policies we may now, or in the future, establish with respect to Customer Information.

#### **ITEM 15: OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

You must assure that the Franchised Business is operated by a person who has successfully completed CertaPro's initial and recurring training and the Forum Program, and that person must devote full time and effort to the operation of the franchised business.

Every shareholder and/or member of a limited liability entity franchisee owning 10% or more must sign a personal guaranty by which such person assumes and agrees to discharge all obligations of the limited liability entity franchisee under the Franchise Agreement. (See Exhibit L of this disclosure document for a copy of the personal guaranty.) Each such individual must also sign a confidentiality agreement. (See Schedule C to the Franchise Agreement for a copy of the confidentiality agreement.) You must agree not to compete with CertaPro during the Term of your Franchise Agreement and for a period of time after termination or Expiration.

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

You must offer and sell only those services approved by CertaPro. Depending on the services you choose to offer and for which you qualify and are approved, you may perform exterior and interior residential and/or commercial painting and decorating services for customers in your franchise Territory for the Term of the Franchise Agreement. You must receive written approval from CertaPro before you offer or sell any services other than those described below.

You may offer, sell, and perform Residential Services only in your Territory. (See Item 1 for a description of Residential Services.) You are prohibited from offering, selling, or performing any of the Residential Services in any area outside your Territory. You may not offer Commercial Services, perform work on National Accounts or offer Program Services, except as set forth in the Franchise Agreement. (See Items 1 and 12 for a discussion of Commercial Services, National Accounts and Program Services.)

You must agree to offer and honor, at your own cost, a two-year limited warranty on all materials and work sold by your Franchised Business to each of your Residential customers. The terms of the warranty are established by CertaPro. If you are approved and you choose to offer and sell Commercial Services, you must agree to offer and honor a warranty on all materials and work sold by your Franchised Business to each of your commercial customers. The terms of the commercial warranty will vary depending on the nature of the commercial work you perform and the particular customer for whom you perform the work.

CertaPro does not have the right to change the types of goods and Services you can sell pursuant to the terms of the Franchise Agreement without your permission; however, it does have the right to modify the specifications of such goods and Services, as well as the specifications of the products you use in offering the goods and Services you sell through your business. CertaPro will not restrict you from soliciting customers within your Territory if you do not meet your Performance Criteria. (See Item 12.)

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

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

Provisions		Section in Franchise Agreement	Summary
A.	Length of the Term of the Franchise	Article 3.1	Initial Term is for 10 years.
B.	Renewal or Extension of the Term	Article 3.2	Renewal means that, upon expiration of the franchise agreement, you have the right to enter into a new Franchise Agreement, on CertaPro's then-current terms and conditions, as modified for Renewals. Some legacy franchisees may have different Royalty and GAF terms based upon prior Franchise Agreements.
C.	Requirements for You to Renew or Extend	Article 3.2	You must give CertaPro 180 days' notice; not be in default; not be delinquent in payments; pay a renewal fee; satisfactorily and timely complete any required training, and execute the new Renewal franchise agreement with current language and terms, which may contain materially different terms and conditions than the original franchise agreement, including specifically, without limitation, increased Minimum Royalties and Performance Criteria obligations.
D.	Termination By You	N/A	None
E.	Termination By CertaPro Without "Cause"	Article 16	CertaPro may, before the completion of your initial training, rescind the Franchise Agreement and refund your Initial Franchise Fee. If you do not commence operation of your business within 120 days after signing the Franchise Agreement, CertaPro may terminate the Franchise Agreement and, after receiving a release, refund \$10,000 of the Initial Franchise Fee. CertaPro may terminate your franchise if you cannot satisfactorily complete your initial training or are shown to be incapable of managing or operating a CertaPro franchise.
F.	Termination By CertaPro With "Cause"	Article 16	Your material breach of the Franchise Agreement and other grounds, including: failure to timely report and pay royalties or any other monetary obligation to CertaPro; failure to meet the Performance Criteria; repeated violations of the Franchise Agreement; failure to comply with CertaPro's standards and procedures; performing Residential Services in another franchisee's territory; and, insolvency or assignment for the benefit of creditors.
G.	"Cause" Defined – Curable Faults	Article 16.3	You have 10 days to cure non-payment of fees or other amounts due under the Franchise Agreement or any amount due under a promissory note, failure to comply with rules, bulletins or directives, and non-submission of reports. You have 20 days or within such time period as action must be taken to cure a judgment against you in excess of \$10,000.

Provisions	Section in Franchise Agreement	Summary
H. "Cause" Defined – Defaults Which Cannot Be Cured	Article 16.4	Non-curable defaults: failure to satisfactorily complete initial training; insolvency; cease doing business or liquidate assets; assignment for the benefit of creditors, appointment of custodian, or institution of bankruptcy proceeding; dissolve, liquidate or merge limited liability entity; non-payment of judgment exceeding \$10,000 after 20 days; material distortion of records or information, or non-maintenance of records; unauthorized copying of confidential information; death of franchisee (subject to Article 15); non-compliance with Performance Criteria; non-compliance with quality and performance standards; fraudulent conduct; criminal conviction; three repetitions of same breach in a 12 month period; abandonment of the CertaPro Business; omission or misrepresentation to CertaPro; non-compliant transfer or attempted transfer; violation of non-compete and non-disclosure obligations; acts which would discredit CertaPro; fraudulent report of financial or operational information; performing Residential Services outside of your Territory without authorization.
I. Your Obligations on Termination/Non-Renewal	Articles 7, 8, 9, 10, 16.5, 16.6 & 16.7	Obligations include: permit CertaPro to cure any default by Franchisee and operate any equipment on Franchisee's account; payment of all amounts due; cease operations; de-identification from CertaPro; remove all electronic listings in any telephone or business directory in any medium; return Confidential Methods of Operations Manual and other confidential information; allow inspection by CertaPro; assign to CertaPro or cancel telephone numbers and listings; and fulfill all outstanding obligations to customers (see also R, below).
J. Assignment of Contract by CertaPro	Article 14.6	No restrictions on CertaPro's right to assign. However, no assignment will be made except to an assignee who, in the good faith and judgment of the CertaPro, is willing and able to assume CertaPro's obligations under the Franchise Agreement.
K. "Transfer" by you – defined	Article 14	Includes transfer of contract, assets, or ownership change.
L. CertaPro's Approval of Transfer by You	Article 14	CertaPro has the right to approve all transfers, but will not unreasonably withhold approval.
M. Conditions For CertaPro's Approval of Transfer	Article 14	Your satisfaction of all outstanding obligations due to CertaPro; release of CertaPro by you; you agree to remain liable for all obligations under the Franchise Agreement and for all warranties offered by you to your customers; your disclosure of relevant and accurate financial information to the new franchisee; new franchisee qualifies; Transfer Fee paid; payment of pro rata portion of the minimum royalty fees; training fee paid; approval by CertaPro of transaction agreement and other documents; purchase agreement (approved by CertaPro); and, current language franchise agreement signed by new franchisee. In addition to the above, if you transfer to a limited liability entity controlled by you, personal guaranty (Exhibit L) signed by all shareholders or members owning 10% or more; restrictions on business purpose of the entity; restrictions on transfer of stock or interests; payment of our legal fees; assignment and assumption agreement (Exhibit K) signed by you and the entity; and restrictions noted on ownership certificates. Any other reasonable written assurances that CertaPro requires.

Provisions		Section in Franchise Agreement	Summary
N.	CertaPro's Right of First Refusal to Acquire Your Business	Article 14.2	CertaPro can match any bona fide offer for your business.
O.	CertaPro's Option To Purchase Your Business	N/A	None
P.	Your Death or Disability	Article 15	Franchise must be assigned by the Estate to an approved buyer within twelve months.
Q.	Non-Competition Covenants during the Term of the Franchise	Articles 8 and 10.1	Includes prohibition against owning or operating a business which sells the same or similar products or services and prohibits disclosure of confidential information.
R.	Non-Competition Covenants after the Franchise is Terminated or Expires	Article 10.2	Includes prohibition against owning or operating a business that sells the same or similar products or services within 20 miles of your Territory or 5 miles of any other CertaPro franchisee's territory for a period of 3 years after termination or expiration of your Franchise Agreement and no disclosure of confidential information
S.	Modification of the Agreement	Article 6.3	No modifications generally without modification agreement signed by CertaPro and you. CertaPro retains the right to alter business practices, modify the franchise system and reasonably revise the Operations Manual. Revisions to the Operations Manual will not unreasonably affect your obligations, including financial requirements, under the Franchise Agreement.
T.	Integration/ Merger Clause	Article 19.20	Only the terms of the Franchise Agreement are binding (subject to state law); any other promises may not be enforceable.
U.	Dispute Resolution By Arbitration or Mediation	Article 18	Disputes arising from the Franchise Agreement must first be submitted to mediation before CertaPro's President in Pennsylvania. If not resolved, then at CertaPro's option, disputes shall be submitted to formal mediation with a third-party mediator in Pennsylvania. Except for collection claims of \$25,000 or less, injunctive claims, and claims asserted in an action with a third-party, all disputes must be submitted to arbitration in Pennsylvania.
V.	Choice of Forum	Article 18.5	Pennsylvania (subject to applicable state laws)
W.	Choice of Law	Article 19.10	Pennsylvania law applies (subject to applicable state laws)

Any provision in the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under Federal Bankruptcy Law (11 U.S.C. §101, et seq.) (see H above).

**PLEASE REFER TO EXHIBIT E FOR ADDITIONAL INFORMATION ABOUT CERTAIN LEGAL RIGHTS YOU MAY HAVE UNDER THE LAW OF YOUR STATE**

**ITEM 18: PUBLIC FIGURES**

CertaPro does not use any public figures to promote our franchises.

## ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor 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.

### **BACKGROUND**

This Item lists certain historical data as provided to CertaPro by our franchisees. The information provided by the franchisees has not been audited nor has it been independently verified. Substantiation of the data used in preparing this information will be made available upon reasonable request. A number of factors will affect the success of your CertaPro franchise. These factors include whether you are certified to perform Commercial Services, current market conditions, the type of market in your franchise area, the location of your franchise area, the competition, and your ability to operate the franchise.

### **GROSS SALES FOR PAST ~~THREE YEARS~~ YEAR OF FRANCHISEES IN BUSINESS FOR AT LEAST 12 MONTHS**

The following Table presents the Gross Sales realized by CertaPro's franchisees as of year-end (December 31) for ~~2023~~2024, plus average and median Gross Sales, in addition a summary comparison of ~~2023~~2024. Gross Sales is defined as the total revenue derived from sales for labor, materials or services performed or rendered by the franchisee, or any third-party subcontractors of the franchisee who perform services for the franchisee's clients as part of the franchisee's services. Average Gross Sales was determined by dividing the number of franchisees into the total Gross Sales. The Median is the middle figure, with fifty percent (50%) being both above and below that figure.

Some franchisees may own more than one territory. The franchisees included will vary from year to year. All figures are based upon information provided to CertaPro by franchisees who operated a CertaPro franchise for the full 12 months of the respective year, including those that are certified and perform Commercial Services. Franchisees who provided incomplete or partial financial information during the reporting year were excluded from the chart for the applicable reporting year as follows: ~~2023--2024~~ -0. For the purpose of the chart, if an entire existing business was sold to a new buyer, then the business was considered a continuous operation; if it were a partial sale of an existing business, the buyer was considered a new franchisee.

20232024				
\$165,164,167,356	\$754,856,790,603	\$1,135,602,138,835	\$1,753,926,747,200	\$2,964,194,943,943
\$213,852,181,555	\$763,047,794,964	\$1,144,963,142,135	\$1,770,444,751,541	\$2,984,664,989,375
\$220,406,186,230	\$763,303,798,015	\$1,142,447,147,880	\$1,804,774,993	\$3,041,624,020,979
\$260,062,209,663	\$773,753,800,112	\$1,145,493,147,894	\$1,868,791,780,543	\$3,042,674,033,225
\$282,193,318,635	\$777,345,800,573	\$1,146,260,148,375	\$1,874,518,802,761	\$3,147,171,038,714
\$299,554,334,270	\$783,129,810,290	\$1,181,007,148,988	\$1,878,568,803,116	\$3,123,503,044,211
\$314,033,357,573	\$792,036,812,497	\$1,181,734,151,526	\$1,881,180,821,061	\$3,154,168,064,868
\$316,851,376,273	\$800,089,817,226	\$1,189,968,153,746	\$1,913,798,852,558	\$3,185,380,136,156
\$321,152,380,492	\$800,844,821,497	\$1,190,666,155,867	\$1,933,445,852,893	\$3,256,747,206,978
\$321,741,381,758	\$803,116,830,489	\$1,204,864,168,439	\$1,946,800,866,753	\$3,284,502,270,396
\$377,155,401,221	\$815,879,832,273	\$1,205,223,182,410	\$1,964,418,888,022	\$3,284,811,283,395
\$387,843,413,087	\$820,003,835,996	\$1,205,584,021	\$2,004,398,191,045	\$3,321,534,354,180
\$390,254,413,186	\$824,585,844,009	\$1,209,324,217,715	\$2,046,840,194,545	\$3,393,134,370,822
\$433,348	\$850,833	\$1,237,377	\$1,963,477	\$3,391,276
\$411,170,434,047	\$831,588,851,644	\$1,210,855,255,744	\$2,029,540,000,095	\$3,427,250,832
\$412,534,456,747	\$839,239,854,164	\$1,214,546,256,824	\$2,044,725,010,362	\$3,504,557,533,226
\$419,466	\$839,689	\$1,218,056	\$2,051,785	\$3,520,596
\$425,876,468,173	\$842,022,856,501	\$1,242,387,262,975	\$2,055,932,020,448	\$3,573,774,582
\$433,666,474,125	\$846,474,857,655	\$1,248,138,266,056	\$2,104,942,034,449	\$3,604,129,627,336
\$439,055,500,720	\$846,498,863,505	\$1,252,419,270,954	\$2,104,966,039,677	\$3,658,988,628,621
\$450,540,529,804	\$855,135,863,567	\$1,252,922,286,388	\$2,106,340,048,287	\$3,731,068,634,426
\$459,464,537,524	\$856,429,870,078	\$1,281,295,299,938	\$2,123,191,058,564	\$3,897,704,867,272
\$485,218	\$876,044	\$1,284,982	\$2,152,044	\$3,964,010
\$493,059,540,156	\$879,842,870,610	\$1,302,458,301,503	\$2,178,363,061,402	\$4,000,171,050,063
\$503,555,556,279	\$880,296,874,999	\$1,314,032,305,222	\$2,182,865,066,391	\$4,042,004,102,613
\$505,089,569,177	\$892,786,880,089	\$1,320,336,328,499	\$2,206,181,159,139	\$4,238,242,345,988
\$509,941,571,400	\$910,249,884,648	\$1,337,404,342,083	\$2,211,265,192,639	\$4,247,105,385,617
\$511,183,589,920	\$910,722,890,534	\$1,350,962,368,204	\$2,221,736,940	\$4,322,062,467,405
\$518,307,591,729	\$918,657,899,299	\$1,352,049,370,011	\$2,227,846,306,916	\$4,324,052,500,410
\$531,135,596,492	\$928,007,901,820	\$1,360,695,376,296	\$2,245,167,316,166	\$4,432,290,553,353
\$531,264,596,647	\$928,889,10,059	\$1,362,549,384,536	\$2,246,583,345,262	\$4,471,053,607,152
\$533,458,598,093	\$930,285,914,252	\$1,362,759,386,834	\$2,248,217,350,876	\$4,846,500,654,458
\$542,984,607,435	\$937,485,916,112	\$1,367,133,409,247	\$2,250,190,368,185	\$4,981,740,712,411
\$550,193,619,359	\$943,074,922,077	\$1,373,547,417,901	\$2,256,225,368,373	\$5,026,263,475,761
\$564,867,632,480	\$943,985,922,396	\$1,373,596,420,289	\$2,288,255,369,661	\$5,038,445,002,616
\$573,643,636,291	\$957,996,923,317	\$1,378,106,420,388	\$2,314,489,395,480	\$5,085,963,175,366
\$574,469,639,167	\$967,438,923,761	\$1,386,524,448,450	\$2,314,498,407,913	\$5,191,098,204,669
\$577,661,649,390	\$970,122,938,274	\$1,386,642,458,885	\$2,329,896,412,545	\$5,241,945,340,456
\$580,282	\$974,203	\$1,386,698	\$2,343,133	\$5,445,704
\$593,939,670,422	\$979,684,939,774	\$1,395,127,463,081	\$2,350,132,450,281	\$5,450,935,591,615
\$604,577	\$989,495	\$1,398,674	\$2,385,355	\$5,837,648
\$628,305,673,251	\$1,000,475,945,498	\$1,411,506,479,657	\$2,389,824,516,700	\$6,394,967,002,716
\$632,886,673,852	\$1,000,823,963,833	\$1,412,478,483,482	\$2,408,620,517,893	\$6,184,512,828
\$644,396	\$1,001,740	\$1,415,080	\$2,420,668	\$6,550,108
\$645,334,674,777	\$1,004,505,963,883	\$1,421,190,488,458	\$2,453,125,593,913	\$6,570,424,421,125
\$650,178,675,390	\$1,007,184,965,115	\$1,423,614,496,759	\$2,456,846,607,348	\$6,623,463,762,869
\$675,769	\$968,634	\$1,522,722	\$2,673,624	\$6,829,619
\$688,990	\$982,322	\$1,527,000	\$2,677,239	\$6,986,852
\$690,287	\$991,613	\$1,547,338	\$2,704,045	\$7,109,695
\$650,537,698,310	\$1,013,655,000,393	\$1,429,317,548,126	\$2,500,343,708,467	\$7,075,182,185,317
\$652,745,708,782	\$1,019,103,001,383	\$1,430,453,577,626	\$2,517,167,740,357	\$7,278,950,598,814
\$654,865,709,178	\$1,023,157,002,948	\$1,441,501,601,489	\$2,519,141,750,677	\$7,289,409,674,333
\$658,089,711,266	\$1,023,659,003,294	\$1,468,024,613,158	\$2,520,824,759,944	\$7,600,624,727,407
\$658,766,713,247	\$1,032,898,003,626	\$1,479,654,634,947	\$2,552,935,763,974	\$8,214,212,902,213
\$660,169,725,721	\$1,036,845,013,852	\$1,493,414,660,853	\$2,581,363,790,224	\$8,446,1289,547,547
\$660,546	\$1,043,420	\$1,502,084	\$2,602,243	\$8,530,768
\$662,494	\$1,053,879	\$1,503,607	\$2,602,567	\$8,776,984
\$664,067	\$1,060,441	\$1,505,493	\$2,619,630	\$8,899,698
\$669,967,727,934	\$1,075,174,027,480	\$1,515,207,674,516	\$2,641,050,795,334	\$9,902,519,595,518
\$670,340,732,852	\$1,088,654,028,607	\$1,576,768,697,610	\$2,668,758,800,686	\$11,634,10,225,492
\$672,251,735,201	\$1,093,424,034,373	\$1,578,434,698,873	\$2,674,159,809,922	\$13,263,873,10,483,733
\$673,337,739,258	\$1,102,529,057,134	\$1,578,505,700,881	\$2,679,393,811,185	\$13,289,123,296,170
\$675,721,752,766	\$1,103,689,058,599	\$1,588,679,09,256	\$2,711,044,811,390	\$14,294,036,413,586
\$696,044,761,872	\$1,104,082,097,251	\$1,588,785,726,907	\$2,760,733,831,115	\$18,398,535
\$711,686	\$1,106,265	\$1,598,632	\$2,787,996	-
\$715,724,771,745	\$1,123,150,109,473	\$1,679,245,730,724	\$2,791,955,850,381	
\$723,700,781,812	\$1,123,903,131,035	\$1,739,767,731,230	\$2,913,684,859,240	
\$782,542	\$1,136,172	\$1,734,910	\$2,879,346	

Average	\$2,086,740	\$134,130
Count	344	292
# at/above average	405	98
% at/above average	33.86%	
Median	\$1,362,549	\$380,416

2023 2024

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The information is for the respective period of January 1 through December 31, 20202022, January 1 through December 31, 2021, January 1 through December 31, 20222023 and January 1 through December 31, 20232024.

	<u>2024</u>	2023	2022	2021
Average	\$2,134,130	\$2,086,740	\$2,108,170	\$1,848,138
Count	292	311	310	332
# at/above average	98	105	106	114
% at/above average	33.6%	33.8%	34.2%	34.3%
Median	\$1,380,416	\$1,362,549	\$1,392,120	\$1,296,919

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**AVERAGE REVENUE FOR FRANCHISEES  
IN PRODUCTION FOR 12 AND 24 MONTHS**

Production Year 1 - FA signed in <u>2022</u> <u>2023</u>	Top 1/3	Mid 1/3	Bottom 1/3	All
Average Revenue \$	\$425,876 \$1,002,948	\$411,170 \$735,201	\$321,711 \$673,251	\$386,253 \$803,800
# at/above average	1	1	1	23
% at/above average	100.0%	100.0%	100.0%	66.7100.0%
Number of Participants	1	1	1	3
Median Revenue \$	\$425,876 1,002.948	\$411,170 735.201	\$321,711 673.251	\$411,170 735.201

Production Year 2 - FA signed in <u>2021</u> <u>2022</u>	Top 1/3	Mid 1/3	Bottom 1/3	All
Average Revenue \$	\$931,454 4851.64	\$662,996 357.5	\$466,057 167.3	\$686,836 458.8
# at/above average	1	21	1	3
% at/above average	50100.0%	66.7100.0%	50100.0%	42.9100.0%
Number of Participants	21	31	21	73
Median Revenue \$	\$931,454 4851.64	\$672,251 357.5	\$466,057 167.3	\$672,251 357.5

The first Table above shows the 12-month average of 3 franchisees who have been in production for 12 months as of December 31, 20232024 (Production Year One), sorted into three categories based on revenue. The second Table the 12-month average revenue of 7 franchisees who have been in production for 24 months as of December 31, 20232024 (Production Year Two), also sorted into three categories. For both Tables, each of the categories was averaged based on the number of participants noted. Excluded are resales in which a franchisee purchased a complete, ongoing business. Revenue is defined as all Gross Sales generated under the franchise agreement, as reported by these franchisees to CertaPro. Average Gross Sales was determined by dividing the number of franchisees into the total Gross Sales.

The Median is the middle figure, with fifty percent (50%) being both above and below that figure. CertaPro did not audit nor independently verify this information.

**AVERAGE REVENUE FOR FRANCHISEES  
IN PRODUCTION FOR 25 MONTHS OR MORE**

Production Year 3+	Top 1/3	Mid 1/3	Bottom 1/3	All
Average Revenue \$	\$4,594,664,576.732	\$1,445,262,482.595	\$652,770,719.211	\$2,226,334,259.513
# at/above average	4828	2240	2847	5986
% at/above average	3432.6%	37.946.5%	49.454.7%	3433.3%
Number of Participants	5786	5886	5786	172258
Median Revenue \$	\$3,427,250,381,049	\$1,368,048,453.667	\$652,745,746.012	\$1,368,048,453.667

The Table above shows the 12-month average of 172258 franchisees who have been in production for 25 Months or more as of December 31, 20232024, sorted into three categories based on revenue. For the Table above, each of the categories was averaged based on the number of participants noted. Excluded are resales in which a franchisee purchased a complete, ongoing business. Revenue is defined as all Gross Sales generated under the franchise agreement, as reported by these franchisees to CertaPro. Average Gross Sales was determined by dividing the number of franchisees into the total Gross Sales. The Median is the middle figure, with fifty percent (50%) being both above and below that figure. CertaPro did not audit nor independently verify this information.

Some franchisees may own more than one territory. The franchisees included will vary from year to year. All figures are based upon information provided to CertaPro by franchisees who operated a CertaPro franchise for the full 12 months of the respective year, including those that are certified and perform Commercial Services. Gross Sales is defined as the total revenue derived from sales for labor, materials or services performed or rendered by the franchisee, or any third-party subcontractors of the franchisee who perform services for the franchisee's clients as part of the franchisee's services. Average Gross Sales was determined by dividing the number of franchisees into the total Gross Sales. The Median is the middle figure, with fifty percent (50%) being both above and below that figure.

If an entire existing business was sold to a new buyer, then the business was considered a continuous operation; if it were a partial sale of an existing business, the buyer was considered a new franchisee.

All figures are based upon information provided to CertaPro by franchisees, who operated a CertaPro franchise for the full 12 months of the respective year, including those that are certified and perform Commercial Services. The information provided by the franchisees has not been audited nor has it been independently verified. The information is for January 1, 20232024 through December 31, 20232024.

**INFORMATION ABOUT RESIDENTIAL AND COMMERCIAL SALES**

	20232024	20222023	20212022
Residential %	5863%	6358%	6863%
Commercial %	4237%	3742%	3237%

The Table above lists the percentage of Residential and Commercial Services work produced by all franchisees that were active at any time during the year listed, whether for a full year or only a portion of the year, including any that started or ceased operations during the year listed. CertaPro franchisees

identify their services as either Residential or Commercial as part of their usual business reports. This information has not been audited nor has it been independently verified.

**FRANCHISEE FINANCIAL DATA FOR 2023/2024**

The information presented in the Table below was obtained from 42481 geographically diverse CertaPro franchisees, most of whom participate in CertaPro's Flight Program. The Flight Program is a voluntary peer forum for franchisees to drive sustainable business growth through the learning and experience of others. Each group's size varies, and generally ranges from four to ten members. Members commit to attend multiple meetings annually, both virtually and at various sites agreed upon by each group, with each member being responsible for payment of their travel and other expenses. The information provided has not been audited nor has it been independently verified. The financial information and data were voluntarily provided by each participating franchisee to CertaPro, most of whom have been in business more than two years and ranging to more than twenty years in business. Additionally, participants generally had a greater mix of Commercial work versus Residential work than franchisees in production less than two years. Some, but not all of the participants who provided data for this year, may have provided data in previous years. CertaPro believes the information provided is complete and accurate. Further, to the best of our knowledge, these results are deemed to be representative of the results attained by franchisees similarly situated. Your individual results may differ. There is no assurance you will do the same. This data is being supplied to you for informational purposes to be used during your due diligence.

Each figure stated is an average of that figure; no one participant achieved all of the average figures stated. Median is the middle figure. Descriptions of accounts are listed below.

<b>2023/2024 Franchisee Financial Data</b>	Average	# at/above Average	% at/above Average	Median
Revenue	<u>\$2,917,2363,442,115</u>	<u>4325</u>	<u>3531%</u>	<u>\$2,318,915562,893</u>
Cost of Goods Sold	<u>\$1,604,395668,873</u>	<u>3924</u>	<u>3130%</u>	<u>\$1,257,240024,236</u>
Gross Profit \$	<u>\$1,315,841773,241</u>	<u>3928</u>	<u>3135%</u>	<u>\$1,064,675538,657</u>
Gross Profit %	<u>45.151.5%</u>	<u>5550</u>	<u>4462%</u>	<u>45.860.0%</u>
Operating Expenses	<u>\$846,3591,045,267</u>	<u>4325</u>	<u>3531%</u>	<u>\$612,594659,293</u>
Marketing Expense	<u>\$221,688285,704</u>	<u>4425</u>	<u>3531%</u>	<u>\$181,677199,117</u>
CertaPro Royalty and Fees	<u>\$137,767149,645</u>	<u>4227</u>	<u>3433%</u>	<u>\$112,530115,207</u>
EBITDA \$ + Owner's Associate Compensation	<u>\$326,695591,342</u>	<u>4334</u>	<u>3542%</u>	<u>\$176,906448,238</u>
EBITDA % + Owner's Associate Compensation	<u>11.17.2%</u>	<u>5551</u>	<u>4463%</u>	<u>7.617.5%</u>

Descriptions of accounts included in the line items on the preceding page.

*Revenue* is defined as all Gross Sales generated under the franchise agreement in the performance of painting services, which may include both Residential and Commercial work, as well as any miscellaneous or ancillary services performed, such as minor repairs or carpentry.

*Cost of Goods Sold* is defined as the direct labor cost, whether subcontractors or employees, including employee benefits (if any) and government payroll taxes, customer discounts, cost of paint, materials and equipment rental associated with the performance of painting services.

*Gross Profit Dollars* is defined as Revenue less Cost of Goods Sold.

*Gross Profit Percent* is defined as Gross Profit Dollars divided by Revenue.

*Expenses* include:

1. *Operations Expenses* are incurred by businesses employing a sales associate or production associate. These include, but are not limited to wages, commissions, bonuses, benefits (if any), government payroll taxes, worker's compensation, vehicle costs, travel and entertainment, cell phones, learning and

development, computer expenses, and employee recruiting. These costs also include warranty and equipment repairs and maintenance.

2. *Marketing Expenses* include any and all expenses related to direct and brand marketing to the customer, whether Residential or Commercial, such as, materials, home shows, postage, all media including digital and programs. General Advertising Fund and any local advertising cooperative expenses are also included. In addition, if the business employs a marketing associate or intern, all associated costs are included.

3. *CertaPro Royalty and Fees* include all the Royalty Fee and other fees paid by businesses to CertaPro.

4. *General & Administrative Expenses* are incurred by businesses employing an office associate. These include, but are not limited to wages, commissions, bonuses, benefits (if any), government payroll taxes, worker's compensation, vehicle costs, travel and entertainment, cell phones, learning and development, computer expenses, and employee recruiting. Excluded is Owner's Compensation paid to the principal of the business plus related benefits and payroll costs, if any.

5. *Occupancy Expenses* are incurred by businesses renting or owning a location. These include, but are not limited to, rent, property taxes, utilities, telephone, building repair and maintenance, cleaning and trash removal, depreciation, furniture, and equipment.

6. *Other Expenses* include professional services fees, cost of insurance for the business, bad debt expense, office supplies, bank charges, licenses and permits and credit card fees.

7. *Earnings* are defined as Gross Margin minus Operating Expenses (excluding Owner's Compensation, if any) *EBITDA* is defined as Earnings Before Interest, Taxes, Depreciation and Amortization.

Notes to Expenses:

Some businesses have earned this amount. Your individual results may differ. There is no assurance you will do the same. Not all businesses incur all of the expenses listed above. These Tables may not contain complete information concerning operating costs. Revenues and expenses may vary. In particular, the revenues and expenses of your business will be directly affected by many factors, such as: (a) geographic location, (b) competition in your area, (c) advertising and marketing effectiveness based on market saturation, (d) your services and their pricing, (e) vendor prices on materials and supplies, (f) whether you act as an employee of the business, (g) whether you use subcontractors or hire employees, (h) employee salaries and benefits (if any) provided, (i) insurance costs, (j) ability to generate customers, (k) customer loyalty, (l) employment and economic conditions in the market, and (m) your business abilities and efforts. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

We also recommend that you consult your financial/tax advisor or personal accountant concerning financial projections and federal, state, and local income taxes and any other applicable taxes that you may incur in operating a business, as well as regarding depreciation and amortization schedules and the period over which the assets of your business may be amortized or depreciated.

Many CertaPro franchisees obtained Payroll Protection Program loans, Economic Injury Disaster Loans, and/or other financial relief from the Small Business Association or other governmental agencies in 2020. CertaPro is unable to determine how such loans affected franchisees' financial performance in 2020.

We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable to you. The success of your franchise will depend largely upon your individual abilities and your market, and the financial results of your franchise may differ from the results summarized in this Item.

If you are interested in purchasing an existing CertaPro Business, we recommend that you make your own independent investigation of the business in making an offer to purchase. We also recommend that you consult your attorney, financial/tax advisor, or personal accountant concerning the valuation of the business.

Other than as stated above, we do not make any representations about a franchisee's future financial performance or the past financial performance of any 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 Gregory A. Shantz, General Counsel, or Michael Stone, President, by certified mail, at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403; or by phone at (610) 650-9999; or the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

The names, addresses, and telephone numbers of the franchisees operating as of December 31, ~~2023~~2024 are listed by state in Exhibit A attached to this disclosure document. We have also indicated by use of an asterisk those new franchisees who purchased an existing CertaPro Business in ~~2021~~, 2022, ~~2023~~ or ~~2023~~2024. This list includes the franchisees who have had an outlet terminated, canceled or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the one-year period prior to December 31, ~~2023~~2024; some franchisees who sold their businesses during ~~2023~~2024 may be continuing in the system under other franchises. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the system. Some franchisees may have signed confidentiality provisions during the last three years, restricting their ability to speak openly about their experience with CertaPro. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

The CertaPro Franchise Owners Association (CPFOA) is a group of franchisees selected by franchisees who meets regularly with CertaPro. CertaPro did not create and does not sponsor the CPFOA, which does not have a formal mailing address, but can be reached through the Audubon, PA office of CertaPro stated in Item 1, which is 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403; (610) 650-9999.

**TABLE NO. 1  
SYSTEMWIDE OUTLET SUMMARY FOR YEARS ~~2021~~, 2022, ~~2023~~ and ~~2023~~2024**

<u>OUTLET TYPE</u>	<u>YEAR</u>	<u>OUTLETS AT START OF YEAR</u>	<u>OUTLETS AT END OF YEAR</u>	<u>NET CHANGE</u>
	<del>2021</del>	342	<del>341</del>	-4
	2022	341	330	-11
	<del>2023</del>	330	<del>324</del>	-6
<b>FRANCHISED</b>	<del>2023</del> 2024	<del>330</del> 324	<del>324</del> 303	<del>-6</del> -21
	<del>2021</del> 2022	01	1	+10
	<del>2022</del> 2023	1	12	0+1
<b>COMPANY-OWNED</b>	<del>2023</del> 2024	<del>1</del> 2	<del>2</del> 4	<del>+1</del> +2
	<del>2021</del>	342	<del>342</del>	0
	2022	342	331	-11
	<del>2023</del>	331	<del>326</del>	-5
<b>TOTAL OUTLETS</b>	<del>2023</del> 2024	<del>331</del> 326	<del>326</del> 307	<del>-5</del> -19

**TABLE NO. 2  
 TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE  
 FRANCHISOR) FOR YEARS 2024, 2022, 2023 and 20232024**

STATE	YEAR	NUMBER OF TRANSFERS
ALABAMA	<u>2024</u> <u>2022</u>	0
	<u>2022</u>	0
	2023	1
ALASKA	<u>2024</u>	0
	<u>2024</u> <u>2022</u>	0
	<u>2022</u>	0
ARIZONA	2023	0
	<u>2024</u>	0
	<u>2024</u> <u>2022</u>	10
ARKANSAS	<u>2022</u>	0
	2023	1
	<u>2024</u>	0
CALIFORNIA	<u>2024</u> <u>2022</u>	0
	<u>2022</u>	20
	2023	3
COLORADO	<u>2024</u>	3
	<u>2024</u> <u>2022</u>	1
	<u>2022</u>	1
CONNECTICUT	2023	1
	<u>2024</u>	0
	<u>2024</u> <u>2022</u>	01
DELAWARE	<u>2022</u>	1
	2023	0
	<u>2024</u>	0
WASH. DC	<u>2024</u> <u>2022</u>	0
	<u>2022</u>	0
	2023	0
WASH.-DC	<u>2024</u> <u>2024</u>	0
	2022	02
	2023	03
FLORIDA	<u>2024</u> <u>2024</u>	3
	<u>2022</u>	23
	2023	31
GEORGIA	<u>2024</u> <u>2024</u>	10
	2022	30
	2023	10
HAWAII	<u>2024</u> <u>2024</u>	01
	2022	0
	2023	0
IDAHO	<u>2024</u> <u>2024</u>	07
	2022	0
	2023	0
ILLINOIS	<u>2024</u> <u>2024</u>	10
	2022	0
	2023	0
INDIANA	<u>2024</u> <u>2024</u>	0
	2022	0
	2023	0
IOWA	<u>2024</u> <u>2024</u>	0
	2022	0
	2023	0
KANSAS	<u>2024</u> <u>2024</u>	0
	2022	0
	2023	0
KENTUCKY	<u>2022</u>	0
	2021	1
	<u>2023</u>	0
LOUISIANA	<u>2024</u> <u>2022</u>	0
	<u>2022</u> <u>2023</u>	0
	<u>2023</u> <u>2024</u>	0
MAINE	<u>2024</u> <u>2022</u>	0
	<u>2022</u> <u>2023</u>	0
	<u>2023</u> <u>2024</u>	0

MARYLAND	<del>2024</del> 2022	40
	<del>2022</del> 2023	01
	<del>2023</del> 2024	40
MASSACHUSETTS	<del>2024</del> 2022	40
	<del>2022</del> 2023	01
	<del>2023</del> 2024	1

STATE	YEAR	NUMBER OF TRANSFERS
MICHIGAN	<del>2024</del> 2022	0
	<del>2022</del>	0
	2023	1
MINNESOTA	<del>2024</del>	0
	<del>2024</del> 2022	40
	<del>2022</del>	0
MISSISSIPPI	2023	0
	<del>2024</del>	0
	<del>2024</del> 2022	0
MISSOURI	2023	0
	<del>2024</del>	0
	<del>2024</del> 2022	1
MONTANA	2022	1
	<del>2023</del>	1
	<del>2024</del>	0
NEBRASKA	2022	0
	<del>2023</del>	0
	<del>2024</del>	0
NEVADA	2022	1
	<del>2023</del>	0
	<del>2024</del>	0
NEW HAMPSHIRE	2022	2
	<del>2023</del>	0
	<del>2024</del>	0
NEW JERSEY	2022	0
	<del>2023</del>	0
	<del>2024</del>	0
NEW MEXICO	2022	0
	<del>2023</del>	0
	<del>2024</del>	0
NEW YORK	2022	1
	<del>2023</del>	1
	<del>2024</del>	0
NORTH CAROLINA	2022	2
	<del>2023</del>	1
	<del>2024</del>	1
NORTH DAKOTA	2022	0
	<del>2023</del>	0
	<del>2024</del>	0
OHIO	2022	0
	<del>2023</del>	0
	<del>2024</del>	0
OKLAHOMA	2022	0
	<del>2023</del>	0
	<del>2024</del>	0
OREGON	2022	1
	<del>2023</del>	1
	<del>2024</del>	0
PENNSYLVANIA	2022	0
	<del>2023</del>	1
	<del>2024</del>	0
PUERTO RICO	2022	0
	<del>2023</del>	0
	<del>2024</del>	0
RHODE ISLAND	2022	0
	<del>2023</del>	0
	<del>2024</del>	0
SOUTH CAROLINA	2022	0
	<del>2023</del>	2
	<del>2024</del>	0
SOUTH DAKOTA	2022	0
	<del>2023</del>	0
	<del>2024</del>	0
MISSOURI	2023	0
	<del>2024</del> 2024	0

<u>TENNESSEE</u>	2022	13
	2023	10
MONTANA	<u>2024</u> 2024	0
<u>TEXAS</u>	2022	03
	2023	0
NEBRASKA	<u>2024</u> 2024	0
<u>UTAH</u>	2022	0
	2023	0
NEVADA	<u>2024</u> 2024	0
	2022	1
	2023	0
NEW HAMPSHIRE	2024	1
	2022	2
	2023	0
NEW JERSEY	2024	1
	2022	0
	2023	0
NEW MEXICO	2024	0
	2022	0
	2023	0
NEW YORK	2024	0
	2022	1
	2023	1
NORTH CAROLINA	2024	1
	2022	2
	2023	1
NORTH DAKOTA	2024	0
	2022	0
	2023	0
OHIO	2024	0
	2022	0
	2023	0
OKLAHOMA	2024	0
	2022	0
	2023	0
OREGON	2024	1
	2022	1
	2023	1
PENNSYLVANIA	2024	0
	2022	0
	2023	1
PUERTO RICO	2024	0
	2022	0
	2023	0
RHODE ISLAND	2024	1
	2022	0
	2023	0
SOUTH CAROLINA	2024	1
	2022	0
	2023	2
SOUTH DAKOTA	2024	0
	2022	0
	2023	0
TENNESSEE	2020	0
	2024	3
	2022	0
TEXAS	2024	0
	2022	3
	2023	0
UTAH	2024	0
	2022	0
	2023	0
STATE	YEAR	NUMBER OF TRANSFERS
VERMONT	<u>2024</u> 2022	0
	2022	0
	2023	0
	2024	0
VIRGINIA	<u>2024</u> 2022	0
	2022	0
	2023	2
	2024	2
WASHINGTON	<u>2024</u> 2022	0
	2022	0

	<u>2023</u>	1
	<u>2024</u>	<u>0</u>
WEST VIRGINIA	<u>2024</u> <u>2022</u>	0
	<u>2023</u>	<u>0</u>
	<u>2024</u>	<u>0</u>
WISCONSIN	2022	0
	2023	0
WISCONSIN	<u>2024</u> <u>2024</u>	<u>10</u>
WYOMING	2022	0
	2023	0
WYOMING	<u>2024</u> <u>2024</u>	<u>0</u>
	<u>2022</u>	<u>0</u>
	<u>2023</u>	<u>0</u>
TOTALS	<u>2024</u> <u>2022</u>	<u>22</u> <u>19</u>
	<u>2022</u>	<u>19</u>
	2023	23
	<u>2024</u>	<u>19</u>

**TABLE NO. 3**  
**STATUS OF FRANCHISED OUTLETS FOR YEARS 2021, 2022, 2023 and 2023/2024**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS/ OTHER REASONS	OUTLETS AT THE END OF YEAR
ALABAMA	<u>2021</u>	<u>43</u>	0	<u>10</u>	0	0	0	3
	<u>2022</u>	3	0	0	0	0	0	3
	<u>2023</u>	<u>3</u>	<u>01</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>34</u>
	<u>2024</u>	0	0	0	0	0	0	0
ALASKA	<u>2021</u>	0	0	0	0	0	0	0
	<u>2022</u>	0	0	0	0	0	0	0
	<u>2023</u>	0	0	0	0	0	0	0
	<u>2024</u>	0	0	0	0	0	0	0
ARIZONA	<u>2021</u>	<u>98</u>	0	<u>01</u>	0	0	<u>10</u>	<u>87</u>
	<u>2022</u>	8	0	4	0	0	0	7
	<u>2023</u>	7	0	0	0	0	0	7
	<u>2024</u>	7	0	0	0	0	0	7
ARKANSAS	<u>2021</u>	2	0	0	0	0	0	2
	<u>2022</u>	2	0	0	0	0	0	2
	<u>2023</u>	2	0	0	0	0	0	2
	<u>2024</u>	2	0	0	0	0	0	2
CALIFORNIA	<u>2021</u>	<u>2023</u>	<u>40</u>	<u>12</u>	0	0	0	<u>2321</u>
	<u>2022</u>	23	0	2	0	0	0	24
	<u>2023</u>	21	0	0	0	1	2	18
	<u>2024</u>	<u>1018</u>	0	0	<u>01</u>	0	<u>12</u>	<u>915</u>
COLORADO	<u>2022</u>	9	0	0	0	0	0	9
	<u>2023</u>	9	0	0	0	0	0	9
CONNECTICUT	<u>2021</u>	<u>69</u>	<u>10</u>	<u>10</u>	0	0	0	<u>69</u>
	<u>2022</u>	6	0	0	0	0	0	6
CONNECTICUT	<u>2023</u>	6	0	0	0	0	0	6
	<u>2024</u>	<u>16</u>	0	<u>01</u>	0	0	0	<u>15</u>
DELAWARE	<u>2022</u>	1	0	0	0	0	0	1
	<u>2023</u>	1	0	0	0	0	0	1
WASH. DC	<u>2021</u>	<u>21</u>	0	<u>10</u>	0	0	0	1
	<u>2022</u>	1	0	0	0	0	0	1
WASH. DC	<u>2023</u>	1	0	0	0	0	0	1
	<u>2024</u>	<u>261</u>	0	0	0	0	0	<u>261</u>
FLORIDA	<u>2022</u>	26	0	0	0	0	0	26
	<u>2023</u>	26	1	0	0	0	1	26
	<u>2024</u>	<u>26</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>25</u>
	<u>2021</u>	16	0	0	0	0	0	16
GEORGIA	<u>2022</u>	16	0	0	0	0	<u>01</u>	<u>1615</u>
	<u>2023</u>	<u>1615</u>	0	0	0	0	<u>10</u>	<u>15</u>
	<u>2024</u>	0	0	0	0	0	0	0
	<u>2022</u>	0	0	0	0	0	0	0
HAWAII	<u>2023</u>	0	0	0	0	0	0	0
	<u>2024</u>	0	0	0	0	0	0	0
	<u>2021</u>	1	0	0	0	0	0	1
	<u>2022</u>	1	0	0	0	0	0	1
IDAHO	<u>2023</u>	1	0	0	0	0	0	1
	<u>2024</u>	20	0	0	0	0	0	20
	<u>2021</u>	20	0	0	0	0	0	20
	<u>2022</u>	20	0	0	0	0	0	20

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS/ OTHER REASONS	OUTLETS AT THE END OF YEAR
INDIANA	2022	20	0	0	0	0	0	20
	2023	20	0	1	0	0	0	19
	2024	419	10	0	0	0	05	514
	2024							
IOWA	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2024	2	0	0	0	0	0	2
KANSAS	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
KENTUCKY	2022	23	0	0	0	0	01	2
	2023	2	0	0	0	0	0	2
	2024	32	0	0	0	0	0	32
	2024							
LOUISIANA	2022	3	0	0	0	0	1	2
	2023	2	0	0	0	0	0	2
	2024	64	01	0	0	0	10	45
	2024							
MAINE	2022	4	1	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	2	0	0	0	3
	2024	1	0	0	0	0	0	1
MARYLAND	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	4410	0	10	0	0	0	10
	2024							
STATE	2022	10	0	0	0	0	0	10
	2023	10	0	0	0	0	0	10
	2024	10	0	0	0	0	0	10
	2024							
MASSACHUSETTS	2024	14	01	0	0	0	0	1415
	2022	4415	10	0	0	0	0	15
	2023	15	0	01	0	0	0	1514
	2024	810	20	0	0	0	0	10
MICHIGAN	2022	10	0	0	0	0	01	109
	2023	109	0	01	0	0	10	98
	2024	7	0	0	0	0	0	7
	2024							
MINNESOTA	2022	7	0	0	0	0	0	7
	2023	7	0	0	1	0	0	6
	2024	6	0	0	0	0	0	6
	2024	1	0	0	0	0	0	1
MISSISSIPPI	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2024							
MISSOURI	2022	65	0	10	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	1	4
	2024	4	0	0	0	0	0	4
MONTANA	2024	01	10	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1

NEBRASKA	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NEBRASKA	20242	1	0	0	0	0	0	1
	024							
NEVADA	2022	43	0	0	0	0	0	43
	2023	43	0	0	0	0	0	43
NEVADA	20242	3	0	0	0	0	0	3
	024							
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
NEW HAMPSHIRE	20242	4	0	0	0	0	0	4
	022							
	20222	4	0	0	0	0	0	4
	023							
	20232	4	0	0	0	0	0	4
	024							
NEW JERSEY	20242	18	0	01	0	0	0	4817
	022							
	20222	4817	0	40	0	0	0	17
	023							
	20232	17	0	0	0	0	0	17
	024							
NEW MEXICO	20242	1	0	0	0	0	0	1
	022							
	20222	1	0	0	0	0	0	1
	023							
	20232	1	0	0	0	0	0	1
	024							
NEW YORK	20242	17	0	01	0	0	01	4715
	022							
	2022	47	0	4	0	0	4	15
	2023	15	0	1	0	0	0	14
	2024	14	0	2	0	0	0	12
NORTH CAROLINA	20242	14	0	0	0	0	0	14
	022							
	20222	14	0	0	0	0	0	14
	023							
	20232	14	0	0	0	0	01	1413
	024							
NORTH DAKOTA	20242	0	0	0	0	0	0	0
	022							
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
OHIO	20242	90	0	0	0	0	0	90
	024							
OHIO	2022	9	1	0	0	0	0	10
	2023	10	0	0	0	0	0	10
	2024	10	0	1	0	0	0	9
OKLAHOMA	20242	3	0	01	0	0	0	32
	022							
	2022	3	0	4	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
OREGON	20242	5	40	0	0	0	1	54
	022							
	2022	5	0	0	0	0	4	4
	2023	4	1	0	0	0	0	5
	2024	5	0	1	0	0	0	4
PENNSYLVANIA	20242	15	0	0	01	0	0	4514
	022							
	20222	4514	01	0	40	0	0	4415
	023							
	20232	4415	10	0	0	0	0	15
	024							
PUERTO RICO	20242	0	0	0	0	0	0	0
	022							
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
RHODE ISLAND	20242	21	0	0	0	0	40	1
	022							
	20222	1	0	0	0	0	0	1
	023							
	20232	1	0	0	0	0	0	1
	024							

SOUTH CAROLINA	<u>2024</u>	9	0	0	0	0	0	9
	<u>2022</u>	9	0	0	0	0	0	9
	<u>2023</u>	9	0	0	0	0	0	9
	<u>2024</u>	9	0	1	0	0	0	8
SOUTH DAKOTA	<u>2024</u>	0	0	0	0	0	0	0
	<u>2022</u>	0	0	0	0	0	0	0
	<u>2023</u>	0	0	0	0	0	0	0
	<u>2024</u>	0	0	0	0	0	0	0
TENNESSEE	<u>2024</u>	7	0	0	0	0	0	7
	<u>2022</u>	7	0	0	0	0	0	7
	<u>2023</u>	7	0	0	0	0	0	7
	<u>2024</u>	7	0	0	0	0	0	7
STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS/ OTHER REASONS	OUTLETS AT THE END OF YEAR
TEXAS	<u>2024</u>	2628	20	02	0	0	02	2824
	<u>2022</u>	2824	0	20	0	0	20	24
	<u>2023</u>	24	0	02	0	0	0	2422
	<u>2024</u>	2	0	0	0	0	0	2
UTAH	<u>2022</u>	2	0	0	0	0	0	2
	<u>2023</u>	2	0	0	0	0	0	2
	<u>2024</u>	2	0	0	0	0	0	2
VERMONT	<u>2022</u>	0	0	0	0	0	0	0
	<u>2023</u>	0	0	0	0	0	0	0
	<u>2024</u>	0	0	0	0	0	0	0
VIRGINIA	<u>2022</u>	12	0	0	0	0	0	12
	<u>2023</u>	12	0	0	0	0	0	12
	<u>2024</u>	12	01	0	01	0	0	12
WASHINGTON	<u>2022</u>	9	0	0	0	0	0	9
	<u>2023</u>	9	0	0	0	0	0	9
	<u>2024</u>	9	1	0	0	0	0	10
WEST VIRGINIA	<u>2022</u>	0	0	0	0	0	0	0
	<u>2023</u>	0	0	0	0	0	0	0
	<u>2024</u>	0	0	0	0	0	0	0
WISCONSIN	<u>2022</u>	42	0	0	0	-10	10	2
	<u>2023</u>	2	0	0	0	0	0	2
	<u>2024</u>	2	0	0	0	0	0	2
WYOMING	<u>2022</u>	0	0	0	0	0	0	0
	<u>2023</u>	0	0	0	0	0	0	0
	<u>2024</u>	0	0	0	0	0	0	0
TOTALS	<u>2024</u>	3420	120	60	0	-10	60	3410
TOTALS	<u>2022</u>	341	3	8	1	0	5	330
TOTALS	<u>2023</u>	330	4	2	1	1	6	324
TOTALS	<u>2024</u>	324	3	13	2	0	9	303

Some CertaPro franchisees may own more than own territory. As of December 31, ~~2023~~2024, there were ~~320~~303 franchisees who owned ~~458~~445 territories. ~~231~~212 franchisees owned 1 territory, and ~~89~~90 franchisees owned more than 1 territory.

**TABLE NO. 4**  
**STATUS OF COMPANY-OWNED OUTLETS FOR ~~2021~~, 2022, 2023 and 20232024**

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
ALABAMA	<del>2021</del>	0	0	0	0	0	0
	<del>2022</del>	0	0	0	0	0	0
	<del>2023</del>	0	0	0	0	0	0
	2024	0	0	0	0	0	0
ALASKA	<del>2021</del>	0	0	0	0	0	0
	<del>2022</del>	0	0	0	0	0	0
	<del>2023</del>	0	0	0	0	0	0
	2024	0	0	0	0	0	0
ARIZONA	<del>2021</del>	0	0	0	0	0	0
	<del>2022</del>	0	0	0	0	0	0
	<del>2023</del>	0	0	0	0	0	0
	2024	0	0	0	0	0	0
ARKANSAS	<del>2021</del>	0	0	0	0	0	0
	<del>2022</del>	0	0	0	0	0	0
	<del>2023</del>	0	0	0	0	0	0
	2024	0	0	0	0	0	0
CALIFORNIA	<del>2021</del>	0	0	0	0	0	0
	<del>2022</del>	0	01	0	0	0	01
	<del>2023</del>	01	10	0	0	0	1
	2024	0	0	0	0	0	0
COLORADO	<del>2021</del>	0	0	0	0	0	0
	<del>2022</del>	0	0	0	0	0	0
	<del>2023</del>	0	0	0	0	0	0
	2024	0	0	0	0	0	0
CONNECTICUT	<del>2021</del>	0	0	0	0	0	0
	<del>2022</del>	0	0	0	0	0	0
	<del>2023</del>	0	0	0	0	0	0
	2024	0	0	0	0	0	0
DELAWARE	<del>2021</del>	0	0	0	0	0	0
	<del>2022</del>	0	0	0	0	0	0
	<del>2023</del>	0	0	0	0	0	0
	2024	0	0	0	0	0	0
WASH. DC	<del>2021</del>	0	0	0	0	0	0
	<del>2022</del>	0	0	0	0	0	0
	<del>2023</del>	0	0	0	0	0	0
	2024	0	0	0	0	0	0
FLORIDA	<del>2021</del>	0	01	0	0	0	01
	<del>2022</del>	0	0	0	0	0	0

	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
GEORGIA	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
HAWAII	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
IDAHO	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
ILLINOIS	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	01	0	0	0	01
	<u>024</u>						
INDIANA	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
IOWA	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
KANSAS	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
KENTUCKY	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
LOUISIANA	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
MAINE	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
MARYLAND	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
MASSACHUSETTS	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						

STATE	20232 024 YEAR	0	0	0	0	0	0
		OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
MICHIGAN	20242 022 20222	0	0	0	0	0	0
	023 20232	0	0	0	0	0	0
MINNESOTA	024 20242	0	0	0	0	0	0
	022 20222	0	0	0	0	0	0
	023 20232	0	0	0	0	0	0
MISSISSIPPI	024 20242	0	0	0	0	0	0
	022 20222	0	0	0	0	0	0
	023 20232	0	0	0	0	0	0
MISSOURI	024 20242	0	0	0	0	0	0
	022 20222	0	0	0	0	0	0
	023 20232	0	0	0	0	0	0
MONTANA	024 20242	0	0	0	0	0	0
	022 20222	0	0	0	0	0	0
	023 20232	0	0	0	0	0	0
NEBRASKA	024 20242	0	0	0	0	0	0
	022 20222	0	0	0	0	0	0
	023 20232	0	0	0	0	0	0
NEVADA	024 20242	0	0	0	0	0	0
	022 20222	0	0	0	0	0	0
	023 20232	0	0	0	0	0	0
NEW HAMPSHIRE	024 20242	0	0	0	0	0	0
	022 20222	0	0	0	0	0	0
	023 20232	0	0	0	0	0	0
NEW JERSEY	024 20242	0	0	0	0	0	0
	022 20222	0	0	0	0	0	0
	023 20232	0	0	0	0	0	0
NEW MEXICO	024 20242	0	0	0	0	0	0
	022 20222	0	0	0	0	0	0
	023 20232	0	0	0	0	0	0
NEW YORK	024 20242	0	0	0	0	0	0
	022 20222	0	0	0	0	0	0
	023 20232	0	0	0	0	0	0
NORTH CAROLINA	024 20242	0	0	0	0	0	0
	022						

	<u>2022</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>2023</u>	0	0	0	0	0	0
	<u>024</u>						
NORTH DAKOTA	<u>2024</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>2022</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>2023</u>	0	0	0	0	0	0
	<u>024</u>						
OHIO	<u>2024</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>2022</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>2023</u>	0	0	0	0	0	0
	<u>024</u>						
OKLAHOMA	<u>2024</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>2022</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>2023</u>	0	0	0	0	0	0
	<u>024</u>						
OREGON	<u>2024</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>2022</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>2023</u>	0	0	0	0	0	0
	<u>024</u>						
PENNSYLVANIA	<u>2024</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>2022</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>2023</u>	0	0	0	0	0	0
	<u>024</u>						
PUERTO RICO	<u>2024</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>2022</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>2023</u>	0	0	0	0	0	0
	<u>024</u>						
RHODE ISLAND	<u>2024</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>2022</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>2023</u>	0	0	0	0	0	0
	<u>024</u>						
SOUTH CAROLINA	<u>2024</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>2022</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>2023</u>	0	0	0	0	0	0
	<u>024</u>						
SOUTH DAKOTA	<u>2024</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>2022</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>2023</u>	0	0	0	0	0	0
	<u>024</u>						
TENNESSEE	<u>2024</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>2022</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>2023</u>	0	0	0	0	0	0
	<u>024</u>						
TEXAS	<u>2024</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>2022</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>2023</u>	0	0	0	0	0	0
	<u>024</u>						
STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR

UTAH	<u>20212</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
VERMONT	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
VIRGINIA	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
WASHINGTON	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
WEST VIRGINIA	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
WISCONSIN	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
WYOMING	<u>20242</u>	0 <sub>1</sub>	4 <sub>0</sub>	0	0	0	1
	<u>022</u>						
	<u>20222</u>	1	0	0	0	0	1
	<u>023</u>						
TOTALS	<u>20232</u>	1	0	0	0	0	1
	<u>024</u>						
	<u>20242</u>	0	0	0	0	0	0
	<u>022</u>						
TOTALS	<u>20222</u>	0	0	0	0	0	0
	<u>023</u>						
	<u>20232</u>	0	0	0	0	0	0
	<u>024</u>						
TOTALS	<u>20242</u>	0 <sub>1</sub>	4 <sub>0</sub>	0	0	0	1
	<u>022</u>						
	<u>20222</u>	1	0 <sub>1</sub>	0	0	0	4 <sub>2</sub>
	<u>023</u>						
TOTALS	<u>20232</u>	4 <sub>2</sub>	4 <sub>2</sub>	0	0	0	2 <sub>4</sub>
	<u>024</u>						

**TABLE NO. 5**  
**PROJECTED OPENINGS AS OF DECEMBER 31, ~~2024~~2025**

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED	PROJECTED NEW FRANCHISED OUTLET IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLET IN THE NEXT FISCAL YEAR
ALABAMA	0	<del>10</del>	0
ALASKA	0	0	0
ARIZONA	0	1	0
ARKANSAS	0	0	0
CALIFORNIA	0	2	<del>0</del> 1
COLORADO	0	<del>10</del>	0
CONNECTICUT	0	0	0
DELAWARE	0	0	0
WASH. DC	0	0	0
FLORIDA	0	<del>21</del>	<del>20</del>
GEORGIA	0	0	0
HAWAII	0	0	0
IDAHO	0	<del>10</del>	0
ILLINOIS	0	0	<del>10</del>
INDIANA	0	0	0
IOWA	0	0	0
KANSAS	0	0	0
KENTUCKY	0	0	0
LOUISIANA	0	0	0
MAINE	0	0	0
MARYLAND	0	<del>0</del> 1	0
MASSACHUSETTS	0	0	0
MICHIGAN	0	<del>12</del>	0
MINNESOTA	0	0	0
MISSISSIPPI	0	0	0
MISSOURI	0	1	0
MONTANA	0	0	0
NEBRASKA	0	<del>0</del> 1	0
NEVADA	0	0	0
NEW HAMPSHIRE	0	0	0
NEW JERSEY	0	<del>0</del> 2	0
NEW MEXICO	0	0	0
NEW YORK	0	<del>23</del>	0

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED	PROJECTED NEW FRANCHISED OUTLET IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLET IN THE NEXT FISCAL YEAR
NORTH CAROLINA	0	0	0
NORTH DAKOTA	0	0	0
OHIO	0	1	0
OKLAHOMA	0	0	0
OREGON	0	0	0
PENNSYLVANIA	0	0	0
PUERTO RICO	0	0	0
RHODE ISLAND	0	0	0
SOUTH CAROLINA	0	0	0
SOUTH DAKOTA	0	0	0
TENNESSEE	0	0	0
TEXAS	0	1	0
UTAH	0	0	0
VERMONT	0	0	0
VIRGINIA	0	43	0
WASHINGTON	0	0	0
WEST VIRGINIA	0	0	0
WISCONSIN	0	0	0
WYOMING	0	0	0
TOTALS	0	4519	31

#### ITEM 21: FINANCIAL STATEMENTS

Exhibit B to this disclosure document contains the following financial statements:

(1) audited financial statements for FS Brands, Inc., parent of Certa ProPainters, Ltd., for the fiscal years ending December 31, ~~2023~~2024 and December 31, ~~2022~~2023; and

(2) audited financial statements for FS Brands, Inc., parent of Certa ProPainters, Ltd., for the fiscal years ending December 31, ~~2022~~2023 and December 31, ~~2021~~2022.

**IF ANY OF THE ENCLOSED FINANCIAL STATEMENTS ARE UNAUDITED, PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED THEIR OPINION WITH REGARD TO CONTENT OR FORM.**

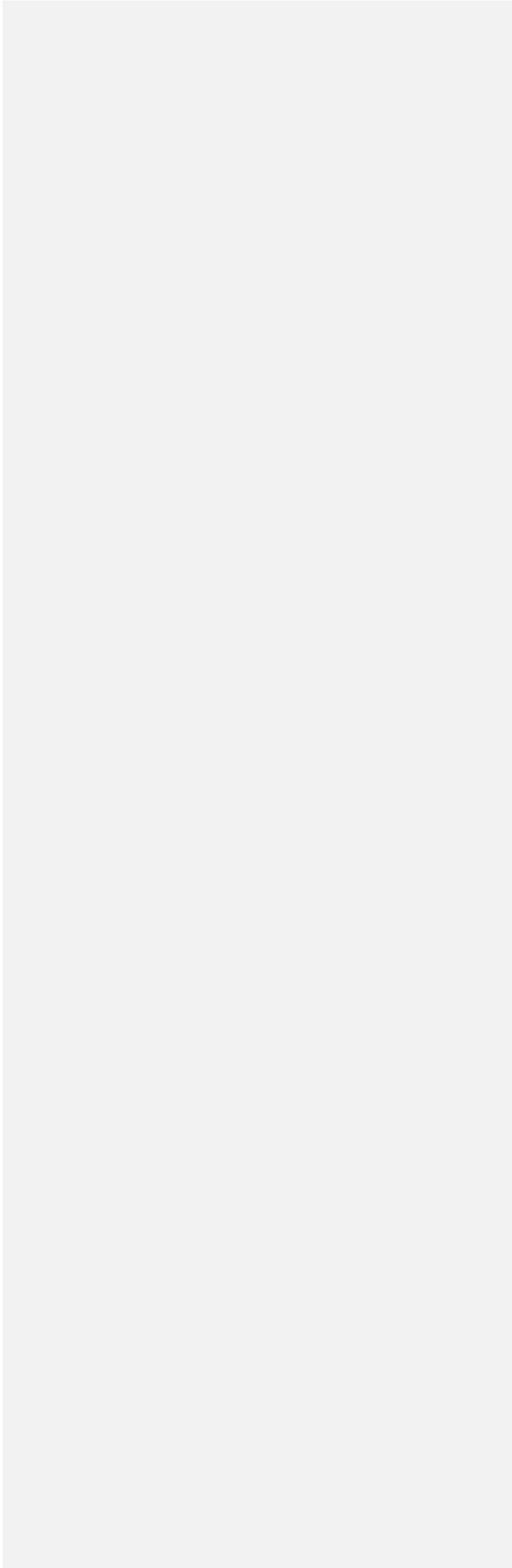
Certain states and the Federal Trade Commission require that a Guarantee of Performance be given by FS Brands, Inc. Guarantees are on file in the following states: California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin. Copies of these guarantees are attached as Exhibit F. FS Brands, Inc. absolutely and unconditionally guarantees CertaPro's obligations under the Franchise Agreement.

**ITEM 22: CONTRACTS**

Exhibit C of this disclosure document contains a copy of CertaPro's Franchise Agreement including all schedules attached thereto and amendment, if applicable. Exhibit N of this disclosure document contains a copy of the Local Advertising Cooperative Program Participation Agreement that you must sign if an advertising cooperative has been established in your area. See Item 11 for more information about local advertising cooperatives.

**ITEM 23: RECEIPTS**

The last two pages of this disclosure document contain the receipt/acknowledgment that the prospective franchisee received a copy of this disclosure document and the exhibits attached to it.



**EXHIBIT A**  
**FRANCHISEE LIST**

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**EXHIBIT B**  
**AUDITED FINANCIAL STATEMENTS**

**FS Brands, Inc.**

Consolidated Financial Statements  
**December 31, 2024 and**  
**December 31, 2023**  
(expressed in US dollars)



## **Report of Independent Auditors**

To the Management and Board of Directors of FS Brands, Inc.

### ***Opinion***

We have audited the accompanying consolidated financial statements of FS Brands, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and December 31, 2023, and the related consolidated statements of income and comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and December 31, 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada  
March 25, 2025

**FS Brands, Inc.**

## Consolidated Balance Sheets

As at December 31, 2024 and December 31, 2023

(expressed in US dollars)

	2024 \$	2023 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	81,752,083	74,395,379
Restricted cash	728,048	289,567
Accounts receivable – net of allowance for doubtful accounts of \$4,769,460 (2023 – \$3,822,098)	98,370,150	73,640,316
Notes receivable (note 5)	753,999	979,789
Inventories	44,747,610	46,944,449
Prepaid expenses and other current assets	26,647,680	19,367,721
Income taxes recoverable	16,432,357	14,860,359
	<u>269,431,927</u>	<u>230,477,580</u>
<b>Notes receivable (note 5)</b>	9,380,811	9,746,789
<b>Other assets</b>	10,785,960	9,622,884
<b>Property and equipment (note 6)</b>	64,308,483	58,187,454
<b>Intangible assets (note 7)</b>	35,099,730	39,809,871
<b>Goodwill (note 8)</b>	137,179,959	135,209,812
<b>Operating lease right-of-use asset (note 9)</b>	65,005,041	61,114,454
	<u>591,191,911</u>	<u>544,168,844</u>

**Approved by the Board of Directors**\_\_\_\_\_  
Director\_\_\_\_\_  
Director

The accompanying notes are an integral part of these consolidated financial statements.

**FS Brands, Inc.**Consolidated Balance Sheets...*continued*

As at December 31, 2024 and December 31, 2023

(expressed in US dollars)

	2024 \$	2023 \$
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	31,540,435	20,246,247
Accrued liabilities	69,999,391	70,223,561
Deferred revenue and customer deposits	39,806,903	42,470,440
Due to ultimate parent	21,744,502	23,166,961
Income taxes payable	3,404,120	833,439
Operating lease liabilities – current (note 9)	14,387,139	12,328,887
	<u>180,882,490</u>	<u>169,269,535</u>
<b>Deferred revenue</b>	22,747,519	21,084,490
<b>Long-term value appreciation rights</b>	9,754,020	8,915,671
<b>Income taxes payable</b>	186,059	186,059
<b>Deferred income taxes</b> (note 10)	10,949,640	11,146,082
<b>Operating lease liabilities</b> – non-current (note 9)	56,742,291	51,682,224
	<u>281,262,019</u>	<u>262,284,061</u>
<b>Non-controlling interests</b> (note 12)	72,477,028	66,979,653
	<u>72,477,028</u>	<u>66,979,653</u>
<b>Stockholders' Equity</b>		
<b>Common stock</b>	1	1
<b>Additional paid-in capital</b>	29,529,067	29,529,067
<b>Retained earnings</b>	207,923,796	185,376,062
	<u>237,452,864</u>	<u>214,905,130</u>
	<u>591,191,911</u>	<u>544,168,844</u>

The accompanying notes are an integral part of these consolidated financial statements.

**FS Brands, Inc.****Consolidated Statements of Income and Comprehensive Income  
For the years ended December 31, 2024 and December 31, 2023**

(expressed in US dollars)

	2024 \$	2023 \$
<b>Revenue</b> (note 3)		
Royalties	99,791,571	99,564,101
Franchise fees	7,396,575	6,131,358
Merchandise sales	645,220,204	584,521,531
Services and other	97,957,315	91,982,256
	<u>850,365,665</u>	<u>782,199,246</u>
<b>Costs and expenses</b>		
Franchise operating	43,037,230	41,994,603
Cost of merchandise sales	447,715,916	417,539,405
Cost of services	14,386,988	7,575,789
General and administrative	227,676,089	211,319,558
Management fees to parent (note 4)	7,540,176	6,772,822
Depreciation and amortization	27,270,896	29,188,378
	<u>767,627,295</u>	<u>714,390,555</u>
<b>Income from operations</b>	82,738,370	67,808,691
<b>Other income (expense)</b>		
Interest income	663,746	-
Interest expense	-	(257,558)
	<u>83,402,116</u>	<u>67,551,133</u>
<b>Income before income taxes</b>	83,402,116	67,551,133
<b>Provision for income taxes</b> (note 10)	23,297,857	17,567,609
<b>Net income for the year</b>	60,104,259	49,983,524
<b>Non-controlling interests' share of earnings</b> (note 12)	(2,463,477)	(2,982,184)
<b>Non-controlling interests' redemption increment</b> (note 12)	(5,093,012)	(6,143,537)
<b>Net income and comprehensive income attributable to common stockholders for the year</b>	<u>52,547,770</u>	<u>40,857,803</u>

The accompanying notes are an integral part of these consolidated financial statements.

**FS Brands, Inc.****Consolidated Statements of Changes in Stockholders' Equity  
For the years ended December 31, 2024 and December 31, 2023**

(expressed in US dollars)

	Common stock \$	Additional paid-in capital \$	Retained earnings \$	Total \$
<b>Balance – December 31, 2022</b>	1	29,529,067	144,518,259	174,047,327
Net income and comprehensive income attributable to common stockholders for the year	-	-	40,857,803	40,857,803
<b>Balance – December 31, 2023</b>	1	29,529,067	185,376,062	214,905,130
Dividends	-	-	(30,000,036)	(30,000,036)
Net income and comprehensive income attributable to common stockholders for the year	-	-	52,547,770	52,547,770
<b>Balance – December 31, 2024</b>	1	29,529,067	207,923,796	237,452,864

The accompanying notes are an integral part of these consolidated financial statements.

# FS Brands, Inc.

## Consolidated Statements of Cash Flows

For the years ended December 31, 2024 and December 31, 2023

(expressed in US dollars)

	2024 \$	2023 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income for the year	60,104,259	49,983,524
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment (note 6)	19,418,258	19,480,882
Amortization of intangible assets	7,852,638	9,707,496
Deferred income taxes	(830,060)	(2,091,203)
Change in non-cash working capital (note 11)	(15,242,704)	(14,295,507)
	<u>71,302,391</u>	<u>62,785,192</u>
<b>Investing activities</b>		
Purchase of property and equipment	(25,182,341)	(19,902,538)
Acquisition of businesses – net of cash acquired	(4,585,803)	(24,455,980)
	<u>(29,768,144)</u>	<u>(44,358,518)</u>
<b>Financing activities</b>		
(Repayment to) advance from parent	(1,422,459)	10,886,684
Payment of notes payable	-	(456,933)
Purchase of non-controlling interest (note 12)	(675,508)	(2,429,454)
Sales of shares to non-controlling interests	1,051,332	895,199
Payment of dividends	(30,000,036)	-
Payment of dividends to non-controlling interests	(2,692,391)	(1,740,390)
	<u>(33,739,062)</u>	<u>7,155,106</u>
<b>Increase in cash, restricted cash and cash equivalents during the year</b>	7,795,185	25,581,780
<b>Cash, restricted cash and cash equivalents – Beginning of year</b>	<u>74,684,946</u>	<u>49,103,166</u>
<b>Cash, restricted cash and cash equivalents – End of year</b>	<u>82,480,131</u>	<u>74,684,946</u>
<b>Supplementary information</b>		
Cash paid for interest and dividends	-	670,526
Cash paid for income taxes	23,138,856	21,130,437

The accompanying notes are an integral part of these consolidated financial statements.

# **FS Brands, Inc.**

## **Notes to Consolidated Financial Statements December 31, 2024 and December 31, 2023**

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(expressed in US dollars)

### **1 Nature of business operations**

FS Brands, Inc. (the Company), incorporated on March 31, 2010, is a 97.18% owned subsidiary of FS Property Services (U.S.) Inc. (the parent), which is indirectly a 100% owned subsidiary of FirstService Corporation (the ultimate parent), a publicly owned, diversified real estate services company.

Through the following subsidiaries, CertaPro Painters Ltd., Paul Davis Restoration, Inc., California Closet Company, Inc., Pillar to Post, Inc. and Floor Coverings International, Ltd., the Company's principal function is the recruiting, training and operation of franchise systems throughout the United States. In addition, the Company controls 22 California Closet franchises, 23 Paul Davis Restoration franchises and three CertaPro Painters franchises.

### **2 Summary of significant accounting policies**

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. The most significant estimates made by management relate to the initial determination of fair values of assets acquired and liabilities assumed in business combinations and the assessment of potential impairment of goodwill and intangible assets where impairment indicators have been identified. Actual results could differ from those estimates.

#### **Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions between the Company and its subsidiaries are eliminated on consolidation.

#### **Revenue recognition and unearned revenue**

The Company accounts for a contract with a customer when there is approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectibility of consideration is probable. The Company measures revenue based on consideration specified in the contract of each customer and recognizes revenue as the performance obligations are satisfied by transferring the control of the service or product to a customer.

- **Franchisor operations**

The Company operates several franchise systems. Initial franchise fees are deferred and recognized over the term of the franchise agreement. Royalty revenue is recognized based on a contracted percentage of franchisee revenue, as reported by the franchisees. Revenue from administrative and other support services, as applicable, is recognized as the services are provided.

## **FS Brands, Inc.**

### Notes to Consolidated Financial Statements

**December 31, 2024 and December 31, 2023**

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(expressed in US dollars)

The Company's franchise systems operate marketing funds on behalf of franchisees. Advertising fund contributions from franchisees are reported as revenue consistent with royalty revenue, when the related franchisee revenues occur, and advertising fund expenditures are reported as expenses, when incurred in the consolidated statements of income and comprehensive income. To the extent that contributions received exceed advertising expenditures, the excess amount is accrued and offset as unearned revenue, whereas any expenditures in excess of contributions are expensed as incurred. As such, advertising fund contributions and the related revenue and expenses may be reported in different periods.

- Revenue from construction contracts and service operations other than franchisor operations

Revenue is recognized over time as control transfers to the customer as the services are being performed. Revenue is recognized based on percentage of completion, which is based on a ratio of actual costs to total estimated contract costs. In cases where anticipated costs to complete a project exceed the revenue to be recognized, a provision for the additional estimated losses is recorded in the period when the loss becomes apparent. Amounts received from customers in advance of services being provided are recorded as unearned revenue when received and services rendered in advance of billing are recorded as work-in-progress inventory.

#### **Cash and cash equivalents**

The Company considers all investments readily convertible into cash and having an initial maturity of three months or less to be cash equivalents. Cash equivalents include money market funds and time deposits, which are carried at cost and approximate fair value.

#### **Restricted cash**

Restricted cash comprises cash restricted for marketing fund use. The Company is in custody of the cash received from franchisees for use in franchisee marketing funds.

The Company's consolidated statements of cash flows explain the change during the period in the total of cash and cash equivalents and amounts generally described as restricted cash and restricted cash equivalents. The Company's restricted cash balance consists primarily of cash related to our marketing funds.

#### **Inventories**

Inventories consist of finished products, accessories and components of closet and workspace systems, painting kits, film and supplies held for resale. Inventories are valued at the lower of cost (first in, first out) and net realizable value. Work-in-process inventory relates to construction contracts in process and is accounted for using the percentage of completion method.

#### **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, except for leasehold improvements, which are depreciated on a straight-line basis over the lesser of the useful life of the asset or the remaining lease term.

## **FS Brands, Inc.**

### Notes to Consolidated Financial Statements

December 31, 2024 and December 31, 2023

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(expressed in US dollars)

Maintenance and repairs are expensed to operations as incurred, while betterments and additions are capitalized. On sale or retirement, the cost of the property and the related accumulated depreciation are removed from the respective accounts and any resulting gains or losses are reflected in income.

#### **Goodwill and intangible assets**

Goodwill represents the excess of purchase price over the fair value of assets acquired and liabilities assumed in a business combination and is not subject to amortization.

Intangible assets are recorded at fair value on the date they are acquired and are amortized using the straight-line method over their estimated useful lives as follows:

Customer relationships	4 to 20 years
Trademark	15 to 30 years
Franchise agreements	pattern of use

Goodwill is tested for impairment annually, on August 1, or more frequently if events or changes in circumstances indicate the asset might be impaired, in which case the carrying amount of the asset is written down to fair value. Impairment of goodwill is tested at the reporting unit level. Impairment is tested by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Where it is determined to be more likely than not that its fair value is greater than its carrying amount, no further testing is required. When the qualitative analysis is not sufficient to support that the fair value exceeds the carrying amount, a goodwill impairment test is performed. The Company also has an unconditional option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing a quantitative goodwill impairment test. The Company may resume performing the qualitative assessment in any subsequent period. A quantitative goodwill impairment test is performed by comparing the fair value of each reporting unit to its carrying value, including goodwill. Fair value is estimated using a market multiple method, which estimates market multiples of earnings before interest, taxes, depreciation and amortization (EBITDA) for comparable entities with similar operations and economic characteristics. Significant assumptions used in estimating the fair value of each reporting unit include the market multiples of EBITDA.

#### **Impairment of long-lived assets**

The Company reviews the carrying amount of its long-lived assets including, but not limited to, property and equipment and intangible and other assets, if events or changes in circumstances indicate the asset might be impaired. The carrying amount of a long-lived asset group is considered impaired when the undiscounted cash flow from such asset group is estimated to be less than its carrying amount. In that event, a loss is recognized as the amount by which the carrying amount exceeds its fair value. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived asset groups to be disposed of would be determined in a similar manner, except that fair value would be reduced by any costs of disposal.

## **FS Brands, Inc.**

### **Notes to Consolidated Financial Statements December 31, 2024 and December 31, 2023**

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(expressed in US dollars)

#### **Deferred revenue and customer deposits**

Deferred revenue represents payments received in connection with services to be provided in the future and is recognized when the services have been provided. Customer deposits represent payments received as deposits in connection with California Closet products to be installed.

#### **Notional value appreciation plans**

Under these plans, subsidiary employees are compensated if the notional value of the subsidiary increases. Awards under these plans generally have a term of up to ten years and a vesting period of five years. The increase in notional value is calculated with reference to growth in earnings relative to a fixed threshold amount plus or minus changes in indebtedness relative to a fixed opening amount. If an award is subject to a vesting condition, then graded attribution is applied to the intrinsic value. The related compensation expense is recorded in selling, general and administrative expenses, the current liability is recorded in accrued liabilities, and the non-current portion is recorded in other liabilities.

#### **Leases**

The Company has lease agreements with lease and non-lease components and has elected to account for each lease component (e.g., fixed rent payments) separately from the non-lease components (e.g., common-area maintenance costs). The Company has also elected not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. Leases are recognized on the consolidated balance sheets when the lease term commences, and the associated lease payments are recognized as an expense on a straight-line basis over the lease term.

#### **Income taxes**

Income tax has been provided using the asset and liability method whereby deferred income tax assets and liabilities are recognized for the expected future income tax consequences of events that have been recognized in the consolidated financial statements or income tax returns. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to reverse, be recovered or be settled. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in income in the period in which the change occurs. A valuation allowance is recorded unless it is more likely than not that realization of a deferred income tax asset will occur based on available evidence.

#### **Non-controlling interests**

The non-controlling interests (NCI)s are considered to be redeemable securities and accordingly are recorded at the greater of (i) the redemption amount; or (ii) the amount initially recorded as redeemable NCI at the date of inception of the minority equity position. This amount is recorded in the "mezzanine" section of the consolidated balance sheets, outside of stockholders' equity. Changes in the redeemable NCIs amount are recognized immediately as they occur.

# **FS Brands, Inc.**

## Notes to Consolidated Financial Statements

**December 31, 2024 and December 31, 2023**

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(expressed in US dollars)

### **Fair value measurements**

Fair value measurements are measured using inputs from the three levels of the fair value hierarchy. The classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – observable market-based inputs other than quoted prices in active markets for identical assets or liabilities; and
- Level 3 – unobservable inputs for which there is little or no market data, which requires the Company to develop its own assumptions.

### **Concentrations**

The Company's financial instruments exposed to credit risk include cash and cash equivalents, due from parent, restricted cash, accounts receivable and notes receivable. The Company places its cash, restricted cash and cash equivalents with institutions of high creditworthiness. Management routinely assesses the collectibility of its accounts receivable and notes receivable, and its credit risk is limited due to the dispersion of the customer base comprising the receivables.

During the year ended December 31, 2024, there were \$2,968,464 (2023 – \$1,325,985) of write-offs from the allowance for credit losses.

### **Business combinations**

All business combinations are accounted for using the purchase method of accounting. Transaction costs are expensed as incurred.

The determination of fair values of assets and liabilities assumed in business combinations requires the use of estimates and judgment by management, particularly in determining fair values of intangible assets acquired.

The fair value of the contingent consideration is classified as a financial liability and is recorded on the consolidated balance sheets at the acquisition date and is re-measured at fair value at the end of each period until the end of the contingency period, with fair value adjustments recognized in income.

## **3 Revenue from contracts with customers**

Franchise fee revenue recognized during the year ended December 31, 2024, that was included in deferred revenue at the beginning of the period was \$7,588,809 (2023 – \$5,558,367). These fees are recognized over the life of the underlying franchise agreement, usually between five – ten years.

The majority of unearned revenue as at December 31, 2023 was recognized in income in 2024.

# **FS Brands, Inc.**

## **Notes to Consolidated Financial Statements December 31, 2024 and December 31, 2023**

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(expressed in US dollars)

External broker costs and employee sales commissions in obtaining new franchisees are capitalized in accordance with the revenue standard and are amortized over the life of the underlying franchise agreement. Costs amortized during the year ended December 31, 2024 were \$3,419,647 (2023 – \$2,749,632). The closing amount of the capitalized costs to obtain contracts on the consolidated balance sheets as at December 31, 2024 was \$12,683,884 (2023 – \$11,417,250). There were no impairment losses recognized related to those assets in 2024.

The Company disaggregates revenue by type on the consolidated statements of income and comprehensive income. The Company's businesses primarily recognize revenue over time as they perform because of the continuous transfer of control to the customer.

### **4 Transactions with related parties**

#### **Management fees**

The Company has a management agreement with FirstService Corporate Headquarters that provides certain administrative and management services to the Company. For the years ended December 31, 2024 and December 31, 2023, the fees for such services totalled \$7,540,176 (2023 – \$6,772,822). These transactions were in the normal course of operations and measured at the exchange amount.

#### **Note receivable**

The Company has a note receivable with FirstService Restoration from the proceeds of the sale of an operating unit. For the years ended December 31, 2024 and December 31, 2023, the note receivable totalled \$7,232,377 (2023 – \$7,232,377).

#### **Intercompany payable**

The Company has an intercompany payable to FirstService Corporation of \$21,744,502 (2023 – \$23,166,961). This amount is comprised of operational funding for acquisitions and interest payable related to the funding. In 2024, the Company made payments in the amount of \$1,422,458.

### **5 Notes receivable**

The Company has notes receivable from franchisees for various franchise fees and royalties. These notes bear interest at rates ranging from nil% to 8%, are unsecured and repayable in monthly instalments. Also included in notes receivable are amounts owing from certain NCI stockholders. The total amount due from NCIs is \$473,038 (2023 – \$462,291). The interest rate on these notes is 2.5%.

# FS Brands, Inc.

## Notes to Consolidated Financial Statements December 31, 2024 and December 31, 2023

(expressed in US dollars)

As at December 31, 2024, annual maturities on the notes receivable were as follows:

	\$
2025	753,999
2026	7,819,850
2027	410,252
2028	246,474
2029	37,453
Thereafter	866,782
	<u>10,134,810</u>
Less: Allowance for doubtful accounts	<u>-</u>
	10,134,810
Less: Current portion	<u>753,999</u>
	<u>9,380,811</u>

### 6 Property and equipment

				2024
	Depreciation period	Gross carrying amount \$	Accumulated depreciation \$	Net \$
Production equipment	5 to 7 years	46,520,585	35,429,443	11,091,142
Vehicles	5 years	47,840,441	30,679,291	17,161,150
Furniture and fixtures	5 to 7 years	15,040,892	12,212,684	2,828,208
Computers and equipment	3 to 5 years	64,347,541	39,019,272	25,328,269
Leasehold improvements	lease term	24,665,611	16,765,897	7,899,714
		<u>198,415,070</u>	<u>134,106,587</u>	<u>64,308,483</u>
				2023
	Depreciation period	Gross carrying amount \$	Accumulated depreciation \$	Net \$
Production equipment	5 to 7 years	41,165,577	29,881,575	11,284,002
Vehicles	5 years	44,390,894	26,864,976	17,525,918
Furniture and fixtures	5 to 7 years	15,145,693	12,348,386	2,797,307
Computers and equipment	3 to 5 years	54,800,606	34,147,619	20,652,987
Leasehold improvements	lease term	21,206,696	15,279,456	5,927,240
		<u>176,709,466</u>	<u>118,522,012</u>	<u>58,187,454</u>

# FS Brands, Inc.

## Notes to Consolidated Financial Statements

December 31, 2024 and December 31, 2023

(expressed in US dollars)

Depreciation expense totalled \$19,418,258 (2023 – \$19,480,882) for the years ended December 31, 2024 and December 31, 2023.

### 7 Intangible assets

	2024		
	Gross carrying amount \$	Accumulated amortization \$	Net \$
Trademarks	10,774,499	7,644,120	3,130,379
Franchise agreements	53,077,051	41,508,005	11,569,046
Customer relationship	32,766,043	13,478,701	19,287,342
Non-compete and other	4,419,790	3,306,827	1,112,963
	<u>101,037,383</u>	<u>65,937,653</u>	<u>35,099,730</u>
	2023		
	Gross carrying amount \$	Accumulated amortization \$	Net \$
Trademarks	10,774,499	7,412,820	3,361,679
Franchise agreements	53,012,248	37,544,561	15,467,687
Customer relationship	29,688,337	10,230,288	19,458,049
Non-compete and other	4,419,790	2,897,334	1,522,456
	<u>97,894,874</u>	<u>58,085,003</u>	<u>39,809,871</u>

Amortization expense totalled \$7,852,638 (2023 – \$9,707,496) for the years ended December 31, 2024 and December 31, 2023.

The following is the estimated annual amortization expense for each of the next five years:

	\$
2025	7,012,732
2026	6,179,158
2027	4,232,386
2028	3,302,454
2029	3,075,966

# FS Brands, Inc.

## Notes to Consolidated Financial Statements December 31, 2024 and December 31, 2023

(expressed in US dollars)

### 8 Goodwill

Goodwill represents the excess of purchase price over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. A test for goodwill impairment is required to be completed annually, in the Company's case as at August 1, or more frequently if events or changes in circumstances indicate the asset might be impaired. Based on the quantitative assessment in 2024, the Company concluded that goodwill is not impaired.

	\$
<b>Balance as at December 31, 2022</b>	116,985,756
Goodwill acquired during the year	15,121,509
Goodwill adjustment during the year	<u>3,102,547</u>
<b>Balance as at December 31, 2023</b>	<u>135,209,812</u>
Goodwill acquired during the year	2,359,081
Goodwill adjustment during the year	<u>(388,934)</u>
<b>Balance as at December 31, 2024</b>	<u>1,970,147</u>
	<u>137,179,959</u>

### 9 Leases

The Company has operating leases for corporate offices, copiers and certain equipment. The leases have remaining lease terms of one to ten years, some of which may include options to extend the leases for up to eight years, and some of which may include options to terminate the leases within one year. The Company evaluates renewal terms on a lease-by-lease basis to determine if the renewal is reasonably certain. The amount of operating lease expense recorded in the consolidated statements of income and comprehensive income was \$18,443,863 (2023 – \$15,076,940).

Other information related to leases is as follows:

#### Supplemental cash flows information, year ended December 31, 2024

Cash paid for amounts included in the measurement of operating lease liabilities	\$15,038,148
Right-of-use assets obtained in exchange for operating lease obligation	\$22,047,588
Weighted average remaining operating lease term	5.54 yrs
Weighted average discount rate	6.57%

**FS Brands, Inc.**  
Notes to Consolidated Financial Statements  
December 31, 2024 and December 31, 2023

(expressed in US dollars)

The following represent operating lease commitments:

	\$
2025	16,418,165
2026	17,887,750
2027	13,834,980
2028	11,300,287
2029 and thereafter	25,469,061
	<u>84,910,243</u>

**10 Income taxes**

The statutory rate is 26.5% and the effective rate is 27.9%. The primary reconciling items relate to permanent differences and adjustments to tax liabilities for prior periods.

Income tax differs from the amounts that would be obtained by applying the statutory rate to the respective year's earnings before tax. Differences result from the following items:

	2024 \$	2023 \$
Income tax expense using combined federal and state statutory rate of 26.5% (2023 - 26.5%)	22,101,567	17,901,016
Permanent differences	568,727	486,154
Temporary differences	346,863	(583,436)
Net operating losses	142,179	(607,631)
Foreign, state and provincial tax rate differential	427,740	(346,928)
Tax adjustments	(535,048)	465,669
Other taxes	245,829	252,765
	<u>23,297,857</u>	<u>17,567,609</u>

The components of deferred income tax assets and liabilities are as follows:

	2024 \$	2023 \$
Current provision		
Federal	18,404,257	15,048,207
State	5,723,660	4,610,605
	<u>24,127,917</u>	<u>19,658,812</u>
Deferred recovery		
Federal	(626,391)	(1,756,021)
State	(203,669)	(335,182)
	<u>(830,060)</u>	<u>(2,091,203)</u>
	<u>23,297,857</u>	<u>17,567,609</u>

## FS Brands, Inc.

### Notes to Consolidated Financial Statements

December 31, 2024 and December 31, 2023

(expressed in US dollars)

The components of deferred income tax assets and liabilities are as follows:

	2024 \$	2023 \$
Deferred income tax assets		
Accrued expenses	8,119,953	7,093,339
Bad debt	796,971	798,306
Interest expense	2,101	4,843
Future benefit of tax losses	3,314,978	2,785,806
	<u>12,234,003</u>	<u>10,682,294</u>
Deferred income tax liabilities		
Purchased goodwill and intangible assets	10,004,605	9,152,386
Property and equipment	11,116,053	10,602,588
Investment in partnership	742,523	672,989
	<u>21,863,181</u>	<u>20,427,963</u>
Net deferred income tax liabilities before valuation allowance	9,629,178	9,745,669
Valuation allowance	<u>1,320,462</u>	<u>1,400,413</u>
Net deferred income tax liabilities	<u>10,949,640</u>	<u>11,146,082</u>

The number of years with open tax audits varies depending on the tax jurisdiction. The Company's taxing jurisdiction is the United States of America. With few exceptions, the Company is no longer subject to US federal, state and local income tax examinations by tax authorities for years before 2016.

The Company does not currently expect any material impact on income to result from the resolution of matters relating to open taxation years; however, actual settlements may differ from amounts accrued. Currently, it is not reasonably possible to determine whether unrecognized tax benefits will increase or decrease within the next 12 months with respect to settlements of tax audits. The Company has made its current estimates on facts and circumstances known to date and cannot predict subsequent or changed facts and circumstances that could affect its current estimates.

#### 11 Change in non-cash working capital

	2024 \$	2023 \$
Accounts receivable	(24,533,518)	(6,943,101)
Inventories	2,196,839	(1,520,024)
Notes receivable	591,768	(256,677)
Prepaid expenses and other current assets	(8,363,690)	(2,166,751)
Accounts payable	11,186,909	2,330,719
Accrued liabilities	541,959	(3,649,003)
Deferred revenue and customer deposits	(1,051,355)	308,122
Income taxes	989,058	(1,800,991)
Other liabilities	3,199,326	(597,801)
	<u>(15,242,704)</u>	<u>(14,295,507)</u>

## FS Brands, Inc.

### Notes to Consolidated Financial Statements December 31, 2024 and December 31, 2023

(expressed in US dollars)

#### 12 Non-controlling interests

The following table provides a reconciliation of the beginning and ending amounts for NCIs:

	2024 \$	2023 \$
Balance – Beginning of year	66,979,653	52,347,171
Share of earnings of NCI	2,463,477	2,982,184
Redemption increment of NCI	5,093,012	6,143,537
Distributions paid to NCI	(2,692,391)	(1,740,390)
Purchase of NCI	(675,508)	(2,429,454)
Sale of NCI	1,308,785	9,676,605
	<u>72,477,028</u>	<u>66,979,653</u>
Balance – End of year		

The Company has stockholders' agreements in place for each of its non-wholly owned subsidiaries. These agreements allow the Company to call the NCI at a price determined with the use of a formula price, which is usually equal to a fixed multiple of average annual net income before extraordinary items, income taxes, interest, depreciation and amortization. The agreements also have redemption features, which allow the owners of the NCI to put their equity into the Company at the same price, subject to certain limitations. The formula price is referred to as the redemption amount and may be settled in cash or with the ultimate parent's shares. The redemption amount as at December 31, 2024 and December 31, 2023 was \$72,477,028 (2023 – \$66,979,653).

#### 13 Fair values of financial instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. The following are estimates of the fair values for other financial instruments:

	Carrying amount \$	Fair value \$
Notes receivable	10,134,810	8,664,270
Contingent consideration	3,983,042	3,983,042

Notes receivable include amounts due from franchisees and non-controlling stockholders. Notes payable include amounts due to vendors in connection with business acquisitions. The fair values of these instruments are determined using a valuation model with prevailing interest rates obtained from third parties. The inputs used in the fair value of contingent consideration are unobservable and are therefore classified as level 3 and relate to future cash flows and discount rates, which requires the Company to develop its own assumptions. The contingent consideration is recorded in accrued liabilities.

# FS Brands, Inc.

## Notes to Consolidated Financial Statements December 31, 2024 and December 31, 2023

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(expressed in US dollars)

### 14 Defined contribution pension plan

The Company contributed \$4,291,815 (2023 – \$3,824,115) to its 401(k) plan during the year, which has been recorded as an expense in each of the respective years.

### 15 Acquisitions

In 2024, the Company completed the acquisition of four CertaPro Painters franchises, headquartered in Long Beach, California; McHenry, Illinois; Palatine, Illinois; and Schaumburg, Illinois, respectively. The Company also acquired a Paul Davis franchise operating in Aurora, Colorado.

Details of these acquisitions are as follows:

	\$
Current assets	632,604
Current liabilities	(230,347)
Non-current liabilities	<u>(364,051)</u>
Net assets	<u>38,206</u>
Cash consideration	2,992,114
Contingent consideration	<u>505,800</u>
Total purchase consideration	<u>3,497,914</u>
Acquired intangible assets	<u>1,547,097</u>
Goodwill	<u>1,912,611</u>

## FS Brands, Inc.

### Notes to Consolidated Financial Statements

December 31, 2024 and December 31, 2023

(expressed in US dollars)

In 2023, the Company completed seven acquisitions, the details of which are as follows:

	\$
Current assets	16,283,584
Current liabilities	(6,425,675)
Non-current liabilities	(4,336,484)
Redeemable NCI	(7,861,837)
Net assets	<u>(2,340,412)</u>
Cash consideration	22,647,371
Contingent consideration	<u>1,004,064</u>
Total purchase consideration	<u>23,651,435</u>
Acquired intangible assets	<u>10,870,338</u>
Goodwill	<u>15,121,509</u>

In all years presented, the fair values of NCIs for all acquisitions were determined using an income approach with reference to a discounted cash flow model using the same assumptions implied in determining the purchase consideration.

The purchase price allocations for certain transactions completed in the last 12 months are not yet complete, pending final determination of the fair value of assets acquired, the corresponding deferred tax liabilities and final working capital adjustments. The acquisitions referred to above were accounted for by the purchase method of accounting for business combinations. Accordingly, the accompanying consolidated statements of income and comprehensive income do not include any revenue or expenses related to these acquisitions prior to their respective closing dates. There have been changes to the estimated purchase price allocations determined at the time of acquisition during the year ended December 31, 2023, and included as adjustments to goodwill (see note 8).

The determination of fair values of assets acquired and liabilities assumed in business combinations required the use of estimates and judgment by management, particularly in determining fair values of intangible assets acquired. Intangible assets acquired at fair value on the date of acquisition are recorded using the income approach on an individual asset basis. The assumptions used in estimating the fair values of intangible assets include future EBITDA margins, revenue growth rates, expected attrition rates of acquired customer relationships and the discount rates.

The Company typically structures its business acquisitions to include contingent consideration. Vendors, at the time of acquisition, are entitled to receive a contingent consideration payment if the acquired businesses achieve specified earnings levels during the one to two-year periods following the dates of acquisition. The ultimate amount of payment is determined based on a formula, the key inputs to which are (i) a contractually agreed maximum payment; (ii) a contractually specified income level; and (iii) the actual income for the contingency period. If the acquired business does not achieve the specified income level, the maximum payment is reduced for any shortfall, potentially to \$nil.

**FS Brands, Inc.**  
Notes to Consolidated Financial Statements  
**December 31, 2024 and December 31, 2023**

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(expressed in US dollars)

The fair value of the contingent consideration liability recorded on the consolidated balance sheets as at December 31, 2024 was \$3,983,042 (see note 13). The estimated range of outcomes (undiscounted) for these contingent consideration arrangements is determined based on the formula price and the likelihood of achieving specified income levels over the contingency period, and ranges from \$3,983,042 to a maximum of \$4,228,971. These contingencies will expire during the period extending to September 2025. During the year ended December 31, 2024, \$670,893 was paid with reference to such contingent consideration (2023 – \$nil).

**16 Impact of recently issued accounting standards**

In November 2024, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) 2024-03 – Disaggregation of Income Statement Expenses (ASU 2024-03). ASU 2024-03 requires disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. The guidance is effective January 1, 2027 and should be adopted prospectively with the option for retrospective application. The Company is currently assessing the impact of this ASU on its financial disclosures.

In December 2023, the FASB issued ASU 2023-09 – Improvements to Income Tax Disclosures. This ASU requires significant additional disclosures about income taxes, primarily focused on the disclosure of income taxes paid and the rate reconciliation table. The guidance will be applied prospectively and is effective January 1, 2025 and should be adopted prospectively with the option for retroactive application. The Company is currently assessing the impact of this ASU on its financial disclosures.

# **FS Brands, Inc.**

Consolidated Financial Statements  
**December 31, 2023 and**  
**December 31, 2022**  
(expressed in US dollars)



## Report of Independent Auditors

To the Management and Board of Directors of FS Brands, Inc.

### ***Opinion***

We have audited the accompanying consolidated financial statements of FS Brands, Inc. and its subsidiaries (the “Company”), which comprise the consolidated balance sheets as of December 31, 2023 and December 31, 2022, and the related consolidated statements of income and comprehensive income, consolidated statements of changes in stockholders’ equity and consolidated statements of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

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

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

### ***Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 US GAAS 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

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“PwC” refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario, Canada  
March 19, 2024

**FS Brands, Inc.**  
Consolidated Balance Sheets  
As at December 31, 2023 and December 31, 2022

(expressed in US dollars)

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	74,395,379	45,238,140
Restricted cash	289,567	3,865,026
Accounts receivable – net of allowance for doubtful accounts of \$3,822,098 (2022 – \$3,679,648)	73,640,316	57,510,268
Notes receivable (note 5)	979,789	958,294
Due from parent company	104,227	-
Inventories	46,944,449	45,016,526
Prepaid expenses and other current assets	19,367,721	16,684,522
Income taxes recoverable	14,860,359	12,454,925
	<u>230,581,807</u>	<u>181,727,701</u>
<b>Notes receivable</b> (note 5)	9,746,789	9,511,607
<b>Other assets</b>	9,622,884	7,177,336
<b>Property and equipment</b> (note 6)	58,187,454	54,523,603
<b>Intangible assets</b> (note 7)	39,809,871	37,568,320
<b>Goodwill</b> (note 8)	135,209,812	116,985,756
<b>Operating lease right-of-use asset</b> (note 9)	61,114,454	50,319,965
	<u>544,273,071</u>	<u>457,814,288</u>

**Approved by the Board of Directors**

\_\_\_\_\_ Director \_\_\_\_\_ Director

The accompanying notes are an integral part of these consolidated financial statements.

# FS Brands, Inc.

Consolidated Balance Sheets...continued

As at December 31, 2023 and December 31, 2022

(expressed in US dollars)

	2023 \$	2022 \$
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	20,246,247	15,085,159
Accrued liabilities	70,223,561	71,003,814
Notes payable	-	456,933
Deferred revenue and customer deposits	42,470,440	45,124,182
Due to ultimate parent	23,271,188	10,674,950
Due to parent company	-	1,605,327
Income taxes payable	833,439	-
Operating lease liabilities – current (note 9)	12,328,887	10,852,049
	<u>169,373,762</u>	<u>154,802,414</u>
<b>Deferred revenues</b>	21,084,490	17,428,363
<b>Long-term value appreciation rights</b>	8,915,671	7,507,602
<b>Income taxes payable</b>	186,059	186,059
<b>Deferred income taxes</b> (note 10)	11,146,082	9,657,479
<b>Operating lease liabilities</b> – non-current (note 9)	51,682,224	41,837,873
	<u>262,388,288</u>	<u>231,419,790</u>
<b>Non-controlling interests</b> (note 12)	66,979,653	52,347,171
	<u>66,979,653</u>	<u>52,347,171</u>
<b>Stockholders' Equity</b>		
<b>Common stock</b>	1	1
<b>Additional paid-in capital</b>	29,529,067	29,529,067
<b>Retained earnings</b>	185,376,062	144,518,259
	<u>214,905,130</u>	<u>174,047,327</u>
	<u>544,273,071</u>	<u>457,814,288</u>

The accompanying notes are an integral part of these consolidated financial statements.

# FS Brands, Inc.

## Consolidated Statements of Income and Comprehensive Income For the years ended December 31, 2023 and December 31, 2022

(expressed in US dollars)

	2023 \$	2022 \$
<b>Revenue</b> (note 3)		
Royalties	99,564,101	96,138,519
Franchise fees	6,131,358	4,676,664
Merchandise sales	584,521,531	440,308,645
Services and other	91,982,256	89,522,047
	<u>782,199,246</u>	<u>630,645,875</u>
<b>Costs and expenses</b>		
Franchise operating	41,994,603	34,172,132
Cost of merchandise sales	417,539,405	308,600,762
Cost of services	7,575,789	7,212,569
General and administrative	211,319,558	184,991,102
Management fees to parent (note 4)	6,772,822	6,673,136
Depreciation and amortization	29,188,378	21,075,585
	<u>714,390,555</u>	<u>562,725,286</u>
<b>Income from operations</b>	<u>67,808,691</u>	<u>67,920,589</u>
<b>Other income/expense</b>		
Interest income	-	227,347
Interest expense	257,558	-
	<u>67,551,133</u>	<u>68,147,936</u>
<b>Income before income taxes</b>	<u>67,551,133</u>	<u>68,147,936</u>
<b>Provision for income taxes</b> (note 10)	<u>17,567,609</u>	<u>18,156,450</u>
<b>Net income for the year</b>	49,983,524	49,991,486
<b>Non-controlling interests' share of earnings</b> (note 12)	(2,982,184)	(3,241,134)
<b>Non-controlling interests' redemption increment</b> (note 12)	<u>(6,143,537)</u>	<u>(9,098,981)</u>
<b>Net income and comprehensive income attributable to common stockholders for the year</b>	<u>40,857,803</u>	<u>37,651,371</u>

The accompanying notes are an integral part of these consolidated financial statements.

## FS Brands, Inc.

### Consolidated Statements of Changes in Stockholders' Equity For the years ended December 31, 2023 and December 31, 2022

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(expressed in US dollars)

	Common stock \$	Additional paid-in capital \$	Retained earnings \$	Total \$
<b>Balance – December 31, 2021</b>	1	29,529,067	132,661,115	162,190,183
Other movements	-	-	198,675	198,675
Dividends	-	-	(25,992,902)	(25,992,902)
Net income and comprehensive income attributable to common stockholders for the year	-	-	37,651,371	37,651,371
<b>Balance – December 31, 2022</b>	1	29,529,067	144,518,259	174,047,327
Net income and comprehensive income attributable to common stockholders for the year	-	-	40,857,803	40,857,803
<b>Balance – December 31, 2023</b>	1	29,529,067	185,376,062	214,905,130

The accompanying notes are an integral part of these consolidated financial statements.

# FS Brands, Inc.

## Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and December 31, 2022

(expressed in US dollars)

	2023 \$	2022 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income for the year	49,983,524	49,991,486
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment (note 6)	19,480,882	15,889,477
Amortization of intangible assets	9,707,496	5,186,108
Deferred income taxes	(2,091,203)	730,801
Change in non-cash working capital (note 11)	(14,295,507)	(11,765,021)
	<u>62,785,192</u>	<u>60,032,851</u>
<b>Investing activities</b>		
Purchase of property and equipment	(19,902,538)	(22,827,225)
Acquisition of businesses, net of cash acquired	(24,455,980)	(30,435,599)
	<u>(44,358,518)</u>	<u>(53,262,824)</u>
<b>Financing activities</b>		
Advance (payment) from (to) parent	10,886,684	(2,230,925)
Payment of notes payable	(456,933)	(425,924)
Purchase of non-controlling interest (note 12)	(2,429,454)	(1,712,355)
Sales of shares to non-controlling interests	895,199	442,432
Payment of dividends to parent	-	(24,666,813)
Payment of dividends to non-controlling interests	(1,740,390)	(4,317,092)
	<u>7,155,106</u>	<u>(32,910,677)</u>
<b>Decrease in cash and cash equivalents during the year</b>	25,581,780	(26,140,650)
<b>Cash, restricted cash, and cash equivalents – Beginning of year</b>	49,103,166	75,243,816
<b>Cash, restricted cash, and cash equivalents – End of year</b>	<u>74,684,946</u>	<u>49,103,166</u>
<b>Supplementary information</b>		
Cash paid for interest and dividends	670,526	124,055
Cash paid for income taxes	21,130,437	20,438,158

The accompanying notes are an integral part of these consolidated financial statements.

# FS Brands, Inc.

## Notes to Consolidated Financial Statements December 31, 2023 and December 31, 2022

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(expressed in US dollars)

### 1 Nature of business operations

FS Brands, Inc. (the Company), incorporated on March 31, 2010, is a 97.18% owned subsidiary of FS Property Services (U.S.) Inc. (the parent), which is indirectly a 100% owned subsidiary of FirstService Corporation (the ultimate parent), a publicly owned, diversified real estate services company.

Through the following subsidiaries, CertaPro Painters Ltd., Paul Davis Restoration, Inc., California Closet Company, Inc., Pillar to Post, Inc. and Floor Coverings International, Ltd., the Company's principal function is the recruiting, training and operation of franchise systems throughout the United States. In addition, the Company controls 22 California Closet franchises, 23 Paul Davis Restoration franchises, and two CertaPro Painters franchises.

### 2 Summary of significant accounting policies

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. The most significant estimates made by management relate to the initial determination of fair values of assets acquired and liabilities assumed in business combinations and the assessment of potential impairment of goodwill and intangible assets. Actual results could differ from those estimates.

#### Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions between the Company and its subsidiaries are eliminated on consolidation.

#### Revenue recognition and unearned revenue

The Company accounts for a contract with a customer when there is approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Company measures revenue based on consideration specified in the contract of each customer and recognizes revenue as the performance obligations are satisfied by transferring the control of the service or product to a customer.

- Franchisor operations

The Company operates several franchise systems. Initial franchise fees are deferred and recognized over the term of the franchise agreement. Royalty revenue is recognized based on a contracted percentage of franchisee revenue, as reported by the franchisees. Revenue from administrative and other support services, as applicable, is recognized as the services are provided.

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The Company's franchise systems operate marketing funds on behalf of franchisees. Advertising fund contributions from franchisees and advertising fund expenditures are reported on a gross basis in the Company's consolidated statements of income and comprehensive income. To the extent that contributions received exceed advertising expenditures, the excess amount is accrued and offset as a deferred liability, whereas any expenditures in excess of contributions are expensed as incurred. As such, advertising fund contributions and the related revenue and expenses may be reported in a different period.

- Revenue from construction contracts and service operations other than franchisor operations

Revenue is recognized at the time the service is rendered. Certain services, including but not limited to construction contracts and real estate project management work-in-process, are recognized over time based on percentage of completion, a ratio of actual costs to total estimated contract costs. In cases where anticipated costs to complete a project exceed the revenue to be recognized, a provision for the additional estimated losses is recorded in the period in which the loss becomes apparent. Amounts received from customers in advance of services being provided are recorded as unearned revenue when received.

### **Cash and cash equivalents**

The Company considers all investments readily convertible into cash and having an initial maturity of three months or less to be cash equivalents. Cash equivalents include money market funds and time deposits, which are carried at cost and approximate fair value.

### **Restricted cash**

Restricted cash comprises cash restricted for marketing fund use. The Company is in custody of the cash received from franchisees for use in franchisee marketing funds.

The Company's consolidated statements of cash flows explain the change during the period in the total of cash and cash equivalents and amounts generally described as restricted cash and restricted cash equivalents. The Company's restricted cash balance consists primarily of cash related to our marketing funds.

### **Inventories**

Inventories consist of finished products, accessories and components of closet and workspace systems, painting kits, film and supplies held for resale. Inventories are valued at the lower of cost (first in, first out) and net realizable value. Work-in-process inventory relates to construction contracts in process and is accounted for using the percentage of completion method.

### **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, except for leasehold improvements, which are depreciated on a straight-line basis over the lesser of the useful life of the asset or the remaining lease term.

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Maintenance and repairs are expensed to operations as incurred, while betterments and additions are capitalized. On sale or retirement, the cost of the property and the related accumulated depreciation are removed from the respective accounts and any resulting gains or losses are reflected in income.

**Goodwill and intangible assets**

Goodwill represents the excess of purchase price over the fair value of assets acquired and liabilities assumed in a business combination and is not subject to amortization.

Intangible assets are recorded at a fair value on the date they are acquired and are amortized using the straight-line method over their estimated useful lives as follows:

Customer relationships	4 to 20 years
Trademark	15 to 30 years
Franchise agreements	pattern of use

Goodwill is tested for impairment annually, on August 1, or more frequently if events or changes in circumstances indicate the asset might be impaired, in which case the carrying amount of the asset is written down to fair value. Impairment of goodwill is tested at the reporting unit level. Impairment is tested by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Where it is determined to be more likely than not that its fair value is greater than its carrying amount, no further testing is required. When the qualitative analysis is not sufficient to support that the fair value exceeds the carrying amount, a goodwill impairment test is performed. The Company also has an unconditional option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing a quantitative goodwill impairment test. The Company may resume performing the qualitative assessment in any subsequent period. A quantitative goodwill impairment test is performed by comparing the fair value of each reporting unit to its carrying value, including goodwill. Fair value is estimated using a market multiple method, which estimates market multiples of earnings before interest, taxes, depreciation and amortization (EBITDA) for comparable entities with similar operations and economic characteristics. Significant assumptions used in estimating the fair value of each reporting unit include the market multiples of EBITDA.

**Impairment of long-lived assets**

The Company reviews the carrying amount of its long-lived assets including, but not limited to, property and equipment and intangible and other assets, if events or changes in circumstances indicate the asset might be impaired. The carrying amount of a long-lived asset group is considered impaired when the undiscounted cash flow from such asset group is estimated to be less than its carrying amount. In that event, a loss is recognized as the amount by which the carrying amount exceeds its fair value. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived asset groups to be disposed of would be determined in a similar manner, except that fair value would be reduced by any costs of disposal.

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**Deferred revenue and customer deposits**

Deferred revenue represents payments received in connection with services to be provided in the future and is recognized when the services have been provided. Customer deposits represent payments received as deposits in connection with California Closet products to be installed.

**Notional value appreciation plans**

Under these plans, subsidiary employees are compensated if the notional value of the subsidiary increases. Awards under these plans generally have a term of up to ten years and a vesting period of five years. The increase in notional value is calculated with reference to growth in earnings relative to a fixed threshold amount plus or minus changes in indebtedness relative to a fixed opening amount. If an award is subject to a vesting condition, then graded attribution is applied to the intrinsic value. The related compensation expense is recorded in selling, general and administrative expenses, the current liability is recorded in accrued liabilities, and the non-current portion is recorded in other liabilities.

**Leases**

The Company has lease agreements with lease and non-lease components and has elected to account for each lease component (e.g., fixed rent payments) separately from the non-lease components (e.g., common-area maintenance costs). The Company has also elected not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. Leases are recognized on the consolidated balance sheets when the lease term commences, and the associated lease payments are recognized as an expense on a straight-line basis over the lease term.

**Income taxes**

Income tax has been provided using the asset and liability method whereby deferred income tax assets and liabilities are recognized for the expected future income tax consequences of events that have been recognized in the consolidated financial statements or income tax returns. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to reverse, be recovered or be settled. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in earnings in the period in which the change occurs. A valuation allowance is recorded unless it is more likely than not that realization of a deferred income tax asset will occur based on available evidence.

**Non-controlling interests**

The non-controlling interests are considered to be redeemable securities and accordingly are recorded at the greater of (i) the redemption amount; or (ii) the amount initially recorded as redeemable non-controlling interest at the date of inception of the minority equity position. This amount is recorded in the “mezzanine” section of the consolidated balance sheets, outside of stockholders’ equity. Changes in the redeemable non-controlling interests amount are recognized immediately as they occur.

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**Fair value measurements**

Fair value measurements are measured using inputs from the three levels of the fair value hierarchy. The classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – observable market based inputs other than quoted prices in active markets for identical assets or liabilities; and

Level 3 – unobservable inputs for which there is little or no market data, which requires the Company to develop its own assumptions.

**Concentrations**

The Company's financial instruments exposed to credit risk include cash and cash equivalents, due from parent, restricted cash, accounts receivable and notes receivable. The Company places its cash, restricted cash and cash equivalents with institutions of high creditworthiness. Management routinely assesses the collectability of its accounts receivable and notes receivable and its credit risk is limited due to the dispersion of the customer base comprising the receivables.

During the year ended December 31, 2023, there were \$1,325,985 (2022 – \$4,217,276) of write-offs from the allowance for credit losses.

**Business combinations**

All business combinations are accounted for using the purchase method of accounting. Transaction costs are expensed as incurred.

The determination of fair values of assets and liabilities assumed in business combinations requires the use of estimates and judgement by management, particularly in determining fair values of intangible assets acquired.

The fair value of the contingent consideration is classified as a financial liability and is recorded on the consolidated balance sheets at the acquisition date and is re-measured at fair value at the end of each period until the end of the contingency period, with fair value adjustments recognized in earnings.

**3 Revenue from contracts with customers**

Franchise fee revenue recognized during the twelve months ended December 31, 2023, which was included in deferred revenue at the beginning of the period, was \$5,558,367 (2022 – \$4,416,416). These fees are recognized over the life of the underlying franchise agreement, usually between 5 – 10 years.

The majority of current unearned revenue as at December 31, 2022 was recognized into income during 2023.

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External broker costs and employee sales commissions in obtaining new franchisees are capitalized in accordance with the revenue standard and are amortized over the life of the underlying franchise agreement. Costs amortized during the twelve months ended December 31, 2023 were \$2,749,632 (2022 – \$1,953,819). The closing amount of the capitalized costs to obtain contracts on the consolidated balance sheets as at December 31, 2023 was \$11,417,250 (2022 – \$8,601,730). There were no impairment losses recognized related to those assets in 2023.

Disaggregated revenue is as follows:

	<b>Twelve months ended December 31</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Revenue recognized		
Point in time	775,591,733	625,511,188
Over time	6,607,513	5,134,687

The Company disaggregates revenue by point in time and over time.

#### **4 Transactions with related parties**

##### **Management fees**

The Company has a management agreement with the parent that provides certain administrative and management services to the Company. For the years ended December 31, 2023 and December 31, 2022, the fees for such services totalled \$6,772,822 (2022 – \$6,673,136). These transactions were in the normal course of operations and were measured at the exchange amount.

#### **5 Notes receivable**

The Company has notes receivable from franchisees for various franchise fees and royalties. These notes bear interest at rates ranging from nil% to 8%, are unsecured and are repayable in monthly instalments. Also included in notes receivable are amounts owing from certain non-controlling interest stockholders. The total amount due from non-controlling interests is \$462,291 (2022 – \$462,291). The interest rate on these notes is 2.5%.

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As at December 31, 2023, annual maturities on the notes receivable were as follows:

	\$
2024	979,789
2025	7,955,432
2026	538,188
2027	367,348
2028	184,373
Thereafter	<u>741,115</u>
	10,766,245
Less: Allowance for doubtful accounts	<u>39,667</u>
	10,726,578
Less: Current portion	<u>979,789</u>
	<u>9,746,789</u>

**6 Property and equipment**

				<b>2023</b>
	<b>Depreciation period</b>	<b>Gross carrying amount \$</b>	<b>Accumulated depreciation \$</b>	<b>Net \$</b>
Production equipment	5 to 7 years	41,165,577	29,881,575	11,284,002
Vehicles	5 years	44,390,894	26,864,976	17,525,918
Furniture and fixtures	5 to 7 years	15,145,693	12,348,386	2,797,307
Computers and equipment	3 to 5 years	54,800,606	34,147,619	20,652,987
Leasehold improvements	lease term	21,206,696	15,279,456	5,927,240
		<u>176,709,466</u>	<u>118,522,012</u>	<u>58,187,454</u>
				<b>2022</b>
	<b>Depreciation period</b>	<b>Gross carrying amount \$</b>	<b>Accumulated depreciation \$</b>	<b>Net \$</b>
Production equipment	5 to 7 years	36,100,396	24,883,201	11,217,195
Vehicles	5 years	36,711,890	22,061,640	14,650,250
Furniture and fixtures	5 to 7 years	13,915,248	10,264,897	3,650,351
Computers and equipment	3 to 5 years	48,633,491	28,116,735	20,516,756
Leasehold improvements	lease term	17,998,005	13,508,954	4,489,051
		<u>153,359,030</u>	<u>98,835,427</u>	<u>54,523,603</u>

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Depreciation expense totalled \$19,480,882 (2022 – \$15,889,477) for the years ended December 31, 2023 and December 31, 2022.

**7 Intangible assets**

	<b>2023</b>		
	<b>Gross carrying amount \$</b>	<b>Accumulated amortization \$</b>	<b>Net \$</b>
Trademarks	10,774,499	7,412,820	3,361,679
Franchise agreements	53,012,248	37,544,561	15,467,687
Customer relationship	29,688,337	10,230,288	19,458,049
Non-compete and other	4,419,790	2,897,334	1,522,456
	<b>97,894,874</b>	<b>58,085,003</b>	<b>39,809,871</b>
	<b>2022</b>		
	<b>Gross carrying amount \$</b>	<b>Accumulated amortization \$</b>	<b>Net \$</b>
Trademarks	10,774,499	7,181,520	3,592,979
Franchise agreements	48,487,505	31,996,307	16,491,198
Customer relationship	23,096,611	7,799,564	15,297,047
Non-compete and other	3,587,212	1,400,116	2,187,096
	<b>85,945,827</b>	<b>48,377,507</b>	<b>37,568,320</b>

Amortization expense totalled \$9,707,496 (2022 – \$5,186,108) for the years ended December 31, 2023 and December 31, 2022.

The following is the estimated annual amortization expense for each of the next five years:

	\$
2024	(\$7,046,467.64)
2025	(\$6,693,874.64)
2026	(\$5,843,202.00)
2027	(\$3,935,031.90)
2028	(\$3,018,165.85)

**8 Goodwill**

Goodwill represents the excess of purchase price over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. A test for goodwill impairment is required to be completed annually, in the Company's case as of August 1, or more frequently if events or changes in circumstances indicate the asset

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might be impaired. Based on the qualitative assessment in 2023, the Company has concluded that goodwill is not impaired.

	\$
<b>Balance as at December 31, 2021</b>	92,144,276
Goodwill acquired during the year	20,902,769
Goodwill adjustment during the year	<u>3,938,711</u>
<b>Balance as at December 31, 2022</b>	116,985,756
Goodwill acquired during the year	15,121,509
Goodwill adjustment during the year	<u>3,102,547</u>
<b>Balance as at December 31, 2023</b>	<u>135,209,812</u>

**9 Leases**

The Company has operating leases for corporate offices, copiers and certain equipment. Its leases have remaining lease terms of 1 year to 10 years, some of which may include options to extend the leases for up to 8 years, and some of which may include options to terminate the leases within 1 year. The Company evaluates renewal terms on a lease-by-lease basis to determine if the renewal is reasonably certain. The amount of operating lease expense recorded in the consolidated statements of income and comprehensive income was \$15,076,940 (2022 – \$11,578,812).

Other information related to leases was as follows:

**Supplemental cash flows information, twelve months ended December 31, 2023**

Cash paid for amounts included in the measurement of operating lease liabilities	14,430,706
Right-of-use assets obtained in exchange for operating lease obligation	23,907,169
Weighted average remaining operating lease term	5.51 years
Weighted average discount rate	5.76%

The following represent operating lease commitments:

	\$
2024	11,223,495
2025	15,585,349
2026	14,019,377
2027	10,330,993
2028 and thereafter	<u>24,623,341</u>
	<u>75,782,555</u>

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**10 Income taxes**

The statutory rate is 26.5% and the effective rate is 26.59%. The primary reconciling items relate to permanent differences and adjustments to tax liabilities for prior periods.

The components of the provision for income taxes are as follows:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Current provision		
Federal	15,048,207	13,250,598
State	4,610,605	4,175,051
	<u>19,658,812</u>	<u>17,425,649</u>
Deferred recovery		
Federal	(1,756,021)	1,001,480
State	(335,182)	(270,679)
	<u>(2,091,203)</u>	<u>730,801</u>
	<u>17,567,609</u>	<u>18,156,450</u>

The components of deferred income tax assets and liabilities are as follows:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Deferred income tax assets		
Accrued expenses	7,093,339	6,966,265
Bad debt	798,306	767,530
Interest expense	4,843	-
Future benefit of tax losses	2,785,806	1,154,551
	<u>10,682,294</u>	<u>8,888,346</u>
Deferred income tax liabilities		
Purchased goodwill and intangible assets	9,152,386	7,550,504
Property and equipment	10,602,588	8,854,545
Investment in partnership	672,989	1,122,584
	<u>20,427,963</u>	<u>17,527,633</u>
Net deferred income tax liabilities before valuation allowance	9,745,669	8,639,287
Valuation allowance	1,400,413	1,018,192
	<u>11,146,082</u>	<u>9,657,479</u>

The number of years with open tax audits varies depending on the tax jurisdiction. The Company's taxing jurisdiction is the United States of America. With few exceptions, the Company is no longer subject to US federal, state and local income tax examinations by tax authorities for years before 2016.

# FS Brands, Inc.

## Notes to Consolidated Financial Statements December 31, 2023 and December 31, 2022

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The Company does not currently expect any material impact on earnings to result from the resolution of matters relating to open taxation years; however, actual settlements may differ from amounts accrued. Currently, it is not reasonably possible to determine whether unrecognized tax benefits will increase or decrease within the next 12 months with respect to settlements of tax audits. The Company has made its current estimates on facts and circumstances known to date and cannot predict subsequent or changed facts and circumstances that could affect its current estimates.

### 11 Change in non-cash working capital

	2023 \$	2022 \$
Accounts receivable	(6,943,101)	(1,871,126)
Inventories	(1,520,024)	(17,868,743)
Notes receivable	(256,677)	1,069,030
Prepaid expenses and other current assets	(2,166,751)	(2,243,093)
Accounts payable	2,330,719	440,038
Accrued liabilities	(3,649,003)	15,827,746
Deferred revenue and customer deposits	308,122	(1,587,836)
Income taxes	(1,800,991)	(3,012,516)
Other liabilities	(597,801)	(2,518,521)
	<u>(14,295,507)</u>	<u>(11,765,021)</u>

### 12 Non-controlling interests

The following table provides a reconciliation of the beginning and ending amounts for non-controlling interests (NCI):

	2023 \$	2022 \$
Balance – Beginning of year	52,347,171	28,256,345
Share of earnings of NCI	2,982,184	3,241,134
Redemption increment of NCI	6,143,537	9,098,981
Distributions paid to NCI	(1,740,390)	(2,991,003)
Purchase of NCI	(2,429,454)	(1,712,355)
Sale of NCI	9,676,605	16,454,069
	<u>66,979,653</u>	<u>52,347,171</u>

The Company has stockholders' agreements in place for each of its non-wholly owned subsidiaries. These agreements allow the Company to call the NCI at a price determined with the use of a formula price, which is usually equal to a fixed multiple of average annual net income before extraordinary items, income taxes, interest, depreciation and amortization. The agreements also have redemption features, which allow the owners of the NCI to put their equity into the Company at the same price, subject to certain limitations. The formula price is referred to as the redemption amount and may be settled in cash or with the ultimate parent's shares. The redemption amount as at December 31, 2023 and December 31, 2022 was \$66,979,653 (2022 – \$52,347,171).

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**13 Letters of credit**

College Pro Painters (U.S.) Ltd. is required to obtain irrevocable bank letters of credit totalling \$311,649 (2022 – \$311,649). The letters of credit are to remain open for the duration of certain stop-loss insurance policies or until all insurance claims against College Pro Painters (U.S.) Ltd. have been settled.

**14 Fair values of financial instruments**

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. The following are estimates of the fair values for other financial instruments:

	Carrying amount \$	Fair value \$
Notes receivable	10,726,578	9,367,321
Contingent consideration	6,488,064	5,819,812

Notes receivable include amounts due from franchisees and non-controlling stockholders. Notes payable include amounts due to vendors in connection with business acquisitions. The fair values of these instruments are determined using a valuation model with prevailing interest rates obtained from third parties. The inputs used in the fair value of contingent consideration are unobservable and are therefore classified as level 3 and relate to future cash flows and discount rates, which requires the Company to develop its own assumptions.

**15 Defined contribution pension plan**

The Company contributed \$3,824,115 (2022 – \$2,998,964) to its 401(k) plan during the year, which has been recorded as an expense in each of the respective years.

**16 Acquisitions**

In 2023, the Company completed the acquisition of five Paul Davis franchises headquartered in Houston, Texas, Richmond, Virginia, Reno, Nevada, Denver, Colorado, and Boise, Idaho, respectively. The Company also acquired a California Closets franchise operating in Reno, Nevada, and a CertaPro Painters franchise, headquartered in Orange County, California.

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Details of these acquisitions are as follows:

	\$
Current assets	16,283,584
Current liabilities	(6,425,675)
Non-current liabilities	(4,336,484)
Redeemable non-controlling interest	<u>(7,861,837)</u>
Net assets	<u>(2,340,412)</u>
Cash consideration	22,647,371
Contingent consideration	<u>1,004,064</u>
Total purchase consideration	<u>23,651,435</u>
Acquired intangible assets	<u>10,870,338</u>
Goodwill	<u>15,121,509</u>

In 2022, the Company completed three acquisitions, the details of which are as follows:

	\$
Current assets	18,181,408
Current liabilities	(5,665,496)
Non-current liabilities	(4,725,304)
Redeemable non-controlling interest	<u>(16,011,637)</u>
Net assets	<u>(8,221,029)</u>
Cash consideration	27,330,472
Contingent consideration	<u>3,324,501</u>
Total purchase consideration	<u>30,654,973</u>
Acquired intangible assets	<u>17,973,233</u>
Goodwill	<u>20,902,769</u>

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In all years presented, the fair values of non-controlling interests for all acquisitions were determined using an income approach with reference to a discounted cash flow model using the same assumptions implied in determining the purchase consideration.

The purchase price allocations for certain transactions completed in the last twelve months are not yet complete, pending final determination of the fair value of assets acquired, the corresponding deferred tax liabilities, and final working capital adjustments. The acquisitions referred to above were accounted for by the purchase method of accounting for business combinations. Accordingly, the accompanying consolidated statements of income and comprehensive income do not include any revenues or expenses related to these acquisitions prior to their respective closing dates. There have been changes to the estimated purchase price allocations determined at the time of acquisition during the year ended December 31, 2023, and included as adjustments to goodwill (see note 8).

The determination of fair values of assets acquired and liabilities assumed in business combinations required the use of estimates and judgement by management, particularly in determining fair values of intangible assets acquired. Intangible assets acquired at fair value on the date of acquisition are recorded using the income approach on an individual asset basis. The assumptions used in estimating the fair values of intangible assets include future EBITDA margins, revenue growth rates, expected attrition rates of acquired customer relationships and the discount rates.

The Company typically structures its business acquisitions to include contingent consideration. Vendors, at the time of acquisition, are entitled to receive a contingent consideration payment if the acquired businesses achieve specified earnings levels during the one- to two-year periods following the dates of acquisition. The ultimate amount of payment is determined based on a formula, the key inputs to which are (i) a contractually agreed maximum payment; (ii) a contractually specified earnings level; and (iii) the actual earnings for the contingency period. If the acquired business does not achieve the specified earnings level, the maximum payment is reduced for any shortfall, potentially to \$nil.

The fair value of the contingent consideration liability recorded on the consolidated balance sheets as at December 31, 2023 was \$5,819,812 (see note 14). The estimated range of outcomes (undiscounted) for these contingent consideration arrangements is determined based on the formula price and the likelihood of achieving specified earnings levels over the contingency period, and ranges from \$5,819,812 to a maximum of \$6,488,064. These contingencies will expire during the period extending to September 2025. During the year ended December 31, 2023, \$nil was paid with reference to such contingent consideration (2022 – \$407,356).

## **17 Impact of recently issued accounting standards**

In December 2023, the FASB issued ASU 2023-09 – Improvements to Income Tax Disclosures. This ASU requires significant additional disclosures about income taxes, primarily focused on the disclosure of income taxes paid and the rate reconciliation table. The guidance will be applied prospectively and is effective January 1, 2025. The Company is currently assessing the impact of this ASU on its financial disclosures.

# **FS Brands, Inc.**

Notes to Consolidated Financial Statements

**December 31, 2023 and December 31, 2022**

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(expressed in US dollars)

## **18 Subsequent events**

No subsequent events have been identified from the date of the consolidated balance sheets to the date of the consolidated financial statements being issued.

**FS Brands, Inc.**

Consolidated Financial Statements  
**December 31, 2022 and**  
**December 31, 2021**  
(expressed in US dollars)



**Report of Independent Auditors**

To the Stockholders of FS Brands, Inc.

**Opinion**

We have audited the accompanying consolidated financial statements of FS Brands, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and December 31, 2021, and the related consolidated statements of income and comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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

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\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario, Canada  
February 23, 2023

**FS Brands, Inc.**

## Consolidated Balance Sheets

As at December 31, 2022 and December 31, 2021

(expressed in US dollars)

	2022 \$	2021 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	45,238,140	64,566,329
Restricted cash	3,865,026	10,677,487
Accounts receivable – net of allowance for doubtful accounts of \$3,679,648 (2021 – \$6,166,248)	57,510,268	47,835,151
Notes receivable (note 5)	958,294	2,845,266
Inventories	45,016,526	26,851,976
Prepaid expenses and other current assets	16,684,522	14,851,733
Income taxes recoverable (note 10)	12,454,925	9,179,394
	<u>181,727,701</u>	<u>176,807,336</u>
Notes receivable (note 5)	9,511,607	8,693,666
Other assets	7,177,336	6,088,395
Property and equipment (note 6)	54,523,603	42,127,045
Intangible assets (note 7)	37,568,320	25,584,760
Goodwill (note 8)	116,985,756	92,144,276
Operating lease right-of-use asset (note 9)	50,319,965	38,074,827
	<u>457,814,288</u>	<u>389,520,305</u>

Approved by the Board of Directors

\_\_\_\_\_  
Director\_\_\_\_\_  
Director

The accompanying notes are an integral part of these consolidated financial statements.

**ES Brands, Inc.**Consolidated Balance Sheets...*continued*  
As at December 31, 2022 and December 31, 2021

(expressed in US dollars)

	2022 \$	2021 \$
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	15,085,159	11,530,513
Accrued liabilities	71,003,814	59,329,417
Notes payable (note 11)	456,933	454,286
Deferred revenue and customer deposits	45,124,182	48,047,327
Due to ultimate parent	10,674,950	11,251,340
Due to parent company	1,505,327	3,259,862
Operating lease liabilities – current (note 9)	10,852,049	8,819,383
	<u>154,802,414</u>	<u>142,692,128</u>
Notes payable (note 11)	-	428,571
Deferred revenues	17,428,363	14,603,412
Long-term value appreciation rights	7,507,602	2,724,651
Income taxes payable (note 10)	186,059	186,059
Deferred income taxes (note 10)	9,657,479	7,160,698
Operating lease liabilities – non-current (note 9)	41,837,873	31,278,258
	<u>231,419,790</u>	<u>199,073,777</u>
Non-controlling interests (note 13)	52,347,171	28,256,345
<b>Stockholders' Equity</b>		
Common stock	1	1
Additional paid-in capital	29,529,067	29,529,067
Retained earnings	144,518,259	132,661,115
	<u>174,047,327</u>	<u>162,190,183</u>
	<u>457,814,288</u>	<u>389,520,305</u>

The accompanying notes are an integral part of these consolidated financial statements.

**FS Brands, Inc.****Consolidated Statements of Income and Comprehensive Income  
For the years ended December 31, 2022 and December 31, 2021**

(expressed in US dollars)

	2022 \$	2021 \$
<b>Revenue</b>		
Royalties	96,128,519	87,815,731
Franchise fees (note 3)	4,576,664	4,398,890
Merchandise sales	440,308,645	338,168,074
Services and other	89,522,047	74,067,901
	<u>630,645,875</u>	<u>504,450,596</u>
<b>Costs and expenses</b>		
Franchise operating	34,172,132	27,192,498
Cost of merchandise sales	308,600,762	238,949,248
Cost of services	7,212,569	6,221,708
General and administrative	184,991,102	155,107,036
Management fees to parent (note 4)	6,673,136	7,418,510
Depreciation and amortization	21,075,585	19,807,499
	<u>562,725,286</u>	<u>454,696,499</u>
<b>Income from operations</b>	<u>67,920,589</u>	<u>49,754,097</u>
<b>Other income</b>		
Interest income	227,347	427,208
<b>Income before income taxes</b>	68,147,936	50,181,305
<b>Provision for income taxes</b> (note 10)	18,156,450	13,315,914
<b>Net income for the year</b>	49,991,486	36,865,391
<b>Non-controlling interests' share of earnings</b> (note 13)	(3,241,134)	(2,350,221)
<b>Non-controlling interests redemption increment</b> (note 13)	(9,098,981)	(8,058,800)
<b>Net income and comprehensive income attributable to common stockholders for the year</b>	<u>37,651,371</u>	<u>26,456,370</u>

The accompanying notes are an integral part of these consolidated financial statements.

**ES Brands, Inc.****Consolidated Statements of Changes in Stockholders' Equity  
For the years ended December 31, 2022 and December 31, 2021**

(expressed in US dollars)

	Common stock \$	Additional paid-in capital \$	Retained earnings \$	Total \$
<b>Balance – December 31, 2020</b>	1	29,529,067	160,555,484	190,084,552
Other movements	-	-	208,796	208,796
Dividends	-	-	(54,559,535)	(54,559,535)
Net income and comprehensive income attributable to common stockholders for the year	-	-	26,456,370	26,456,370
<b>Balance – December 31, 2021</b>	1	29,529,067	132,661,115	162,190,183
Other movements	-	-	198,675	198,675
Dividends	-	-	(25,992,902)	(25,992,902)
Net income and comprehensive income attributable to common stockholders for the year	-	-	37,651,371	37,651,371
<b>Balance – December 31, 2022</b>	1	29,529,067	144,518,259	174,047,327

The accompanying notes are an integral part of these consolidated financial statements.

**ES Brands, Inc.**

## Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and December 31, 2021

(expressed in US dollars)

	2022 \$	2021 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income for the year	49,991,486	36,865,391
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment (note 6)	15,889,477	15,705,978
Amortization of intangible assets	5,186,108	4,101,521
Deferred income taxes	730,801	58,327
Change in non-cash working capital (note 12)	(11,765,021)	11,736,088
	<u>60,032,851</u>	<u>68,467,305</u>
<b>Investing activities</b>		
Purchase of property and equipment	(22,827,225)	(19,247,316)
Acquisition of businesses	(30,435,599)	(14,212,272)
	<u>(53,262,824)</u>	<u>(33,459,588)</u>
<b>Financing activities</b>		
Advance from parent	(2,230,925)	3,495,791
Advance of notes payable	(425,924)	(409,286)
Purchase of non-controlling interest (note 13)	(1,712,355)	(2,276,657)
Sales of shares to non-controlling interests	442,432	1,350,117
Payment of dividends to parent	(24,666,813)	(52,689,410)
Payment of dividends to non-controlling interests	(4,317,092)	(4,289,028)
	<u>(32,910,677)</u>	<u>(54,818,473)</u>
<b>Decrease in cash and cash equivalents during the year</b>	<b>(26,140,650)</b>	<b>(19,810,756)</b>
<b>Cash and cash equivalents – Beginning of year</b>	<b>75,243,816</b>	<b>95,054,572</b>
<b>Cash and cash equivalents – End of year</b>	<b>49,103,166</b>	<b>75,243,816</b>
<b>Supplementary information</b>		
Cash paid for interest and dividends	124,055	(181,562)
Cash paid for income taxes	20,438,158	11,743,547

The accompanying notes are an integral part of these consolidated financial statements.

# **FS Brands, Inc.**

Notes to Consolidated Financial Statements  
December 31, 2022 and December 31, 2021

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(expressed in US dollars)

## **1 Nature of business operations**

FS Brands, Inc. (the Company), incorporated on March 31, 2010, is a 97.18% owned subsidiary of FS Property Services (U.S.) Inc. (the parent), which is indirectly a 100% owned subsidiary of FirstService Corporation (the ultimate parent), a publicly owned, diversified real estate services company.

Through the following subsidiaries, CertaPro Painters Ltd., Paul Davis Restoration, Inc., California Closet Company, Inc., Pillar to Post, Inc. and Floor Coverings International, Ltd., the Company's principal function is the recruiting, training and operation of franchise systems throughout the United States. In addition, the Company controls 20 California Closet franchises and 11 Paul Davis Restoration franchises.

## **2 Summary of significant accounting policies**

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. The most significant estimates made by management relate to the collectability of accounts receivable and notes receivable, the initial determination of fair values of assets acquired and liabilities assumed in business combinations and the assessment of potential impairment of goodwill and intangible assets. Actual results could differ from those estimates.

### **Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions between the Company and its subsidiaries are eliminated on consolidation.

### **Revenue recognition and unearned revenue**

The Company accounts for a contract with a customer when there is approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Company measures revenue based on consideration specified in the contract of each customer and recognizes revenue as the performance obligations are satisfied by transferring the control of the service or product to a customer.

- **Franchisor operations**

The Company operates several franchise systems. Initial franchise fees are deferred and recognized over the term of the franchise agreement. Royalty revenue is recognized based on a contracted percentage of franchisee revenue, as reported by the franchisees. Revenue from administrative and other support services, as applicable, is recognized as the services are provided.

## **ES Brands, Inc.**

### Notes to Consolidated Financial Statements December 31, 2022 and December 31, 2021

(expressed in US dollars)

The Company's franchise systems operate marketing funds on behalf of franchisees. Advertising fund contributions from franchisees and advertising fund expenditures are reported on a gross basis in the Company's consolidated statements of income and comprehensive income. To the extent that contributions received exceed advertising expenditures, the excess amount is accrued and offset as a deferred liability, whereas any expenditures in excess of contributions are expensed as incurred. As such, advertising fund contributions and the related revenue and expenses may be reported in a different period.

- Revenue from construction contracts and service operations other than franchisor operations

Revenue is recognized at the time the service is rendered. Certain services, including but not limited to construction contracts and real estate project management work-in-process, are recognized over time based on percentage of completion, a ratio of actual costs to total estimated contract costs. In cases where anticipated costs to complete a project exceed the revenue to be recognized, a provision for the additional estimated losses is recorded in the period in which the loss becomes apparent. Amounts received from customers in advance of services being provided are recorded as unearned revenue when received.

#### **Cash and cash equivalents**

The Company considers all investments readily convertible into cash and having an initial maturity of three months or less to be cash equivalents. Cash equivalents include money market funds and time deposits, which are carried at cost and approximate fair value.

#### **Restricted cash**

Restricted cash comprises cash restricted for marketing fund use. The Company is in custody of the cash received from franchisees for use in franchisee marketing funds.

Per the guidance issued by the Financial Accounting Standards Board (FASB) on restricted cash (Accounting Standards Update (ASU) No. 2016-18), the Company's consolidated statements of cash flows explain the change during the period in the total of cash and cash equivalents and amounts generally described as restricted cash and restricted cash equivalents. The Company's restricted cash balance consists primarily of cash related to our marketing funds.

#### **Inventories**

Inventories consist of finished products, accessories and components of closet and workspace systems, painting kits, film and supplies held for resale. Inventories are valued at the lower of cost (first in, first out) and net realizable value. Work-in-process inventory relates to construction contracts in process and is accounted for using the percentage of completion method.

#### **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, except for leasehold improvements, which are depreciated on a straight-line basis over the lesser of the useful life of the asset or the remaining lease term.

# ~~FS Brands, Inc.~~

## Notes to Consolidated Financial Statements December 31, 2022 and December 31, 2021

(expressed in US dollars)

Maintenance and repairs are expensed to operations as incurred, while betterments and additions are capitalized. On sale or retirement, the cost of the property and the related accumulated depreciation are removed from the respective accounts and any resulting gains or losses are reflected in income.

### **Goodwill and intangible assets**

Goodwill represents the excess of purchase price over the fair value of assets acquired and liabilities assumed in a business combination and is not subject to amortization.

Intangible assets are recorded at a fair value on the date they are acquired and are amortized using the straight-line method over their estimated useful lives as follows:

Customer relationships	4 to 20 years
Trademark	15 to 30 years
Franchise agreements	pattern of use

Goodwill is tested for impairment annually, on August 1, or more frequently if events or changes in circumstances indicate the asset might be impaired, in which case the carrying amount of the asset is written down to fair value. Impairment of goodwill is tested at the reporting unit level. Impairment is tested by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Where it is determined to be more likely than not that its fair value is greater than its carrying amount, no further testing is required. When the qualitative analysis is not sufficient to support that the fair value exceeds the carrying amount, a goodwill impairment test is performed. The Company also has an unconditional option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing a quantitative goodwill impairment test. The Company may resume performing the qualitative assessment in any subsequent period. A quantitative goodwill impairment test is performed by comparing the fair value of each reporting unit to its carrying value, including goodwill. Fair value is estimated using a market multiple method, which estimates market multiples of earnings before interest, taxes, depreciation and amortization (EBITDA) for comparable entities with similar operations and economic characteristics. Significant assumptions used in estimating the fair value of each reporting unit include the market multiples of EBITDA.

### **Impairment of long-lived assets**

The Company reviews the carrying amount of its long-lived assets including, but not limited to, property and equipment and intangible and other assets, if events or changes in circumstances indicate the asset might be impaired. The carrying amount of a long-lived asset group is considered impaired when the undiscounted cash flow from such asset group is estimated to be less than its carrying amount. In that event, a loss is recognized as the amount by which the carrying amount exceeds its fair value. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived asset groups to be disposed of would be determined in a similar manner, except that fair value would be reduced by any costs of disposal.

## **ES Brands, Inc.**

### Notes to Consolidated Financial Statements December 31, 2022 and December 31, 2021

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(expressed in US dollars)

#### **Deferred revenue and customer deposits**

Deferred revenue represents payments received in connection with services to be provided in the future and is recognized when the services have been provided. Customer deposits represent payments received as deposits in connection with California Closet products to be installed.

#### **Leases**

The Company has lease agreements with lease and non-lease components and has elected to account for each lease component (e.g., fixed rent payments) separately from the non-lease components (e.g., common-area maintenance costs). The Company has also elected not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. Leases are recognized on the balance sheets when the lease term commences, and the associated lease payments are recognized as an expense on a straight-line basis over the lease term.

#### **Income taxes**

Income tax has been provided using the asset and liability method whereby deferred income tax assets and liabilities are recognized for the expected future income tax consequences of events that have been recognized in the consolidated financial statements or income tax returns. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to reverse, be recovered or be settled. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in earnings in the period in which the change occurs. A valuation allowance is recorded unless it is more likely than not that realization of a deferred income tax asset will occur based on available evidence.

#### **Non-controlling interests**

The non-controlling interests are considered to be redeemable securities and accordingly are recorded at the greater of (i) the redemption amount; or (ii) the amount initially recorded as redeemable non-controlling interest at the date of inception of the minority equity position. This amount is recorded in the "mezzanine" section of the consolidated balance sheets, outside of stockholders' equity. Changes in the redeemable non-controlling interests amount are recognized immediately as they occur.

#### **Fair value measurements**

Fair value measurements are measured using inputs from the three levels of the fair value hierarchy. The classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

# FS Brands, Inc.

## Notes to Consolidated Financial Statements December 31, 2022 and December 31, 2021

(expressed in US dollars)

Level 2 – observable market based inputs other than quoted prices in active markets for identical assets or liabilities; and

Level 3 – unobservable inputs.

### Concentrations

The Company's financial instruments exposed to credit risk include cash and cash equivalents, restricted cash, accounts receivable and notes receivable. The Company places its cash, restricted cash and cash equivalents with institutions of high creditworthiness. Management routinely assesses the collectability of its accounts receivable and notes receivable and its credit risk is limited due to the dispersion of the customer base comprising the receivables.

### 3 Revenue from contracts with customers

Franchise fee revenue recognized during the twelve months ended December 31, 2022, which was included in deferred revenue at the beginning of the period, was \$4,416,416 (2021 – \$4,189,800). These fees are recognized over the life of the underlying franchise agreement, usually between 5 – 10 years.

The majority of current unearned revenue as at December 31, 2021 was recognized into income during 2022.

External broker costs and employee sales commissions in obtaining new franchisees are capitalized in accordance with the revenue standard and are amortized over the life of the underlying franchise agreement. Costs amortized during the twelve months ended December 31, 2022 were \$1,953,819 (2021 – \$1,979,515). The closing amount of the capitalized costs to obtain contracts on the balance sheets as at December 31, 2022 was \$8,601,730 (2021 – \$7,295,196). There were no impairment losses recognized related to those assets in 2021.

Disaggregated revenue is as follows:

	Twelve months ended December 31	
	2022 \$	2021 \$
Revenue recognized		
Point in time	625,511,188	499,635,473
Over time	5,134,687	4,815,123

The Company disaggregates revenue by point in time and over time.

# FS Brands, Inc.

## Notes to Consolidated Financial Statements December 31, 2022 and December 31, 2021

(expressed in US dollars)

### 4 Transactions with related parties

#### Management fees

The Company has a management agreement with the parent that provides certain administrative and management services to the Company. For the years ended December 31, 2022 and December 31, 2021, the fees for such services totalled \$6,673,136 (2021 – \$7,418,510). These transactions were in the normal course of operations and were measured at the exchange amount.

### 5 Notes receivable

The Company has notes receivable from franchisees for various franchise fees and royalties. These notes bear interest at rates ranging from nil% to 8%, are unsecured and are repayable in monthly instalments. Also included in notes receivable are amounts owing from certain non-controlling interest stockholders. The total amount due from non-controlling interests is \$462,291 (2021 – \$202,062). The interest rate on these notes is 2.5%.

As at December 31, 2022, annual maturities on the notes receivable were as follows:

	\$
2023	958,294
2024	7,806,182
2025	458,893
2026	329,977
2027	112,734
Thereafter	<u>880,321</u>
	10,546,401
Less: Allowance for doubtful accounts	<u>76,500</u>
	10,469,901
Less: Current portion	<u>958,294</u>
	<u>9,511,607</u>

**ES Brands, Inc.**Notes to Consolidated Financial Statements  
December 31, 2022 and December 31, 2021

(expressed in US dollars)

**6 Property and equipment**

		2022		
	Depreciation period	Gross carrying amount \$	Accumulated depreciation \$	Net \$
Production equipment	5 to 7 years	36,100,396	24,883,201	11,217,195
Vehicles	5 years	36,711,890	22,061,640	14,650,250
Furniture and fixtures	5 to 7 years	13,915,248	10,264,897	3,650,351
Computers and equipment	3 to 5 years	48,633,491	28,116,735	20,516,756
Leasehold improvements	lease term	17,998,005	13,508,954	4,489,051
		<u>153,359,036</u>	<u>98,835,427</u>	<u>54,523,603</u>
		2021		
	Depreciation period	Gross carrying amount \$	Accumulated depreciation \$	Net \$
Production equipment	5 to 7 years	28,315,940	20,692,674	7,623,266
Vehicles	5 years	25,238,074	14,757,497	10,480,577
Furniture and fixtures	5 to 7 years	12,294,984	8,091,964	4,203,020
Computers and equipment	3 to 5 years	37,439,576	22,088,186	15,351,390
Computer software	3 to 5 years	1,361,498	689,048	672,450
Leasehold improvements	lease term	16,372,266	12,575,922	3,796,344
		<u>121,022,338</u>	<u>78,895,291</u>	<u>42,127,047</u>

Depreciation expense totalled \$15,889,477 (2021 – \$15,705,978) for the years ended December 31, 2022 and December 31, 2021.

**7 Intangible assets**

		2022		
		Gross carrying amount \$	Accumulated amortization \$	Net \$
Trademarks		10,774,499	7,181,520	3,592,979
Franchise agreements		48,487,505	31,996,307	16,491,198
Customer relationship		23,096,611	7,799,564	15,297,047
Non-compete and other		3,587,212	1,400,116	2,187,096
		<u>85,945,827</u>	<u>48,377,507</u>	<u>37,568,320</u>

**ES Brands, Inc.**Notes to Consolidated Financial Statements  
December 31, 2022 and December 31, 2021

(expressed in US dollars)

		2021	
	Gross carrying amount \$	Accumulated amortization \$	Net \$
Trademarks	10,774,498	6,950,220	3,824,278
Franchise agreements	41,933,677	28,705,335	13,228,342
Customer relationship	15,046,611	6,514,484	8,532,127
Non-compete and other	633,165	633,165	-
	<u>68,387,951</u>	<u>42,803,204</u>	<u>25,584,747</u>

Amortization expense totalled \$5,186,108 (2021 – \$4,101,521) for the years ended December 31, 2022 and December 31, 2021.

The following is the estimated annual amortization expense for each of the next five years:

	\$
2023	6,982,861
2024	5,751,290
2025	5,659,493
2026	5,202,581
2027	4,644,755

**8 Goodwill**

Goodwill represents the excess of purchase price over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. A test for goodwill impairment is required to be completed annually, in the Company's case as of August 1, or more frequently if events or changes in circumstances indicate the asset might be impaired. Based on the quantitative assessment in 2022, the Company has concluded that goodwill is not impaired.

	\$
<b>Balance as at December 31, 2020</b>	81,942,052
Goodwill acquired during the year	10,514,739
Goodwill adjustment during the year	<u>(312,515)</u>
<b>Balance as at December 31, 2021</b>	92,144,276
Goodwill acquired during the year	20,902,769
Goodwill adjustment during the year	<u>3,938,711</u>
<b>Balance as at December 31, 2022</b>	<u>116,985,756</u>

# FS Brands, Inc.

## Notes to Consolidated Financial Statements December 31, 2022 and December 31, 2021

(expressed in US dollars)

### 9 Leases

The Company has operating leases for corporate offices, copiers and certain equipment. Its leases have remaining lease terms of 1 year to 10 years, some of which may include options to extend the leases for up to 8 years, and some of which may include options to terminate the leases within 1 year. The Company evaluates renewal terms on a lease-by-lease basis to determine if the renewal is reasonably certain. The amount of operating lease expense recorded in the consolidated statements of income and comprehensive income was \$11,578,812 (2021— \$10,122,570).

Other information related to leases was as follows:

#### Supplemental cash flows information, twelve months ended December 31, 2022

Cash paid for amounts included in the measurement of operating lease liabilities	11,164,231
Right-of-use assets obtained in exchange for operating lease obligation	23,247,830
Weighted average remaining operating lease term	5.59 Years
Weighted average discount rate	4.19%

The following represent operating lease commitments:

	\$
2023	12,723,116
2024	11,312,744
2025	9,575,034
2026	8,108,272
2027 and thereafter	16,457,365
	<u>58,176,531</u>

**FS Brands, Inc.**Notes to Consolidated Financial Statements  
December 31, 2022 and December 31, 2021

(expressed in US dollars)

**10 Income taxes**

The components of the provision for income taxes are as follows:

	2022 \$	2021 \$
Current provision		
Federal	13,250,598	10,119,645
State	4,175,051	3,137,937
	<u>17,425,649</u>	<u>13,257,582</u>
Deferred recovery		
Federal	1,001,480	(133,850)
State	(270,679)	192,177
	<u>730,801</u>	<u>58,327</u>
	<u>18,156,450</u>	<u>13,315,909</u>

The components of deferred income tax assets and liabilities are as follows:

	2022 \$	2021 \$
Deferred income tax assets		
Accrued expenses	6,966,265	5,372,555
Bad debt	767,530	1,403,541
Future benefit of tax losses	1,154,551	816,206
	<u>8,888,346</u>	<u>7,592,302</u>
Deferred income tax liabilities		
Purchased goodwill and intangible assets	7,550,504	6,033,141
Property and equipment	8,854,545	7,320,790
Investment in partnership	1,122,584	672,989
	<u>17,527,633</u>	<u>14,026,920</u>
Net deferred income tax liabilities before valuation allowance	8,639,287	6,434,618
Valuation allowance	1,018,192	726,080
Net deferred income tax liabilities	<u>9,657,479</u>	<u>7,160,698</u>

**ES Brands, Inc.**Notes to Consolidated Financial Statements  
December 31, 2022 and December 31, 2021

(expressed in US dollars)

The number of years with open tax audits varies depending on the tax jurisdiction. The Company's taxing jurisdiction is the United States of America. With few exceptions, the Company is no longer subject to US federal, state and local income tax examinations by tax authorities for years before 2015.

The Company does not currently expect any material impact on earnings to result from the resolution of matters relating to open taxation years; however, actual settlements may differ from amounts accrued. Currently, it is not reasonably possible to determine whether unrecognized tax benefits will increase or decrease within the next 12 months with respect to settlements of tax audits. The Company has made its current estimates on facts and circumstances known to date and cannot predict subsequent or changed facts and circumstances that could affect its current estimates.

**11 Notes payable**

	2022 \$	2021 \$
Promissory note, unsecured, payable in annual instalments through January 2023, interest at 2%	456,933	882,858
Less: Current portion	456,933	454,287
	<u>-</u>	<u>428,571</u>

**12 Change in non-cash working capital**

	2022 \$	2021 \$
Accounts receivable	(1,871,126)	(4,330,598)
Inventories	(17,868,743)	(5,187,631)
Notes receivable	1,069,030	(1,730,001)
Prepaid expenses and other current assets	(2,243,093)	(4,949,938)
Accounts payable	440,038	(1,792,448)
Accrued liabilities	15,827,746	16,204,166
Deferred revenue and customer deposits	(1,587,836)	16,498,965
Income taxes	(3,012,516)	(3,026,871)
Other liabilities	(2,518,521)	50,444
	<u>(11,765,021)</u>	<u>11,736,088</u>

**ES Brands, Inc.**Notes to Consolidated Financial Statements  
December 31, 2022 and December 31, 2021

(expressed in US dollars)

**13 Non-controlling interests**

The following table provides a reconciliation of the beginning and ending amounts for non-controlling interests (NCI):

	2022 \$	2021 \$
Balance – Beginning of year	28,256,345	18,767,098
Share of earnings of NCI	3,241,134	2,350,221
Redemption increment of NCI	9,098,981	8,058,800
Distributions paid to NCI	(2,991,003)	(2,418,908)
Purchase of NCI	(1,712,355)	(2,276,657)
Sale of NCI	16,454,069	3,775,791
	<hr/>	<hr/>
Balance – End of year	52,347,171	28,256,345

The Company has stockholders' agreements in place for each of its non-wholly owned subsidiaries. These agreements allow the Company to call the NCI at a price determined with the use of a formula price, which is usually equal to a fixed multiple of average annual net income before extraordinary items, income taxes, interest, depreciation and amortization. The agreements also have redemption features, which allow the owners of the NCI to put their equity into the Company at the same price, subject to certain limitations. The formula price is referred to as the redemption amount and may be settled in cash or with the ultimate parent's shares. The redemption amount as at December 31, 2022 and December 31, 2021 was \$53,347,171 (2021 – \$28,256,350).

**14 Letters of credit**

College Pro Painters (U.S.) Ltd. is required to obtain irrevocable bank letters of credit totalling \$311,649 (2021 – \$311,649). The letters of credit are to remain open for the duration of certain stop-loss insurance policies or until all insurance claims against College Pro Painters (U.S.) Ltd. have been settled.

**15 Fair values of financial instruments**

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. The following are estimates of the fair values for other financial instruments:

	Carrying amount \$	Fair value \$
Notes receivable	10,469,901	9,022,927
Notes payable	456,933	452,431
Contingent consideration	6,473,500	5,489,847

# FS Brands, Inc.

## Notes to Consolidated Financial Statements December 31, 2022 and December 31, 2021

(expressed in US dollars)

Notes receivable include amounts due from franchisees and non-controlling stockholders. Notes payable include amounts due to vendors in connection with business acquisitions. The fair values of these instruments are determined using a valuation model with prevailing interest rates obtained from third parties. The inputs are unobservable and thus classified as Level 3 and relate to future cash flows and discount rates, which requires the Company to develop its own assumptions.

### 16 Defined contribution pension plan

The Company contributed \$2,998,964 (2021 – \$2,356,024) to its 401(k) plan during the year, which has been recorded as an expense in each of the respective years.

### 17 Acquisitions

In 2022, the Company completed three acquisitions, the details of which are as follows:

	\$
Current assets	18,181,408
Current liabilities	(5,665,496)
Non-current liabilities	(4,725,304)
Redeemable non-controlling interest	<u>(16,011,637)</u>
Net assets	<u>(8,221,029)</u>
Cash consideration	27,330,472
Contingent consideration	<u>3,324,501</u>
Total purchase consideration	<u>30,654,973</u>
Acquired intangible assets	<u>17,973,233</u>
Goodwill	<u>20,902,700</u>

**EXHIBIT C**  
**FRANCHISE AGREEMENT**

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**CERTA PROPAINTERS, LTD.**

**FRANCHISE AGREEMENT**

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**FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (“Agreement”) is made effective as of the date set forth on the signature page of this Agreement (“Effective Date”) by and **BETWEEN:**

Certa ProPainters, Ltd.  
a Massachusetts corporation  
(hereinafter referred to as the  
“Franchisor” or “CertaPro”)

- and -

\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
 (“Franchisee”).

**BACKGROUND**

A. CertaPro has developed a system for the opening, operation and promotion of franchised businesses that provide painting and decorating services (the “CertaPro System”) as described in this Agreement and the CertaPro Methods of Operation Manual, including the Standard Operating Procedures (“SOP”), as revised from time to time (the “Operations Manual”).

B. The CertaPro System is identified by certain trade names, trademarks, service marks, logos, copyrights, emblems and other indicia of origin, including the service marks “CertaPro®,” CertaPro Painters®,” and the CertaPro® logo and design, as CertaPro now designates and may hereafter designate in connection with the CertaPro System (the “Proprietary Marks”).

C. Franchisee desires to own and operate a CertaPro franchise in a manner that is consistent with, and that will promote, CertaPro’s reputation, Brand, standards of quality and goodwill (a “CertaPro Business”).

D. CertaPro, in reliance on the representations made by Franchisee, is willing to provide certain training, materials, supplies and ongoing advice, assistance and recommendations relating to the CertaPro System and to grant a franchise to Franchisee under and subject to the terms and conditions of this Agreement, which terms are acceptable to Franchisee and are acknowledged by the parties to be material and reasonable.

**NOW, THEREFORE,** for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound hereby, and in further consideration of the mutual covenants, promises, and conditions contained in this Agreement, the parties agree as follows:

## 1 – GRANT OF FRANCHISE

1.1 Grant of Franchise. Subject to the terms and conditions stated in this Agreement, CertaPro hereby grants to Franchisee, and Franchisee hereby accepts, a non-exclusive license to operate a CertaPro Business using the CertaPro System and the CertaPro Proprietary Marks in the territory described in the attached Schedule A (“Territory”).

1.2 Exclusivity. Except as provided in this Agreement, and so long as Franchisee is in substantial compliance with the terms and conditions of this Agreement, CertaPro agrees not to locate another CertaPro franchise providing Residential Services within Franchisee’s Territory for the duration of this Agreement. CertaPro retains the right, among other rights, to establish and grant others the right to establish CertaPro franchises providing Residential Services outside the Territory. Further, Franchisee acknowledges that other franchisees may offer, accept, and perform certain services within the Territory as set forth in this Agreement.

1.3 Reservation of Rights. CertaPro retains the right to use the Proprietary Marks in alternative forms of distribution, including but not limited to, the sale of goods or materials, including but not limited, paint and painting supplies of any kind including, but not limited, brushes, to or through manufacturers, wholesale outlets, malls, retail stores and individuals, or by mail order, electronic commerce or any other sales method, anywhere in the world, including sales from and to locations in the Territory.

1.4 Authorized Services. Subject to the limitations described in this Agreement, Franchisee is hereby authorized to offer, sell, and perform the following:

1.4.1 Residential Services. Franchisee may offer, sell, and perform Residential Services only in the Territory, which are defined as follows:

1.4.1.1 painting and decorating of the interior or exterior of an individual residential dwelling that contains one, two, three or four units including any accessory buildings, garages, sheds, barns and fences that are a part of such dwelling and which are not subject to any Program Services; and

1.4.1.2 painting and decorating of the interior of an individual’s residential apartment, condominium or townhouse, which are not subject to any Program Services; but, specifically excluding the exterior of any such structures, and any interior or exterior common areas such as hallways, vestibules, or storage areas.

Franchisee is expressly prohibited from offering, selling, or performing any of the above Residential Services in any area outside the Territory.

1.4.2 Commercial Services:

1.4.2.1 Provided that Franchisee shall meet CertaPro’s then-current criteria for providing Commercial Services, and is not in default of any provision of this Agreement, any amendment of this Agreement or any other agreement in effect between Franchisee and CertaPro, then Franchisee, upon payment to CertaPro of the then-current one-time nonrefundable Commercial Services Fee, execution of CertaPro’s then-current Commercial Services Addendum and completion of CertaPro’s Commercial Training Program and such other requirements as CertaPro from time to time may require, will be authorized to offer, sell and perform any painting and decorating of the interior or exterior of any building, not specifically identified above as a Residential Service (“Commercial Services”).

1.4.2.2 Franchisee acknowledges and expressly understands and agrees that until such time as Franchisee becomes expressly authorized to perform Commercial Services, Franchisee shall have no right to Commercial Services contracts within the Territory, and CertaPro or other CertaPro franchisees may perform Commercial Services within the Territory using CertaPro's Proprietary Marks. Franchisee disclaims any compensation or consideration for work performed by others in the Territory pursuant to this Section 1.4.2.

1.4.3 Program Services. From time to time, CertaPro may establish certain programs for the benefit of its franchisees, the CertaPro System and the CertaPro Brand whereby CertaPro franchisees will be permitted to offer, sell and perform certain painting and/or decorating services ("Program Services") in accordance with the qualifications and specifications described in any particular program established by CertaPro from time to time. Neither the provision by CertaPro or by a franchisee, licensee or agent of CertaPro, of Program Services as authorized by this Section 1.4.3, shall constitute a violation of Article 1, Section 1.2 of this Agreement relating to exclusivity of the Territory even if such Program Services are delivered from a location within the Territory. Franchisee disclaims any compensation or consideration for work performed by others in the Territory pursuant to this Section 1.4.3.

#### 1.4.3.1 National Account Program.

1.4.3.1.1 A National Account is any customer, which, on its own behalf or through agents, franchisees, licensees or other third parties, owns, manages, controls or otherwise has responsibility for buildings of any kind or common services in more than one (1) location whose presence is not confined within any one particular franchisee's territory, regardless of the aggregate contract amount of the services to be performed. Any dispute as to whether a particular customer is a National Account shall be determined by CertaPro in its sole discretion, and CertaPro's determination shall be final and binding.

1.4.3.1.2 CertaPro shall have the exclusive right, unless otherwise specifically delegated in writing, on behalf of itself, Franchisee, and/or other CertaPro franchisees using the Proprietary Marks, to negotiate and enter into agreements or approve forms of agreement to provide services to National Account customers, including any of their affiliate, company owned or franchised locations of a National Account Customer within the Territory.

1.4.3.1.3 CertaPro also shall have the right, exercisable in its sole discretion, to:

(a) provide directly or through any other licensee or franchisee using the CertaPro Proprietary Marks, services to the National Account customer location(s) within the Territory on the terms and conditions contained in the National Account bid or contract; and/or

(b) contract with another party to provide such services to the National Account customer location(s) within the Territory on the terms and conditions contained in the National Account bid or contract between CertaPro and the National Account customer, using the CertaPro Proprietary Marks or any other trademarks, service marks or trade names.

1.4.3.1.4 Neither the direct provision by CertaPro or by a franchisee, licensee, or agent of CertaPro, of services to National Account customers as authorized in Section 1.4.3.1.3(a) above, nor CertaPro's contracting with another party to provide such services as authorized in Section 1.4.3.1.3(b) above, shall constitute a violation of Article 1, Section 1.2 of this Agreement relating to the exclusivity of the Territory, even if such services are delivered from a location within the Territory. Franchisee disclaims any compensation or consideration for work performed by others in the Territory pursuant to Section 1.4.3.1.

1.4.4 Program Participation. Franchisee’s participation in any particular program, including but not limited to the National Account Program, will be subject to the terms and conditions of such program. Such terms and conditions may include, but shall not be limited to, the following:

1.4.4.1 prior to offering, selling or performing any Program Services, Franchisee shall meet any Program Services qualifications or specifications as reasonably determined by CertaPro and shall execute such agreements, undertakings or other instruments as CertaPro may require as a condition to participation in any particular program that CertaPro may then be offering to its franchisees. Franchisee agrees to abide by the terms and conditions of any such agreements;

1.4.4.2 Program Services, including National Account work, is subject to CertaPro’s strict quality control standards, enhanced inspections and testing, and shall be completed according to the agreed scheduling requirements. CertaPro may also centralize all accounts, invoicing and payments for Program Services or designate a third party to perform such functions;

1.4.4.3 Franchisee may be required to pay certain fees including participation or administration fees, marketing fees or additional royalties on work performed pursuant to any particular program, or other fees related to the Program Services described in any particular program. These fees would be in addition to the Royalties provided for in Section 2.2 of this Agreement;

1.4.4.4 prior to performing any Program Services, CertaPro may require that Franchisee be qualified by CertaPro to perform the specific type of work specified in the particular program. Qualification may require, among other things, that Franchisee meet CertaPro’s requirements for Program participation, be trained by CertaPro or other qualified third parties, and demonstrate, to CertaPro’s satisfaction, a minimum level of competency in the performance of the intended Program Service; and

1.4.4.5 Franchisee must be in substantial compliance with the terms of this Agreement, any addendum or amendment and any other agreement with CertaPro.

## **2 – INITIAL FRANCHISE FEE AND ROYALTY FEE**

2.1 Initial Franchise Fee. Franchisee agrees to pay to CertaPro, a non-refundable initial franchise fee in the amount of \$65,000 (“Initial Franchise Fee”). This Initial Franchise Fee shall be deemed to be fully earned by CertaPro upon the execution of this Agreement and Franchisee shall not be entitled to a refund of any part thereof, regardless of the date of termination of this Agreement, except as provided in Section 16.2 of this Agreement.

2.2 Royalty Fee; Gross Sales. Subject to the provisions of Section 2.3, during the Term of this Agreement, Franchisee agrees to pay to CertaPro a monthly Royalty Fee (“Royalty Fee”) in an amount equal to a percentage of Gross Sales as follows:

<u>Amount of Gross Sales</u>	<u>Royalty Fee</u>
\$0 - \$2,500,000	6%
\$2,500,000.01 - \$5,000,000	5%
\$5,000,000.01 and over	4%

Gross Sales shall include the total amount of all sales for labor, material, equipment and/or services performed or rendered by: (a) Franchisee, or (b) any third-party subcontractors or agents

of Franchisee who perform services for Franchisee’s customers or clients as part of Franchisee’s services. Gross Sales shall also include all commissions, finder’s fees, referral fees, construction management fees or other compensation received by Franchisee on the value of any work performed. Franchisee agrees that all Royalty Fees, including any Minimum Royalty Fee, are non-refundable.

2.3 Minimum Royalty Fee. Notwithstanding the provisions of Section 2.2 above, Franchisee agrees to pay to CertaPro a minimum annual royalty for the CertaPro Business granted by this Agreement for the Territory, determined as set forth below, which will be calculated by deducting the amount of Royalty Fees due from Franchisee calculated in accordance with Section 2.2 above, in the applicable Calendar Year, from the amounts set forth below (“Minimum Royalty Fee”).

2.3.1 Calendar Year Determination. CertaPro and Franchisee agree that the following is how calendar years will be determined:

- (a) “First Calendar Year” shall be that portion of the year ending on December 31 of the same year as the Effective Date of this Agreement.
- (b) “Second Calendar Year” shall be the first full year following the First Calendar Year.
- (c) “Third Calendar Year” shall be the second full year following the First Calendar Year.
- (d) “Fourth Calendar Year” through “Tenth Calendar Year” shall be determined in the same manner as set forth in subparagraphs (b) and (c) above, except increasing by one for each full year following the First Calendar Year.

2.3.2 Franchisee shall be required to pay the following Minimum Royalty Fees in each category of Sales identified below, Sales of Residential Services and Total Gross Sales (which includes Sales of Residential Services), for each of the Calendar Years indicated:

<u>Calendar Years</u>	<u>Minimum Royalty Fee on Sales of Residential Services</u>	<u>Minimum Royalty Fee on Total Gross Sales</u>
2 <sup>nd</sup> and Section 2.3.3 applies	\$21,000	\$27,000
2 <sup>nd</sup> and Section 2.3.4 applies	\$15,000	\$15,000
3 <sup>rd</sup>	\$24,000	\$30,000
4 <sup>th</sup>	\$27,000	\$36,000
5 <sup>th</sup> – 6 <sup>th</sup>	\$30,000	\$39,000
7 <sup>th</sup> – 8 <sup>th</sup>	\$30,000	\$51,000
9 <sup>th</sup> - 10 <sup>th</sup>	\$36,000	\$51,000

2.3.3 If the Effective Date of this Agreement is the first through fifth calendar months (January through May), then, for the Second Calendar Year, Franchisee shall be required to pay a Minimum Royalty Fee on Sales of Residential Services in the amount of \$21,000 and a Minimum Royalty Fee on Total Gross Sales in the amount of \$27,000.

2.3.4 If the Effective Date of this Agreement is the sixth through twelfth calendar months (June through December), then, for the Second Calendar Year, Franchisee shall be required to pay a Minimum Royalty Fee on Sales of Residential Services in the amount of \$15,000 and a Minimum Royalty Fee on Total Gross Sales in the amount of \$15,000.

2.3.5 If the final Calendar Year is less than twelve (12) months, then the amount of the Minimum Royalty Fee will be determined on a pro rata basis based on the number of months or

portion of a month during which Franchisee operated in the final Calendar Year, divided by twelve (12).

2.3.6 Any Minimum Royalty due under this Section 2.3 must be paid on or before December 31 of the Calendar Year for which the Minimum Royalty is due.

2.4 Reporting. Franchisee agrees that sales, service contracts and jobs are deemed to be closed when the contracted work is substantially complete as defined in Section 2.4.1 below. Franchisee agrees to report Gross Sales in such form or format as CertaPro may specify from time to time. CertaPro may, at any time, and from time to time, modify the required form or format.

2.4.1 Substantially Complete. For the purpose of Monthly Reporting, a job is substantially complete when one or more of the following conditions occurs:

(a) The painting crew has moved off of the job because it is complete, or

(b) Franchisee has invoiced the customer for at least eighty-nine percent (89%) of the total cost of the job, excluding the ten percent (10%) retainer fee usually held back by Commercial Services accounts or customers.

2.5 Due Date of Royalty Fee and Other Monthly Fees. Franchisee agrees to pay the Royalty Fee and all other monthly fees payable to CertaPro by the tenth (10<sup>th</sup>) day of each month for the prior month's Gross Sales. Calculation of the amount of the Royalty Fee due and payable by Franchisee shall be based on reports prepared by Franchisee, in the form or format specified by CertaPro. In the event that Franchisee fails to submit the required reports, the Royalty Fee due shall be calculated on Franchisee's monthly average Gross Sales for the preceding twelve (12) months or on such data as may be available to CertaPro.

2.6 Late Payment. Franchisee agrees that any amounts due to CertaPro and not received by CertaPro on or before the due date shall immediately begin to accrue interest as of the due date at the maximum rate allowed by law or one and one-half percent (1.5%) monthly, whichever is less, without waiver of any other rights of CertaPro.

2.7 Additional Remedies for Failure to Timely Pay Fees. Franchisee understands and agrees that should Franchisee fail to pay the Royalty Fee, Minimum Royalty Fee or any other fees due to CertaPro when such fees are due, or should Franchisee permit any of Franchisee's accounts with CertaPro to become delinquent, CertaPro may withhold any services it may then be providing to Franchisee until such time as Franchisee pays all outstanding fees due to CertaPro. In addition, CertaPro reserves the right to withhold from Franchisee any products, services, information, advice, consultation, training and leads, and to deny Franchisee access to CertaPro's proprietary software systems if Franchisee is not in compliance with the terms of this Agreement, any addendum or amendment, any other agreement with CertaPro, or the Operations Manual.

2.8 Technology and Support Fees.

2.8.1 Franchisee agrees to pay to CertaPro a monthly Technology Fee in an amount equal to 0.35% of Franchisee's Gross Sales.

2.8.2 As of the Effective Date, Franchisee shall not be required to pay any additional fees for routine telephone support for any software application that CertaPro makes available to Franchisee. CertaPro reserves the right, upon giving sixty (60) days' advance written notice to Franchisee, to institute a reasonable fee for support services, and Franchisee agrees to pay such fees as CertaPro may require from time to time.

2.8.3 Franchisee acknowledges and agrees that any routine telephone support shall not include support for any hardware or software obtained by Franchisee from third party suppliers, whether or not required for use in the CertaPro Business, nor shall it include replacement or upgrading of Franchisee's computer hardware or any software used by Franchisee in connection with the CertaPro Business.

2.9 Answering Service. Franchisee agrees to subscribe to and transact all business through the telephone answering service as designated by CertaPro and shall comply with the terms and conditions established by CertaPro from time to time. As of the Effective Date of this Agreement, Franchisee shall not be required to pay any additional fees for the answering service but CertaPro reserves the right, upon giving sixty (60) days' advance written notice to Franchisee, to institute a reasonable fee for such services and Franchisee agrees to pay such fees as CertaPro may require from time to time.

### 3 – TERM

3.1 Term. This Agreement, unless otherwise terminated pursuant to the terms and conditions of this Agreement, shall commence on the Effective Date and shall continue in force for a period of ten (10) years ("Term").

3.2 Renewal. Franchisee shall have the right to renew the license granted to Franchisee pursuant to this Agreement upon such renewal terms and conditions as CertaPro may then be offering, for an additional ten (10) year period provided that:

3.2.1 Franchisee shall have given CertaPro notice of its intention to renew this Agreement no less than one hundred and eighty (180) days prior to the Expiration of the Term;

3.2.2 at the Expiration of the Term, Franchisee shall not be in default of any provision of this Agreement, any addendum to or amendment of this Agreement or any other agreement in force between Franchisee and CertaPro, and shall have substantially complied with all of the terms and conditions of such agreements throughout the Term;

3.2.3 Franchisee shall have paid all amounts due and payable under this Agreement, including without limitation, all fees referred to in Article 2 and all advertising and marketing fees referred to in Article 11;

3.2.4 Franchisee shall have executed, prior to the commencement of any renewal term, all documents and agreements then customarily used by CertaPro in the granting of new franchises, including CertaPro's then current form of renewal franchise agreement, the terms and conditions of which may differ materially from this Agreement and from agreements then being offered to new franchisees, including, without limitation, renewal terms and terms with respect to fees charged by CertaPro, including any Minimum Royalty Fee and required Performance Criteria, which may have been increased; provided, however, that notwithstanding the foregoing, Franchisee shall not be required to pay an initial franchise fee (other than the renewal fee stated in Section 3.2.5 of this Agreement) and further provided that Franchisee shall have no further option to renew other than as provided in this Agreement;

3.2.5 Franchisee shall pay to CertaPro a renewal fee of fifteen percent (15%) of the then-current Initial Franchise Fee;

3.2.6 Franchisee shall pay all costs and expenses, including legal fees, which Franchisor may incur in connection with its renewal of the license granted under this Agreement;

3.2.7 Franchisee shall have completed, not later than thirty (30) days prior to the Expiration of the Term, and to CertaPro's satisfaction, all maintenance, retrofitting and upgrading of the vehicles and equipment, including any computer hardware or software application, used by Franchisee in connection with the CertaPro Business as CertaPro shall reasonably require so that the CertaPro Business shall reflect the then-current image of other CertaPro franchised businesses; and,

3.2.8 Franchisee shall have satisfactorily and timely completed all training required of franchisees seeking to be renewed.

3.2.9 Franchisee shall have executed a general release, in a form satisfactory to CertaPro, of any and all claims against CertaPro and its officers, directors, parents, affiliates, shareholders and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

#### **4 – TRAINING AND OPERATIONS ASSISTANCE**

4.1 Initial Franchisee Training. Prior to commencing operation of the CertaPro Business, CertaPro agrees to train Franchisee, or Franchisee's principal in the event of a corporate franchisee, in the methods and operations of a CertaPro Business at the next scheduled franchisee training session or at such other regularly scheduled session as agreed pursuant to this Agreement. Such initial training shall include participation in required webinars and attendance at all initial training sessions held at CertaPro's headquarters in Pennsylvania or at such other location as CertaPro may designate. All travel, living, and related expenses incurred by Franchisee or Franchisee's representative during the initial training shall be at Franchisee's sole cost and expense.

4.2 Mandatory In-Term Training. Franchisee agrees to participate in, satisfactorily and timely complete, and pay for any required training provided by CertaPro, which may be delivered online through CertaPro® University, through webinars or at regional or national meetings. From time to time, CertaPro may provide additional training courses which Franchisee or Franchisee's designated representative will be required to attend and satisfactorily and timely complete, and for which Franchisee will be charged a reasonable fee. In addition, Franchisee will be responsible for the cost of all travel and living expenses and all wages payable to any of Franchisee's representatives participating in any of these training programs.

4.3 Operating Assistance. During the Term of this Agreement, CertaPro may, at Franchisee's reasonable request and subject to availability, provide Franchisee with continuing advice, guidance, and recommendations with respect to the operation of the CertaPro Business. Franchisee understands and agrees that CertaPro shall provide only such advice, guidance, and recommendations, that, in its sole discretion, CertaPro deems reasonably required with respect to the operation of the CertaPro Business.

#### **5 – VEHICLES, MACHINERY, EQUIPMENT AND SIGNS**

5.1 Use of Vehicles. Franchisee shall use only vehicle(s) approved by CertaPro in connection with the operation of the CertaPro Business. Franchisee acknowledges and agrees that such

vehicle(s) shall be used for the CertaPro Business only and not for any other business or other purpose whatsoever.

5.2 Types of Vehicles. In order to maintain uniformity of vehicles, CertaPro requires that vehicles obtained by Franchisee shall be of the make, model, and year as established by CertaPro and set forth in the SOP or otherwise approved by CertaPro in writing. In all cases, the cost of obtaining vehicles shall be borne exclusively by Franchisee.

5.3 Machinery, Equipment and Signs. Franchisee agrees to use in the operation of the CertaPro Business only those brands or types of machinery, equipment, and signs that are in compliance with industry and/or CertaPro's specifications and standards for design, appearance, function, performance and serviceability and to purchase all such items only from suppliers that have been approved by CertaPro. Franchisee further agrees to place or display in or on any vehicles, machinery, and equipment only such signs, logos, vehicle wraps and display materials that have been approved in writing by CertaPro as set forth in the SOP of the Operations Manual or as established by CertaPro from time to time.

5.4 Maintenance and Replacement of Machinery, Equipment and Vehicles. Franchisee agrees that as items of machinery, equipment or any vehicles used in connection with the CertaPro Business become obsolete, or mechanically impaired to the extent that they require replacement, Franchisee will replace such machinery, equipment or vehicles with either the same or substantially the same types of machinery, equipment or vehicles as are being installed or used by other of CertaPro's franchised businesses at the time replacement becomes necessary. The cost of replacing such machinery, equipment or vehicles shall be borne exclusively by Franchisee.

## 6 – OPERATION OF THE FRANCHISED BUSINESS

6.1 Performance Criteria. Franchisee agrees for the CertaPro Business granted by this Agreement for the Territory identified in Schedule A to achieve the Performance Criteria in each category of Sales, that is, Sales of Residential Services and Total Gross Sales, which includes Sales of Residential Services, as listed below, for each of the Calendar Years, or Franchisee will be in breach of this Agreement. Franchisee further agrees that any such breach is not cured by payment of any Minimum Royalty as determined by Section 2.3:

<u>Calendar Year</u>	<u>Sales of Residential Services</u>	<u>Total Gross Sales</u>
2 <sup>nd</sup> and Section 2.3.3 applies	\$350,000	\$450,000
2 <sup>nd</sup> and Section 2.3.4 applies	\$250,000	\$250,000
3 <sup>rd</sup>	\$400,000	\$500,000
4 <sup>th</sup>	\$450,000	\$600,000
5 <sup>th</sup> – 6 <sup>th</sup>	\$500,000	\$650,000
7 <sup>th</sup> – 8 <sup>th</sup>	\$500,000	\$850,000
9 <sup>th</sup> - 10 <sup>th</sup>	\$600,000	\$850,000

6.2 Duties and Obligations. In recognition of CertaPro's advertising, marketing and promotion of the CertaPro System and CertaPro franchises, and the resultant goodwill associated with the CertaPro Proprietary Marks and Brand, Franchisee agrees to operate the CertaPro Business strictly in accordance with the CertaPro System as set forth in the Operations Manual and in training sessions and materials, as it or they may be updated from time to time or otherwise, and further agrees to:

6.2.1 operate the CertaPro Business with due diligence and efficiency in a quality and reputable manner;

6.2.2 ensure that, at all times prompt, courteous and efficient service is accorded to its customers and, in so doing, to adhere to the highest standards of honesty, integrity, fair dealings and ethical conduct; and, not act or fail to act in a manner that would adversely impact the CertaPro System, Brand or Proprietary Marks;

6.2.3 sell only those services and products that meet CertaPro's uniform standards of quality and quantity, as have been expressly approved for sale in writing by CertaPro, not provide or sell any unauthorized services, and discontinue the sale of any service or product that fails to comply with Section 6.2 upon receipt of written notice of such failure;

6.2.4 maintain the condition and appearance of the CertaPro Business and the machinery, vehicles and equipment used in the CertaPro Business consistent with CertaPro requirements and the image of other CertaPro Businesses, and take such steps as are reasonably required, such as conducting maintenance and repairs, on a regular and frequent basis so as to maintain such condition and appearance;

6.2.5 at the request of CertaPro, make available for a reasonable period of time, each of its staff and manager(s) for training or retraining by CertaPro, at CertaPro's principal office or other location(s) designated by CertaPro, and Franchisee shall be responsible for all costs associated with such training including CertaPro's then-current training fee for such training, travel, food and lodging costs and all wages due to Franchisee's staff for attending such training;

6.2.6 comply with all state, local and federal laws, regulations, and ordinances applicable to the CertaPro Business including, without limitation, all labor and employment laws, immigration laws, worker health and safety laws; environmental laws; insurance, privacy, and tax laws; payment card industry data security standards, and building, permitting, registration, and licensing laws necessary for the proper operation of the CertaPro Business;

6.2.7 comply with the quality and performance standards established by CertaPro from time to time. In establishing such standards, CertaPro shall consult with any CertaPro franchisee advisory council that may exist at any given time, but shall not be bound to adopt or implement all or any proposals from such council;

6.2.8 cause any third-party subcontractors engaged by Franchisee to perform work on behalf of Franchisee in respect of the CertaPro Business to comply with all applicable requirements of this Agreement including, but not limited to, the quality and performance standards required of Franchisee;

6.2.9 cause the CertaPro Business to be operated by Franchisee or at least one person who has successfully completed such CertaPro training as deemed required by CertaPro and who shall devote their full time and best effort to the operation of the CertaPro Business;

6.2.10 locate any office used by or for the CertaPro Business within the Territory and at no other location;

6.2.11 not use the assets or resources of the CertaPro Business to advertise or conduct any other business;

6.2.12 not engage in any business or other activities that would be detrimental to or interfere with Franchisee's operation of the CertaPro Business;

6.2.13 use any Customer Relations Management software, application, or program in the operation of the CertaPro Business only as approved in advance in writing by CertaPro; and

6.2.14 require that any individual who serves as a General Manager, Chief Operating Officer, Vice President of Operations or in a similar capacity for the CertaPro Business has an ownership interest in the CertaPro Business.

6.3 Purchase and Sale of Products and Supplies. Franchisee acknowledges that the reputation and goodwill of the CertaPro System is based upon the offering of high-quality services and products. Accordingly, Franchisee agrees to sell or otherwise use only those services and products as CertaPro shall first approve in writing, and which are not thereafter disapproved. Franchisee further agrees that Franchisee shall not sell any paints, decorating products or paint related products that are not designated and approved in writing by CertaPro unless Franchisee first obtains CertaPro's written permission. Any permission given may be later revoked by CertaPro.

Franchisee acknowledges and agrees that CertaPro will not be liable for any losses, financial or otherwise, or damages, including consequential or special damages, resulting from any delay in delivery or availability of any of the products or services designated by CertaPro.

6.4 System Modification. Franchisee agrees that CertaPro may modify the CertaPro System or Programs, and, in doing so, adopt new trademarks, trade names, services or products and new techniques in connection with any such modification. Franchisee agrees, at its own cost, to promptly implement such changes and, in the event that Franchisee fails to do so, to permit CertaPro, at its option, to rectify such failure, at Franchisee's cost.

6.5 Telephone Number, Power of Attorney. Franchisee agrees not to publish any telephone numbers for the CertaPro Business other than the telephone number(s) authorized by CertaPro as set forth in Schedule A. Franchisee acknowledges and agrees that such telephone number(s) are the sole property of CertaPro; provided, however, any costs for such use, shall be paid for by Franchisee. In addition to the telephone number(s) authorized by CertaPro, Franchisee further agrees to display in its advertising and other marketing or promotional Materials, as well as in all business documents related to the CertaPro Business, including without limitation contracts, purchase orders, invoices, stationery, and business cards, the toll-free telephone number designated by CertaPro.

Franchisee hereby appoints CertaPro or any of CertaPro's officers as Franchisee's irrevocable attorney-in-law and in fact in all matters dealing with or concerning any and all telephone numbers used in connection with the CertaPro Business or any telephone directory advertisements, or any listings, including online or electronic listings, containing those numbers, including but not limited to, the execution at any time, whether before or after any termination or Expiration of this Agreement, of any writings transferring to CertaPro or to any person, firm or company designated by CertaPro, any and all telephone numbers advertised or listed under the CertaPro name or any of CertaPro's Proprietary Marks in any medium. This appointment shall survive the termination or Expiration of this Agreement. Franchisee shall execute a conditional assignment of telephone

numbers in such form prescribed by CertaPro, the current form of which is set forth in Schedule B.

**6.6 Identification of the CertaPro Business.** Franchisee shall be required to use the CertaPro Proprietary Marks on all Materials, marketing or advertising representing the CertaPro Business in any medium, including without limitation business cards, stationery, yellow pages or online/electronic/digital marketing or advertising, clothing, checks, proposals, contracts, signage, vehicle advertising and any other marketing and promotional materials in any medium, (“Materials”), and in doing so, Franchisee agrees to (i) accurately depict the CertaPro Proprietary Marks on the Materials, (ii) include a statement on the Materials indicating that the business is independently owned and operated by Franchisee, (iii) not use the CertaPro Proprietary Marks in connection with any other trademarks, trade names or service marks unless specifically approved by CertaPro in writing prior to such use, and (iv) make available to CertaPro, upon its request, a copy of any Materials depicting the CertaPro Proprietary Marks.

Any Materials not furnished or made available by or through CertaPro that Franchisee wishes to use for public display must first be submitted to CertaPro for approval, which approval CertaPro shall not unreasonably withhold; provided, however, that such Materials are current, in good condition and in good taste. Such Materials must also accurately depict the CertaPro Proprietary Marks and be used in manner so as to promote or strengthen CertaPro Brand recognition.

**6.7 Warranty Service.** Franchisee agrees to offer and honor such warranty on all materials and workmanship sold by Franchisee as CertaPro may designate from time to time in the SOP or otherwise. Franchisee shall cooperate with CertaPro in all warranty claims and shall make no statements or admissions as to liability. Franchisee shall promptly report all warranty claims to CertaPro and shall undertake all warranty work under the Proprietary Marks. All costs associated with administering and honoring the warranty service shall be borne by Franchisee including all costs referred to in Section 16.5.8 regarding Franchisee’s obligations upon termination or Expiration of this Agreement.

**6.8 Maintenance of Bank Accounts/Transfer of Funds.** Franchisee agrees to provide CertaPro with the name, address, telephone number and other contact information of the bank or banks in which the bank account(s) maintained for the operation of the CertaPro Business are located and to provide CertaPro with all account numbers for such account(s) so that CertaPro may arrange to have such funds as Franchisee may, from time to time, owe to CertaPro transferred directly from Franchisee’s bank account(s) into CertaPro’s accounts. Franchisee further agrees to cooperate fully in arranging for the electronic transfer of funds from its accounts to CertaPro’s accounts and agrees to execute such documents or instruments as may be required by its bank(s) or CertaPro’s bank(s).

**6.9 Right to Examine or Inspect the CertaPro Business.** Franchisee agrees to permit CertaPro or its designated representatives to enter Franchisee’s premises or job sites at all reasonable times during the business day or to access remotely the CertaPro Business for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by Franchisee. In the event of any such examination or inspection, Franchisee and its staff agree to cooperate fully with such examination or inspection and to provide CertaPro or its designated representative access to Franchisee’s computer(s) and mobile devices, and cloud or other backup or storage systems and all programs and data bases contained thereon at any time. For purposes of this Agreement “premises” shall be deemed to mean any or all of the following locations: (i) any location where Franchisee regularly conducts the CertaPro Business; (ii) any location where Franchisee maintains the books and records, financial or otherwise, of the

CertaPro Business; or (iii) any location which Franchisee uses in any manner in connection with the CertaPro Business.

6.10 System Data. Franchisee and Franchisor agree that all data transmitted, used, contained on, stored on, or entered into any computer, mobile device, email system or cloud or other backup or storage system used by or in the operation of the CertaPro Business, or by or in any other hardware or software owned, operated, or disseminated by CertaPro or any authorized vendor of CertaPro ("System Data"), including but not limited to, Customer Data, are deemed to have been derived from the goodwill of the "CertaPro" name and Proprietary Marks and, therefore, such System Data is considered Confidential Information and is owned by CertaPro. Franchisee agrees that CertaPro may use or access such System Data for any purpose without notice to Franchisee. Franchisee agrees to use the System Data only in the operation of and for the benefit of the CertaPro Business. Franchisee agrees to comply with the Operations Manual and all applicable laws, whether federal, state, or local, regarding the use and safeguarding of System Data. Franchisee agrees to implement commercially prudent privacy and security policies, procedures, and practices and to notify CertaPro immediately of any known or suspected System Data breaches. In event of such breach, Franchisee agrees to fulfill all notice and other legal requirements as or on behalf of the owner, holder, and/or user of such System Data. For purposes of this Agreement, Customer Data is defined as ~~current, prospective and all data collected from former, existing, and/or potential customers including customer names and contact information, customer purchasing histories, addresses, discounts and credit extensions and discounts offered to customers, customer contracts, designs, and any other data or status information.~~ All Customer Data constitutes Trade Secrets and Confidential Information of CertaPro. Franchisee will not disclose Customer Information and other proprietary information pertaining, trade secrets, and Confidential Information to customers, maintained, used third parties, including entering such information into public/open Artificial Intelligence models or stored any other AI model that uses such information to train the Artificial Intelligence unless specifically authorized by CertaPro in any tangible writing, and Franchisee agrees to strictly adhere to privacy policies that CertaPro may now, or intangible media, including without limitation, hard copy, electronic formats, or on any server, cloud based system or web based system in the future, establish with respect to Customer Information.

6.11 Computer Software and Hardware. Franchisee agrees that CertaPro has the right to require Franchisee to update or upgrade computer hardware components, software, and/or cloud-based subscriptions as CertaPro deems necessary from time to time, with no limitations as to the number or cost of such updates or upgrades. Franchisee must take all steps, including but not limited to those related to visibility and management of the business network, that are necessary to ensure that the CertaPro Business is compliant with all data privacy and security laws and Payment Card Industry Data Security Standards (PCI DSS) requirements, as such standards may be revised and modified by the PCI Security Standards Council (see pcisecuritystandards.org), or such successor organization or standards that CertaPro may reasonably specify. Franchisee agrees to use any computer network, intranet system, extranet system, email, and handheld devices required or authorized for use in connection with the CertaPro Business in strict compliance with CertaPro standards, protocols, and restrictions that CertaPro include in the Operations Manual or in other written policies, which include but are not limited to privacy policies, encryption requirements, data and IT security policies - including the implementation of phishing and other security awareness programs and training, cyber incident notification requirements, and Artificial Intelligence policies. Franchisee further agrees not to violate CertaPro privacy policies or user terms on CertaPro websites.

6.12 Compliance with Applicable Privacy Laws. Franchisee agrees to comply with all applicable laws pertaining to the privacy of the customer, employee, and transactional information

(“Privacy Laws”) and other applicable data protection laws that are applicable to the CertaPro franchise system as a whole.

## **7 – OPERATIONS MANUAL**

Franchisor agrees that it will provide Franchisee with access to the Standard Operating Procedures (“SOP”) and revisions, as may be made from time to time. Franchisee agrees to operate its CertaPro Business in strict compliance with the Operations Manual, as it may be reasonably changed or updated from time to time. The cost of implementing any such changes, alterations or modifications as called for in the Operations Manual shall be borne exclusively by Franchisee. All or part of the then-current Operations Manual may be delivered to Franchisee in paper copy, electronic or other form, or made available through any website or similar service, any or all of which shall be deemed to constitute the Operations Manual. The Operations Manual shall be confidential and at all times remain the property of CertaPro. Franchisee shall not make any disclosure, duplication, or other unauthorized use of any portion of the Operations Manual. The provisions of the Operations Manual constitute provisions of this Agreement as if fully set forth in this Agreement. Franchisee shall insure that the copy of the Operations Manual that Franchisee is using is current and up to date. If there is a dispute relating to the contents of the Operations Manual, the copy maintained by Franchisor shall be controlling.

## **8 – CONFIDENTIAL INFORMATION**

8.1 Trade Secrets. Franchisee agrees that it will not, during or after the Term of this Agreement, communicate or divulge to, or use for the benefit of any other person, business or entity, any Confidential Information, including System Data, Customer Data, the names of other CertaPro franchisees and mailing lists, training, knowledge or know-how made known to it by virtue of Franchisee’s operation under this Agreement, all of which Franchisee acknowledges and agrees constitute Trade Secrets as defined under applicable federal and state law. Franchisee further agrees to divulge such information only to such of its employees/staff or subcontractors as must have access to it in order to operate the CertaPro Business; provided, however, that any such employee/staff or subcontractor receiving such information shall have executed a confidentiality agreement substantially in the form as set forth in Schedule C. Any and all information, knowledge and know-how, training, including, without limitation, drawings, Materials, equipment, and other data that CertaPro designates as confidential shall be deemed Trade Secrets and confidential for purposes of this Agreement.

8.2 Non-Disclosure. Franchisee acknowledges that it has had no part in the creation or development of, or claims any rights whatsoever in any element of the CertaPro System, the CertaPro Proprietary Marks or any matters dealt with in the Operations Manual and training materials and that all disclosures made to Franchisee relating to the CertaPro System are communicated to Franchisee solely on a confidential basis and as Trade Secrets. Franchisee agrees to maintain the confidentiality of all such Trade Secrets during or after the Term of this Agreement.

8.3 Ownership of Subject Works. Franchisee agrees that any work product, developments, or inventions (collectively “Subject Works”) created or reduced to practice by Franchisee as part of, or related to, Franchisee’s relationship with CertaPro or Franchisee’s access to Confidential Information or Trade Secrets, and all patent rights and copyrights thereto, will be the exclusive property of CertaPro. Franchisee hereby irrevocably assigns and agrees to assign to CertaPro, without further consideration, all of Franchisee’s right, title, and interest to such Subject Works. To the extent that CertaPro’s use or exploitation of the Subject Works made or contributed by Franchisee may require a license from Franchisee, Franchisee hereby grants CertaPro a fully-

paid, royalty-free, non-exclusive, perpetual, worldwide license, with unlimited right to sublicense, to make, use, sell, copy, modify, prepare derivative works of, publish, distribute, perform, display and otherwise exploit such Subject Works. CertaPro may freely transfer or assign its rights generally in the Subject Works.

## 9 – CERTAPRO PROPRIETARY MARKS

CertaPro represents that it is the sole and exclusive owner of the CertaPro Proprietary Marks and Franchisee hereby acknowledges and agrees that the CertaPro Proprietary Marks are the exclusive property of CertaPro and that Franchisee's right to use the CertaPro Proprietary Marks is specifically conditioned upon the following terms and conditions:

9.1 Trademark Ownership. Franchisee agrees that the CertaPro Proprietary Marks are valuable property owned by CertaPro, and CertaPro is the exclusive owner of all right, title and interest in and to the CertaPro Proprietary Marks and all past, present or future goodwill of the CertaPro Business that is associated with or attributable to the CertaPro Proprietary Marks. Franchisee's use of the CertaPro Proprietary Marks shall inure to the benefit of CertaPro. Franchisee disclaims all right, title, and interest in or to such goodwill and the CertaPro Proprietary Marks and acknowledges and agrees that such goodwill and the CertaPro Proprietary Marks are the exclusive property of CertaPro. Franchisee agrees, during or after the Term of this Agreement, not to engage in any conduct directly or indirectly which could infringe upon, harm, or contest the rights of CertaPro in any of the CertaPro Proprietary Marks or the goodwill associated with the CertaPro Proprietary Marks.

9.2 Use of the CertaPro Proprietary Marks. Franchisee agrees to use the CertaPro Proprietary Marks only in connection with the CertaPro Business and only in a manner that accurately depicts the CertaPro Proprietary Marks. Such use of the CertaPro Proprietary Marks shall be only as permitted by CertaPro in the Operations Manual or as otherwise directed or permitted by CertaPro in writing. Franchisee agrees to comply with all trademark, trade name, and service mark notice marking requirements. Franchisee agrees to conduct the CertaPro Business in accordance with the standards and requirements pertaining to quality, production, signage, equipment, cleanliness, maintenance, appearance, service standards, method of operation, advertising and marketing, and sales promotion prescribed by CertaPro from time to time. Franchisee agrees to implement and abide by the requirements and recommendations of CertaPro directed to enhancing substantial uniformity of the CertaPro System. Franchisee may not use "CertaPro," "Certa Pro" or any of the Proprietary Marks in the name of its corporation or limited liability company, except that Franchisee may use the name "CertaPro" (or "CertaPro Painters") of the Territory identified on Schedule A" to indicate that it is doing business as "CertaPro" or "CertaPro Painters" but only upon (i) obtaining CertaPro's prior written permission; (ii) obtaining a "dba" (doing business as) certificate from the state or local agency responsible for issuing such certificates that puts the public on notice that Franchisee and CertaPro are separate legal entities; and (iii) filing a copy of such dba certificate with CertaPro. All stationery, business cards, advertising, marketing, and promotional Materials in any medium, and contracts into which Franchisee enters shall contain Franchisee's dba or fictitious name and a conspicuously displayed notice that Franchisee operates its CertaPro Business as an independently owned and operated franchise of CertaPro. Franchisee may also use the "CertaPro" name in such other manner as CertaPro may specify from time to time.

9.3 Litigation. In the event any person or entity improperly uses or infringes the CertaPro Proprietary Marks or Trade Secrets, CertaPro shall control all litigation and shall be the sole judge as to whether suit shall be instituted, prosecuted or settled, the terms of settlement, or whether any other action shall be taken. Franchisee shall promptly notify CertaPro of any such use or

infringement of which Franchisee is aware. Franchisee shall promptly inform CertaPro of any claim arising out of Franchisee's use of any CertaPro Proprietary Marks and shall cooperate with any action undertaken by CertaPro regarding such claim.

9.4 Substitutions. If there is a claim by any party that its rights to use any of the CertaPro Proprietary Marks are superior and if CertaPro determines that such claim is legally meritorious, then, upon receiving written notice from CertaPro, Franchisee agrees, at its expense, to immediately make such changes and use such substitutions to the CertaPro Proprietary Marks as may be required by CertaPro. Franchisee will not make any changes or substitutions whatsoever in or to the use of the CertaPro Proprietary Marks unless directed by CertaPro in writing.

9.5 Revisions to the Proprietary Marks. Recognizing that variations and additions to the CertaPro Proprietary Marks may be required from time to time in order to preserve and enhance the public image of the CertaPro System, to accommodate changing consumer trends, and to ensure the continuing efficiency and operation of franchisees in the CertaPro System generally, Franchisee acknowledges and agrees that CertaPro may, from time to time, upon notice and acting reasonably, revise the CertaPro Proprietary Marks, including the adoption and use of new or modified trademarks and trade names, and Franchisee agrees to promptly accept, implement, use and display all such changes, alterations or modifications. The cost of implementing any such changes, alterations or modifications shall be borne exclusively by Franchisee; provided, however, that Franchisee shall be permitted to deplete any existing supplies of stationery, advertising, or marketing Materials that Franchisee has on hand at the time of such revisions to the CertaPro Proprietary Marks.

## **10 – NON-COMPETE AND NON-SOLICITATION OBLIGATIONS**

10.1 During the Term of This Agreement. During the Term of this Agreement, Franchisee, its partners, officers, directors, members or shareholders, or any member of the immediate family of Franchisee involved in the operation of the CertaPro Business or its partners, officers, directors, members, or shareholders shall not, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership, corporation or other entity own, maintain, engage in, be employed by, or have any interest in any other business that offers or sells products or services of the type offered under the CertaPro System; provided, however, that this Section 10.1 shall not apply to Franchisee's operation of any other CertaPro franchise pursuant to a then-current franchise agreement.

10.2 After the Term of This Agreement. For a period of two (2) years after the Expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, Franchisee, its partners, officers, directors, members, or shareholders, or any member of the immediate family of Franchisee involved in the operation of the CertaPro Business or its partners, officers, directors, members, or shareholders shall not, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership, corporation or other entity, own, maintain, engage in, be employed by, or have any interest in any other business which offers or sells products or services of the type offered under the CertaPro System within a radius of twenty (20) miles of the perimeter of the Territory, or five (5) miles of any other CertaPro franchise's territory in operation, or of any territory that is being considered or for which discussions are under way for a CertaPro franchise, as of the date of Expiration and nonrenewal, transfer or termination of this Agreement; provided, however, Franchisee may continue to operate any other CertaPro System franchise for which Franchisee and CertaPro have a then-current franchise agreement.

For a period of two (2) years after the Expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, Franchisee, its partners, officers, directors, members, or shareholders, or any member of the immediate family of Franchisee involved in the operation of the CertaPro Business or its partners, officers, directors, members, or shareholders shall not, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership, corporation or entity, solicit business from then existing or prospective CertaPro National Account customers, any Program Services customers, or other customers with whom Franchisee's former CertaPro Business did business in the two (2) years preceding the Expiration and nonrenewal, transfer or termination of this Agreement for any related or competitive business purpose, or solicit any employee of CertaPro or any other CertaPro System franchisee to discontinue his or her employment.

For a period of two (2) years after the Expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, Franchisee, its partners, officers, directors, members, or shareholders, or any member of the immediate family of Franchisee involved in the operation of the CertaPro Business or its partners, officers, directors, members or shareholders, shall, not, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership, corporation or entity, own, maintain, engage in, be employed by, or have any interest in any business which engages in any business competing in whole or in part with CertaPro franchisees, solicits work for CertaPro franchisees that otherwise would fall under the National Account Program or any Program Services, or which grants franchises or licenses for any business competing in whole or in part with Franchisor.

**10.3 Intent and Enforcement.** It is the intent of the parties that the provisions of this Article 10 shall, to the fullest extent permissible under applicable law, be judicially enforced; accordingly, the parties agree that any reduction in scope or modification of any part of the non-competition provisions contained in this Agreement shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article 10 by Franchisee, any of its partners, officers, directors, members, or shareholders or any member of the immediate family of Franchisee involved in the operation of the CertaPro Business or any of its partners, officers, directors, members, or shareholders, CertaPro shall be entitled to an injunction, without bond, restraining such person from any such actual or threatened breach. Franchisee agrees that in the event of the actual or threatened breach of this Article 10, CertaPro's harm will be irreparable and that CertaPro has no adequate remedy at law to prevent such harm. Franchisee further acknowledges and agrees that the provisions of this Article 10 shall be tolled during any default under this Article.

**10.4 Others Bound.** Franchisee agrees to require its officers, directors, partners, members, shareholders, and members of the immediate family of Franchisee involved in the operation of the CertaPro Business to execute a confidentiality and non-competition agreement containing provisions similar to those set forth herein, and in the form attached as Schedule D. Franchisee acknowledges that CertaPro recommends that Franchisee require its key employees or subcontractors to execute a confidentiality and non-competition agreement containing provisions similar to those set forth in this Agreement and in the form attached as Schedule D.

**10.5 Publicly Owned Entity.** This Article 10 shall not apply to any ownership by Franchisee or any other person subject to this Article of a beneficial interest of less than three percent (3%) in the outstanding securities or partnership interests in any publicly held entity.

## **11 – ADVERTISING**

The parties acknowledge the value of standardized advertising, marketing, and promotional programs to the growth of goodwill, public image, Brand recognition and reputation associated with the CertaPro Proprietary Marks and the CertaPro System and its Services. Franchisee,

therefore, agrees to actively promote the CertaPro Business, to comply with all of CertaPro's requirements relating to such programs, and to comply with the terms and conditions listed below.

#### 11.1 General Advertising Fund.

Franchisee acknowledges and agrees that advertising, marketing, and promotional programs by CertaPro, both inside and outside the Territory, contribute to the goodwill, public image, Brand recognition and reputation of the CertaPro System and its Services, and the CertaPro Business. Accordingly, Franchisee agrees that CertaPro may institute, maintain, and administer a general advertising fund or funds ("General Advertising Fund") for such national, regional, local, and other programs as CertaPro, in its sole judgment, may deem necessary or appropriate to advertise, market, promote or support the CertaPro System and the CertaPro Business, including Residential, Commercial and Program Services. CertaPro shall have complete discretion as to the use and allocation of these funds.

11.1.1 During the Term of this Agreement, Franchisee agrees to make regular contributions to the General Advertising Fund in an amount equal to a percentage of its Gross Sales as follows:

<u>Amount of Gross Sales</u>	<u>Contribution</u>
\$0 - \$2,500,000	3%
\$2,500,000.01 and over	2%

Contributions to the General Advertising Fund shall be payable at the same time and in the same manner as Royalty Fees are payable.

11.1.2 Contributions to the General Advertising Fund shall be accounted for separately from the other funds of CertaPro. Such contributions may be used to pay for any of CertaPro's direct program costs or overhead expenses related to administration of the General Advertising Fund, including reasonable salaries, accounting and administrative costs incurred by CertaPro. A report of the categories of expenditures of the General Advertising Fund shall be prepared annually and, upon request, shall be made available to Franchisee. Any cost of preparing this report shall be paid by the General Advertising Fund.

11.1.3 Contributions to the General Advertising Fund shall be used and disbursed by CertaPro for national, regional, local or other advertising, marketing and promotional events and Materials, market research costs, creative and production costs, as well as to pay CertaPro for any advertising, marketing and/or promotional Materials produced by CertaPro.

11.1.4 The selection of media and locale for media placement, the nature of promotional programs and the content of advertising, marketing and promotional Materials shall be at CertaPro's sole discretion and CertaPro may engage the services of an advertising or marketing agency or agencies to formulate, develop, produce and conduct any or all such advertising, marketing or promotions, the cost of which shall be payable from the General Advertising Fund. CertaPro shall not assume any direct or indirect liability or obligation whatsoever towards Franchisee with respect to the direction or administration of the General Advertising Fund.

11.1.5 Franchisee understands and acknowledges that the General Advertising Fund is not intended to promote the business of a single franchisee or specific group of franchisees, but rather is intended to promote public recognition of the CertaPro Proprietary Marks, the CertaPro Brand, and to benefit CertaPro, the CertaPro System and its Services, and all CertaPro franchisees

system wide. Accordingly, Franchisee understands and agrees that expenditures made from the General Advertising Fund may not directly benefit Franchisee and that expenditures from the General Advertising Fund in Franchisee's market area may not necessarily be proportionate to Franchisee's contribution to the General Advertising Fund.

## 11.2 Local Advertising and Local Cooperative Advertising.

11.2.1 Franchisee acknowledges and agrees that to compete effectively within the Territory, Franchisee must undertake and execute an extensive advertising, marketing and promotional program designed to promote the CertaPro Business within the Territory. Therefore, in addition to making contributions to the General Advertising Fund, Franchisee agrees, at Franchisee's cost and expense, to market, advertise and promote the CertaPro Business in the Territory and shall:

(a) market, advertise and promote the CertaPro Business in the Territory only in a manner that will reflect favorably on CertaPro, Franchisee, the Services and products offered by Franchisee, and the good name, goodwill, public image, Brand recognition, and reputation of CertaPro, the CertaPro System and the CertaPro Business;

(b) not use any advertising, marketing and/or promotional Materials furnished by CertaPro or any other materials containing any of the CertaPro Proprietary Marks for any purpose, other than to market or promote the CertaPro Business. Franchisee agrees not to copy or otherwise duplicate any advertising, marketing or promotional Materials prepared by or for, or furnished by, CertaPro without CertaPro's prior written consent;

(c) use the following: direct mail; digital marketing, such as pay-per-click, search engine optimization, social media, online review generation, and pay-per-lead programs; assertive marketing, such as lawn signs, wrapped vehicles, home shows, and door hangers; and such other marketing programs or tactics as CertaPro may, from time to time, direct.

(d) not advertise any Services under any mark or name, other than CertaPro's Proprietary Marks.

11.2.2. Franchisee acknowledges and agrees that local cooperative advertising and marketing in electronic, digital and other media is necessary to the successful operation of Franchisee's CertaPro Business and that advertising or marketing by other CertaPro franchisees within Franchisee's Designated Marketing Area ("DMA"), as determined by Nielsen, directly benefits Franchisee's CertaPro Business.

11.2.2.1 Franchisee agrees that, for the Term of this Agreement, to participate in and pay for local cooperative advertising in its DMA, either alone or with other CertaPro franchisees in the DMA. Franchisee agrees that the amount of contribution for this local cooperative advertising will be based on Gross Sales, and will be jointly determined by Franchisee, any other franchisee members of the local advertising cooperative and CertaPro and, therefore, may vary from time to time. If Franchisee is part of a local advertising cooperative with other franchisees, Franchisee agrees to make such payments to CertaPro at the same time and in the same manner as Royalty and General Advertising Fund payments are made pursuant to the terms of this Agreement. CertaPro agrees to account separately for such funds and to disburse them as determined by the local advertising cooperative and approved by CertaPro.

11.2.3 In addition to contributions to the General Advertising Fund, Franchisee agrees to spend on local advertising and marketing, including direct promotion, expenditures, and

participation in a local advertising cooperative with other CertaPro franchisees, an amount equal to eight percent (8%) of Gross Sales. Notwithstanding the foregoing, for a period of one year following the date Franchisee begins operating Franchisee's CertaPro Business, Franchisee shall spend an amount equal to twelve percent (12%) of Franchisee's Gross Sales on such local advertising.

11.2.3.1 This local advertising shall be restricted to the Territory or, in the case of advertising cooperatives, Franchisee agrees to assure that such advertising benefits the Territory. Franchisee shall, on the final business day of June and December in each year, and at such other time or times as CertaPro may reasonably request, provide CertaPro with evidence that such amounts have been expended in the previous six months and a report of the manner in which such amounts have been expended.

11.2.3.2 If Franchisee has not spent the amounts on local advertising required in this Section 11.2.3 in any twelve-month period ending on December 31, Franchisee agrees to make an additional contribution to the General Advertising Fund in an amount equal to the difference between the amount required by Section 11.2.3 above and the amount actually spent by Franchisee on such local advertising.

11.3 Approval of Marketing, Advertising and Promotional Materials. Franchisee agrees to use only such marketing, advertising, or promotional Materials as are furnished, approved, or made available by or through CertaPro and to use them only in a manner prescribed by CertaPro. Any marketing, advertising or promotional Materials not furnished or made available by or through CertaPro that Franchisee wishes to use, must first be submitted to CertaPro for approval, which approval CertaPro shall not unreasonably withhold, provided that such Materials are current, compliant with this Agreement, in good condition and in good taste. Such Materials must also accurately depict the CertaPro Proprietary Marks and be used in manner to promote or strengthen CertaPro's good name, goodwill, public image, Brand recognition and reputation. Franchisee agrees, at any time, not to transfer or provide such Materials to any third party, other than a licensee authorized to sell the products depicted in such Materials, without CertaPro's prior written consent.

11.4 Ownership of Marketing, Advertising and Promotional Materials. Franchisee acknowledges and agrees that CertaPro is the sole and exclusive owner of all copyrights in any and all marketing, advertising or promotional Materials made available to Franchisee that have been prepared by or on behalf of CertaPro or contain any of the CertaPro Proprietary Marks and that such Materials shall at all times remain the exclusive property of CertaPro.

## **12 – ACCOUNTING, RECORDS, REPORTS, AUDITS, AND INSPECTIONS**

12.1 Bookkeeping and Accounting Records. Franchisee agrees to establish a bookkeeping and accounting system conforming to such requirements as are prescribed by CertaPro in its Operations Manual from time to time, including use of software applications, programs, or backup/storage systems. Franchisee agrees to use such systems, to pay all reasonable fees charged by CertaPro or others for the use of such systems, and to purchase or lease all computer hardware and software applications required for such systems.

12.2 Business Records. Franchisee agrees to establish a record-keeping system conforming to such requirements as are prescribed by CertaPro in its Operations Manual from time to time. Among other things, such record-keeping system shall include a complete record of all work performed in connection with the CertaPro Business, including copies of all estimates, proposals

and contracts, and a complete listing of all work performed by any subcontractors engaged by Franchisee, including copies of all contracts, invoices or statements. Franchisee agrees to make such records available for inspection by CertaPro or its designated representatives during regular business hours in order to determine that Franchisee has complied with the record-keeping provisions of this Agreement.

12.3 Financial Reports and Inspections. Franchisee agrees to submit to CertaPro the following:

12.3.1 Monthly Reports. On or before the last calendar day of each month, report Gross Sales for that month, in the form and format designated by CertaPro.

12.3.2 Annual Reports. Franchisee shall provide profit and loss statements and balance sheets prepared in accordance with generally accepted accounting principles. Annual reports shall be submitted to CertaPro within ninety (90) days following the end of Franchisee's fiscal year.

CertaPro reserves the right to require the submission of Franchisee's profit and loss statement and balance sheet on a more frequent basis, semi-annually, quarterly, or monthly, if, in CertaPro's opinion, Franchisee demonstrates operational or financial difficulties. Franchisee understands and agrees that a determination by CertaPro that such reports shall be submitted on a more frequent basis shall be final, and further agrees to provide such reports at such times as CertaPro requires.

12.3.3 Tax Returns. If requested, Franchisee shall provide a true copy of all state, federal and local income tax returns, together with all accompanying schedules, filed by Franchisee in respect of the CertaPro Business.

12.4 Examination and Audit of Financial Reports and Records.

12.4.1 Franchisee agrees to permit CertaPro, either directly, remotely and/or through its designated representatives, to examine or audit Franchisee's financial reports, records, premises, job sites and methods of operation, from time to time, during regular business hours in order to determine that Franchisee is in compliance with the quality control and reporting provisions of this Agreement. CertaPro shall have the right to examine all of Franchisee's financial and payroll records, which shall include, but shall not be limited to, the following: bank statements; check registers; canceled checks; all federal, state and local income, sales and gross receipts tax returns; all federal, state and local payroll tax returns, Form W2s and Form 1099s; financial statements; general ledgers; computer generated reports; workers' compensation audit reports; purchase orders and invoices, and disbursement records, including all subcontractor files.

12.4.2 Franchisee also agrees to allow CertaPro or its designated representatives to copy reports and records to and remove such copies from Franchisee's premises and to copy any electronic data via electronic or online access. Franchisee agrees to cooperate in CertaPro's examination, audit or copying, including directing CertaPro's designated representative to the reports and records, responding fully to all inquiries with respect to the reports and records, and allowing reasonable use of photocopiers and any equipment necessary to read or copy information on magnetic, electronic or similar media.

12.4.3 Franchisee agrees that CertaPro may conduct any examination or audit remotely and/or through a designated representative and Franchisee agrees to cooperate fully, including without limitation, providing any requested remote access to and electronic copies of Franchisee's financial reports and records.

**12.5 Fee Adjustments for Underpayment.** In the event that any such examination or audit discloses that Franchisee has not paid or has underpaid CertaPro any amounts that it is entitled to receive under this Agreement, Franchisee agrees to pay to CertaPro, within ten (10) days after receipt of written notice, any amount due to CertaPro as determined by either (a) the financial statements or reports prepared by Franchisee's accountant as required by this Agreement or (b) the examination or audit performed by CertaPro or its designated representatives pursuant to Section 12.4 of this Agreement. If such examination or audit discloses any underpayment of the amounts required to be paid to CertaPro, then Franchisee agrees to pay, in addition to the amount owed, interest on the unpaid amount at the rate of one and one-half percent (1.5%) per month (18% per annum) or at the maximum rate permitted by law, whichever is less, which shall be due from the date such payment should have been made under this Agreement to CertaPro.

In the event that any such examination or audit discloses an understatement of Franchisee's Gross Sales or a variance of three percent (3%) or more from the data reported to CertaPro in respect of any item which is material to the computation of fees due to CertaPro, then, in addition to any other rights it may have, Franchisee shall be responsible for all costs incurred by CertaPro in such examination or audit. In addition, CertaPro may conduct such further periodic audits and/or examinations of Franchisee's books and records as CertaPro reasonably deems necessary for up to two years thereafter and such further audits or examinations shall be at Franchisee's sole expense, including without limitation, professional fees, travel, and room and board expenses directly related thereto. Furthermore, if Franchisee intentionally understates or underreports Gross Sales, or if a subsequent audit or examination conducted within the two-year period discloses any understatement or variance of three percent (3%) or more, in addition to any other remedies provided for in this Agreement, at law or in equity, CertaPro shall have the right to terminate this Agreement immediately.

In order to verify the information supplied by Franchisee, CertaPro may reconstruct Franchisee's Gross Sales through any reasonable method of analyzing and reconstructing sales. Franchisee agrees to accept any such reconstruction of Gross Sales unless Franchisee provides evidence in a form satisfactory to CertaPro of Franchisee's Gross Sales within a period of 14 days from the date of notice of understatement or variance.

**12.6 Credit and Trade References.** Franchisee authorizes CertaPro to make inquiries of Franchisee's bankers, suppliers and other trade creditors as to their dealings with Franchisee in relation to the CertaPro Business, to discuss the affairs, finances and accounts of the CertaPro Business, and by execution of this Agreement, Franchisee authorizes and directs such bankers, suppliers and other trade creditors to discuss with CertaPro the affairs, finances and accounts of the CertaPro Business, and to obtain information and copies of invoices relating to sales or other dealings with all such persons and Franchisee in any way relating to the CertaPro Business. Franchisee agrees, upon the request of CertaPro, to execute and deliver such documents as are required in order to permit such bankers, suppliers, or other trade creditors to release or disclose any such information and documents to CertaPro.

## **13 – INSURANCE**

### **13.1 Insurance Requirements.**

(a) Franchisee agrees, at its sole cost and expense, to obtain and maintain in full force and effect throughout the Term, such types and amounts of insurance as required by CertaPro, as set forth in this Agreement, the Operations Manual, ~~and the SOP,~~ and other written policies, as they may be updated from time to time. Franchisee agrees to name Certa ProPainters, Ltd.

and its parent, FS Brands, Inc., as additional insureds (“Additional Insureds”) on all policies, except for Workers’ Compensation and Employers’ Liability policies. Franchisee further agrees that ongoing and completed operations coverage must apply to the Additional Insureds; must be primary and noncontributory with respect to the Additional Insureds, and that all liability policies must contain a “Waiver of Subrogation” in favor of the Additional Insureds. Franchisee further agrees that Franchisee must be a named insured on all policies. Franchisee also agrees that all policies must provide that the policy cannot be canceled, non-renewed or modified without 30 days’ prior written notice to Certa ProPainters, Ltd. Franchisee agrees that if Franchisee receives any such notice, Franchisee must notify CertaPro within three (3) business days of receipt of such notice by Franchisee or its agent.

(b) All insurance carriers must carry a rating of A VII or higher by A.M. Best Co. Franchisee agrees that CertaPro reserves the right to approve the insurance carrier. The parties acknowledge that the current insurance requirements include, but are not limited to, the following:

13.1.1 General Liability

- Occurrence policy on ISO form CG 00 02 or equivalent “occurrence” form
- \$1,000,000 limit each Occurrence
- \$2,000,000 Aggregate
- Products and Ongoing & Completed Operations Liability
- Waiver of Subrogation for Additional Insureds using ISO endorsement form CG 24 04 or equivalent
- Primary & Non-Contributory coverage for Additional Insureds, for Ongoing & Completed Operations, using all four of ISO endorsement forms CG 20 01, CG 20 26, CG 20 43, and CG 20 29, or equivalents of all four
- Per project aggregate
- Maximum deductible - \$10,000 for franchises with annual sales under \$5,000,000
- Contain no “insured v. insured” exclusion

13.1.2 Business Automobile Liability

- \$1,000,000 Combined Single Limit of liability per Occurrence
- \$1,000,000 Uninsured/Underinsured motorists
- Liability should be written for “any auto” Symbol 1 or with a combination of Symbols 8 and 9 so that coverage is provided for all owned (or scheduled), hired and non-owned autos

13.1.3 Workers’ Compensation/Employers’ Liability

- Employers’ Liability limits of \$500,000/\$500,000/\$500,000; waiver of subrogation in favor of Additional Insureds
- Stop Gap as required in monopolistic states

13.1.4 Umbrella/Excess Liability

- \$1,000,000 limit each Occurrence
- \$1,000,000 Aggregate
- Must provide excess liability over the General Liability, Auto Liability and Employers’ Liability

(c) Franchisee understands and acknowledges that the types and amounts of coverage required by this Section 13 are the minimum required for compliance with this Agreement and do not represent a recommendation by CertaPro as to the types or amounts of insurance coverage Franchisee should maintain for the CertaPro Business. Franchisee further

understands and acknowledges that it is Franchisee's sole responsibility to determine the insurance coverage that is needed to protect Franchisee's interests and that Franchisee should consult with and seek the advice of an independent business insurance broker to assist Franchisee in making an informed determination.

13.2 Certificates of Insurance. Prior to the commencement of operations, Franchisee agrees to furnish to CertaPro or its designated representative original Certificates of Insurance, demonstrating that the insurance coverage required by this Section 13 is in effect. All policies shall be issued by insurance companies with Best's Financial Strength Ratings of A or better. Franchisee agrees that all policies shall be renewed annually throughout the Term of this Agreement and that Franchisee shall cause an original renewal Certificate of Insurance for each required coverage to be provided to CertaPro prior to the expiration of such coverage, demonstrating that the required insurance coverage is in effect. Franchisee agrees that CertaPro may use one or more designated representatives to collect, review and follow-up as needed on these insurance requirements and Franchisee agrees to cooperate fully with such designated representative(s), including, without limitation, registration with such designated representative(s) and furnishing all necessary information and documents as requested. Upon request by CertaPro or CertaPro's designated representative(s), Franchisee shall furnish complete copies of all insurance policies. It is agreed that CertaPro's review and verification of certain elements of Franchisee's insurance does not in any way reduce or eliminate Franchisee's obligations to comply in full with all insurance requirements; it is Franchisee's sole obligation to comply in full with all insurance requirements and to confirm with its insurance providers that all policies are in compliance.

13.3 Placement of Insurance by CertaPro. If Franchisee fails to obtain or keep in force any insurance referred to in Section 13.1 above, or should any such insurance not be as required in Section 13.1 above, CertaPro may, in its sole discretion, without assuming any obligation in connection with such insurance coverage, purchase such insurance and charge the cost of any such insurance to Franchisee. Franchisee agrees to immediately reimburse CertaPro for all costs incurred by CertaPro in connection with the placement of such insurance.

13.4 Third Party Subcontractors – Insurance. Franchisee agrees not to permit any third party subcontractor to perform any work or offer any services on behalf of Franchisee in respect of the CertaPro Business unless such subcontractor maintains insurance coverage in such amounts and types as Franchisee is required to maintain under the provisions of this Article 13, with the specific addition that subcontractors cannot exclude principals from its Workers' Compensation coverage and that liability policies name CertaPro as an additional insured on a primary and non-contributory basis, for ongoing and completed operations. Franchisee agrees to maintain evidence that such insurance by its subcontractors is in effect and to provide such proof of insurance as CertaPro may require, in its sole discretion, from time to time.

## **14 – SALE, ASSIGNMENT, TRANSFER AND ENCUMBRANCES**

### 14.1 Assignment by Franchisee.

14.1.1 Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that CertaPro has granted to Franchisee the rights and license contained in this Agreement in reliance on Franchisee's business skill and financial capacity and if Franchisee is a corporation, limited liability company or other legal entity, then in reliance upon the principal's business skill and financial capacity. Accordingly, Franchisee agrees not to sell, assign, sub-franchise, transfer, convey, give away, pledge, mortgage, lease or otherwise

encumber any interest in this Agreement without the prior written consent of CertaPro. Any purported assignment or transfer, by operation of law or otherwise, without the prior written consent of CertaPro, shall be null and void and shall constitute a material breach of this Agreement.

14.1.2 CertaPro agrees not to unreasonably withhold its consent to a transfer of any interest of Franchisee in this license; provided, however, that prior to the time of transfer, Franchisee fulfills the terms of the transfer/resale policy of CertaPro that is then in effect. CertaPro shall be entitled to require as a condition precedent to the granting of such consent that:

(a) all of Franchisee's accrued monetary obligations to CertaPro and all other outstanding obligations related to the CertaPro Business shall have been paid or satisfied, including payment of any Minimum Royalty Fees due pursuant to Section 2.3; provided, however, that the amount of the Minimum Royalty Fee due will be determined on a pro rata basis based on the number of months or portion of a month during which Franchisee operated for the Calendar Year in which the transfer is finalized;

(b) Franchisee shall have executed a general release, in a form satisfactory to CertaPro, of any and all claims against CertaPro and its partners, officers, directors, affiliates, shareholders and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules and ordinances;

(c) Franchisee agrees that it shall remain liable for all warranties issued by Franchisee during the operation of the CertaPro Business. Franchisee agrees to pay to CertaPro the cost to perform any such warranty work plus a fifteen percent (15%) administration charge;

(d) the satisfaction of such other reasonable condition as may be required by CertaPro, in its sole discretion, including but not limited to, the transferee's demonstration of adequate business standards and character, and financial capabilities and resources; Franchisee's having fully and adequately disclosed to the transferee all relevant financial information pertaining to the CertaPro Business; the execution of all necessary licenses, documents and other agreements; the execution by the transferee of CertaPro's then-current franchise agreement including, if applicable, local advertising cooperative addendum, the assumption by the transferee of all responsibility for any warranty work; and completion by the transferee, transferee's principals or employees, as the case may be, of such training courses as are deemed necessary by CertaPro. CertaPro reserves the right to revoke its consent to a transfer in the event transferee does not successfully complete all training requirements to CertaPro's reasonable satisfaction;

(e) upon obtaining consent from CertaPro to the transfer of Franchisee's license, Franchisee shall pay to CertaPro the then-current transfer, training and processing fees; and

(f) Franchisee shall deliver such written assurances, as CertaPro may reasonably require, that Franchisee shall observe and abide by all covenants, restrictions and agreements to be performed or observed by Franchisee in connection with Articles 7, 8, 9, and 10 of this Agreement, and that such Articles shall survive any transfer or sale contemplated by Franchisee and shall remain enforceable against Franchisee.

14.2 Right of First Refusal. Any party holding any interest in Franchisee and who desires to accept a bona fide offer from a third party to purchase his, her or its interest in the CertaPro Business shall notify CertaPro in writing of each such offer, provide CertaPro with the name and address of the third party and a copy of the sales agreement and CertaPro shall have the right and option exercisable within thirty (30) days after receipt of such written notification, to send

written notice to the seller that CertaPro or its nominee intends to purchase such seller's interest on the same terms and conditions offered by the third party. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by CertaPro or its nominee as in the case of an initial offer. The failure of CertaPro to exercise the option afforded by this Section 14.2 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Article 14 with respect to a proposed transfer.

14.3 Sale of Shares or Other Interests in Franchisee. In the event Franchisee is a corporation, partnership, limited liability company or other legal entity, any attempted transfer of ownership or control whatsoever, shall be deemed to be an assignment of this Agreement and shall be subject to all of the provisions of this Article 14. Franchisee agrees to provide, upon CertaPro's request, a certificate certifying the then-current shareholders, directors, officers, members, or partners, as the case may be, of Franchisee and their respective ownership interest(s) and office. Franchisee further agrees that it will cause the share certificates or other documents of ownership, to have recorded thereon a legend stating that such shares or documents of title are subject to this Agreement and the restrictions on transfer or assignment contained in this Agreement.

14.4 Assignment to Controlled Entity. Franchisee may, at any time after providing CertaPro with thirty (30) days' advance written notice, assign all of Franchisee's rights and obligations under this Agreement to a corporation, limited liability company or other legal entity, provided Franchisee is and throughout the Term of this Agreement remains the principal executive officer of the entity and the beneficial and registered owner of not less than fifty-one (51%) percent of the issued and outstanding voting shares or interests of such entity, and Franchisee agrees to:

14.4.1 cause the corporation, limited liability company or other legal entity, and its directors, officers, shareholders or members to acknowledge this Agreement, to agree in writing to be bound by the provisions of this Agreement, and to execute such current form of agreement as may be specified by CertaPro relating to the assumption by the corporation, limited liability company or other legal entity of any rights and all obligations under this Agreement;

14.4.2 cause the corporation, limited liability company or other legal entity in its articles of incorporation or certificate of formation to provide that its business objectives are confined exclusively to the operation of the CertaPro Business;

14.4.3 cause the corporation, limited liability company or other legal entity to restrict the issue of and its directors and shareholders to restrict the transfer of shares or interests of the corporation, limited liability company or other legal entity so that Franchisee shall continuously own fifty-one (51%) percent of the issued and outstanding voting shares or interests, and cause the corporation, limited liability company or other legal entity to keep CertaPro current as to the names, addresses and percentage of ownership, as applicable, of the officers, directors, shareholders or members of and those persons financially involved in the corporation, limited liability company or other legal entity;

14.4.4 pay to CertaPro all reasonable legal expenses and other fees and charges incurred by CertaPro in connection with such assignment and the preparation and execution and any of the documents referred to in this Section 14.4;

14.4.5 satisfy all accrued monetary obligations of Franchisee to CertaPro and any governmental authority prior to assignment or transfer;

14.4.6 cause the transferee corporation, limited liability company or other legal entity and all shareholders or members of the transferee entity to enter into a written assignment and

assumption of liability agreement, in a form satisfactory to CertaPro, with Franchisee and the transferee entity, assuming all Franchisee's obligations under this Agreement;

14.4.7 cause all shareholders or members of the transferee corporation, limited liability company or other legal entity owning ten percent (10%) or more of the entity to enter into a written agreement, in a form satisfactory to CertaPro, jointly and severally, guaranteeing the full payment and performance of the transferee entity's obligations to CertaPro;

14.4.8 ensure that no new shares of common or preferred voting stock or membership interests in the transferee corporation, limited liability company or other legal entity shall be issued to any person, persons, partnership, association or corporation without first obtaining CertaPro's prior written consent, which shall not be unreasonably withheld; and

14.4.9 cause each stock certificate or certificate of ownership of the transferee limited liability entity or other legal entity to have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers by this Agreement.

14.5 Transfer of Assets. A sale or transfer of all or substantially all of the assets of Franchisee's CertaPro Business licensed under this Agreement shall be deemed an assignment or transfer and shall be subject to the provisions of this Article 14.

14.6 Assignment by CertaPro. CertaPro may at any time sell, transfer, or assign its interests in and to this Agreement. In the event of such a sale, transfer or assignment by CertaPro of this Agreement or any interest in this Agreement, so long as the purchaser, transferee or assignee shall assume all the covenants and obligations of CertaPro under this Agreement, CertaPro shall be freed and relieved of all liability with respect to all such covenants and obligations. The consent of Franchisee to such sale, transfer or assignment shall not be required and, notwithstanding any such sale, transfer or assignment, Franchisee shall continue to be fully bound by its obligations under this Agreement.

## 15 – DEATH OR PERMANENT DISABILITY

Upon the death or permanent disability of Franchisee or any person with a majority interest in this license or in Franchisee, or upon the dissolution of a Franchisee that is a partnership, corporation, limited liability company or other legal entity, Franchisee or the executor, administrator, personal representative or trustee of such person or entity ("Personal Representative") agrees to transfer Franchisee's interest to a third party approved by CertaPro within a reasonable time. Such transfers, including without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any inter vivos transfer.

If, within twelve (12) months of the date of Franchisee's death or permanent disability, the Personal Representative has not transferred Franchisee's interest in the license granted under this Agreement, then, this Agreement may be automatically terminated and, upon such termination, all rights and licenses granted under this Agreement shall likewise be terminated and shall revert to CertaPro.

For purposes of this Agreement, Franchisee or any person with any interest in this license or in Franchisee, shall be deemed permanently disabled if, through bona fide illness, physical or mental, as certified by a duly qualified independent medical practitioner selected by CertaPro, shall become unable to devote his full time and attention during normal business hours to the

CertaPro Business for a period of ninety (90) consecutive days in any period of twelve (12) consecutive calendar months (“Period of Disability”).

The Period of Disability shall be deemed to commence on the first day that Franchisee, or any person with any majority interest in this license or in Franchisee, does not attend to the business and affairs of the CertaPro Business, on a full-time basis, statutory holidays and vacation time excepted. In calculating the duration of the Period of Disability, unless and until Franchisee, or any person with any majority interest in this license or in Franchisee, shall have returned to attending to the business and affairs of the CertaPro Business on a full-time basis for twenty (20) consecutive days, statutory holidays and vacations excepted, the Period of Disability shall be deemed to have continued without interruption.

## 16 – TERMINATION

16.1 Termination of Rights. Upon termination of this Agreement for any reason whatsoever or upon its Expiration and non-renewal, all of the rights and licenses granted to Franchisee under this Agreement shall terminate.

### 16.2 CertaPro’s Options

16.2.1 CertaPro’s Option to Rescind. CertaPro may, before the completion of Franchisee’s Initial Franchisee Training, in its sole and absolute discretion, rescind this Agreement and refund the Initial Franchise Fee to Franchisee. Upon rescission, all of the rights and licenses granted to Franchisee under this Agreement shall terminate. Notwithstanding, Franchisee acknowledges and agrees that they shall remain bound, even after rescission of this Agreement, to those obligations contained in Article 8 relating to confidentiality and non-disclosure.

16.2.2 CertaPro’s Option to Terminate. If Franchisee has not commenced operation of the CertaPro Business licensed under this Agreement within one hundred and twenty (120) days of the Effective Date, CertaPro shall have the option to terminate this Agreement by giving Franchisee twenty (20) days’ written notice of its intention to terminate this Agreement and all licenses granted under this Agreement (“Termination Notice”). If Franchisee has not commenced operation of the CertaPro Business before the expiration of the twenty (20) day period specified in the Termination Notice, the rights and obligations of the parties under this Agreement shall immediately terminate. Upon such termination, the parties shall deliver to each other such releases and other instruments as CertaPro may reasonably require so as to fully terminate any and all agreements between the parties. Upon receipt of such releases and other instruments, CertaPro agrees to refund to Franchisee \$10,000 of the Initial Franchise Fee.

16.3 Termination by CertaPro With Opportunity to Cure. CertaPro shall have the right to terminate this Agreement and the rights granted under this Agreement; provided, however, that Articles 7, 8, 9 and 10, shall continue in full force and effect for the periods specified in those Articles, without prejudice to the enforcement of any other legal right or remedy, if any of the following defaults remain uncured after Expiration of the cure period:

16.3.1 if, Franchisee fails to make any payment under this Agreement or under any Promissory Note between Franchisee and CertaPro, when due, and such default shall continue for a period of ten (10) days after written notice has been given to Franchisee;

16.3.2 if Franchisee shall breach any of the terms or conditions of this Agreement or fail to observe or perform or comply with any of the rules, bulletins, directives or other notices issued by

CertaPro or set forth in the Operations Manual and such breach or failure shall continue for a period of ten (10) days after written notice has been given to Franchisee;

16.3.3 if final judgment is rendered in an amount in excess of \$10,000 by any court against either Franchisee or any guarantor of this Agreement and such judgment shall not be discharged, varied or execution of such judgment stayed within twenty (20) days after entry or within the earlier of such time period as action must be taken in order to discharge, vary or stay execution of the judgment; or

16.3.4 if Franchisee or any agent or representative of Franchisee fails to submit any report required under this Agreement within ten (10) days of the date such report is due.

16.4 Termination by CertaPro Without Opportunity to Cure. CertaPro may terminate this Agreement and all rights granted under this Agreement at any time, without a right or opportunity to cure, upon written notice of termination, in the event of any of the following:

16.4.1 three (3) incidents of any breach whether cured or not within any twelve (12) month period, for which CertaPro has provided notice and an opportunity to cure;

16.4.2 Franchisee's omission or misrepresentation of any material fact relevant to the decision of CertaPro to enter into this Agreement;

16.4.3 any transfer or attempted transfer of the license granted under this Agreement that is not in compliance with Article 14 of this Agreement;

16.4.4 subject to the provisions of Article 15 of this Agreement, if Franchisee, or, if Franchisee is a corporation, limited liability entity or other legal entity, any controlling shareholder or member, or any guarantor of this Agreement shall die or otherwise become permanently disabled;

16.4.5 If Franchisee or any guarantor of this Agreement makes or permits the making of any unauthorized copies of any portion of the Confidential Information, proprietary Materials or the Operations Manual;

16.4.6 if Franchisee fails to achieve the Performance Criteria set forth in Section 6.1;

16.4.7 if Franchisee has committed, undertaken or otherwise been involved in fraudulent conduct in relation to its dealings with CertaPro;

16.4.8 fraudulent reporting of financial or operational information to CertaPro;

16.4.9 if Franchisee is charged and convicted by a court having competent jurisdiction of committing an act of theft, fraud, or other offense involving moral turpitude, or any felony;

16.4.10 abandonment by Franchisee of the franchise operation, defined as failure to operate the CertaPro Business for fifteen (15) consecutive days after commencement of operations;

16.4.11 if Franchisee ceases or threatens to cease business, or takes or threatens to take any action to liquidate its assets, or stops making payments in the usual course of business;

16.4.12 if either Franchisee or any guarantor under this Agreement makes or attempts to make a general assignment for the benefit of creditors or a bulk sale of their assets, institutes or has instituted against either of them any proceeding relating to insolvency or bankruptcy, is or

becomes insolvent, has a custodian, receiver or similar person appointed over all or part of the CertaPro Business, or in the event any lessor, lien holder or other similar party lawfully entitled to do so, takes possession of any of the assets or property of Franchisee, or if Franchisee or any guarantor under this Agreement commits or suffers any default under any contract or lease pertaining to the CertaPro Business;

16.4.13 if Franchisee or any guarantor under this Agreement is a corporation, limited liability entity or other legal entity, in the event a proceeding is instituted for the winding-up, dissolution, liquidation or merger of such entity, whether such proceeding is voluntary or involuntary, or in the event of a forfeiture or other loss of Franchisee's or guarantor's charter;

16.4.14 a violation of any of the in-term covenants not-to-compete or of the covenants of non-disclosure of trade secrets or Confidential Information set forth in this Agreement;

16.4.15 if Franchisee materially distorts any material information pertaining to the CertaPro Business, or fails to maintain its records in a manner which permits a determination of Gross Sales, unless Franchisee proves to the satisfaction of CertaPro that it had no knowledge of such distortion;

16.4.16 if Franchisee performs Residential Services outside the Territory without appropriate authorization, either from the CertaPro franchisee in whose territory such Residential Services are performed or CertaPro; or,

16.4.17 other acts that may bring discredit on the CertaPro System, or the CertaPro Brand, such as, but not limited to, willful acts of dishonesty or fraud toward CertaPro, property owners, insurers, and other third parties dealing with Franchisee, CertaPro or other CertaPro franchisees.

16.5 Effect of Expiration or Termination. Upon expiration and non-renewal ("Expiration") or termination of this Agreement for any reason whatsoever, Franchisee shall:

16.5.1 immediately upon CertaPro's request, so as to protect the CertaPro Proprietary Marks and other proprietary rights and CertaPro's other franchisees, permit CertaPro to cure any default by Franchisee, to operate any vehicle or equipment for CertaPro's account and to secure Franchisee's complete and timely compliance with the other obligations set forth in this Section 16.5. Franchisee shall immediately reimburse CertaPro for all costs incurred by CertaPro in connection with CertaPro's action to cure any such defaults. Franchisee understands and agrees that any cure by CertaPro of Franchisee's breach of this Agreement will not, under any circumstances whatsoever, operate as a reinstatement of this Agreement;

16.5.2 within ten (10) days after such Expiration or termination, pay to CertaPro all outstanding royalties, advertising fees and other charges due and payable by Franchisee to CertaPro;

16.5.3 immediately discontinue the operation of the CertaPro Business, the CertaPro System and the use of the CertaPro Proprietary Marks and other proprietary rights licensed under this Agreement, and any other similar names or marks, or any other designations or marks associating Franchisee with CertaPro or the CertaPro System and any conduct that might tend to give the general public the impression that Franchisee is associated with CertaPro or the CertaPro System;

16.5.4 promptly execute such instruments or take such actions as may be necessary to discontinue Franchisee's use of any fictitious business name containing any of the CertaPro Proprietary Marks and to remove Franchisee's listing as a CertaPro franchisee from any hard copy or electronic listing, as well as any telephone directories, trade or business directories, in any medium;

16.5.5 within ten (10) days after such Expiration or termination, return to CertaPro all copies of the Operations Manual as well as any and all other confidential or proprietary Materials including, but not limited to Confidential Information, CertaOne and any other proprietary software solution owned, developed or provided by CertaPro and any copies thereof;

16.5.6 within ten (10) days after such Expiration or termination, make available to CertaPro for inspection all vehicles and equipment for the purpose of allowing CertaPro to confirm the removal of all identification with respect to the CertaPro System and the CertaPro Proprietary Marks;

16.5.7 within ten (10) days after such Expiration or termination, take all actions and execute all instruments that may be necessary to assign all telephone numbers and listings in any medium used in connection with the CertaPro Business to CertaPro or any other party designated by CertaPro, or, at CertaPro's option, to cancel all such telephone numbers or listings; and

16.5.8 fulfill all of its obligations to customers under all outstanding contracts and any warranties provided pursuant to Section 6.7 of this Agreement notwithstanding the Expiration or termination of this Agreement. In order to ensure that Franchisee honors these obligations, within fourteen (14) days after such Expiration or termination, Franchisee agrees to pay to CertaPro the greater of: (i) two percent (2%) of Franchisee's total Gross Sales for the preceding twenty-four (24) months, or portion thereof, or (ii) \$15,000. CertaPro shall return such monies, less any amount expended to satisfy Franchisee's outstanding obligations, upon CertaPro's satisfaction that Franchisee has satisfied all of its obligations pursuant to this Section 16.5.

16.6 Additional Remedies. Franchisee expressly consents and agrees that, in addition to any other remedies CertaPro may have at law, CertaPro may obtain an injunction and/or appointment of a receiver of the CertaPro Business to terminate or prevent the continuation of any existing default or to prevent the occurrence of any threatened default by Franchisee of this Agreement.

16.7 Assumption of Management. In the event that Franchisee should abandon the franchise operation, as defined in Section 16.4.10 above, or if Franchisee should fail to comply with any provision of this Agreement or the SOP, and such failure is not cured within the prescribed time period, CertaPro shall have the right (but not the obligation) to assume the operation of Franchisee's CertaPro Business (or appoint a third party to assume the management) for such time period as CertaPro deems necessary to protect the CertaPro System and the CertaPro Brand and to ensure proper customer experience. If CertaPro or a third party assumes management of the franchise operation, Franchisee agrees to pay to CertaPro all amounts due under this Agreement (including without limitation the Royalty Fee and contributions to the General Advertising Fund) as well as a management fee of Five Hundred Dollars (\$500) per business day that CertaPro (or a third party) manages the franchise operation, plus CertaPro's (or the third party's) costs and expenses, for a period of up to sixty (60) days after CertaPro or a third party assumes management of the franchise operation. In the event of assumption of management, CertaPro (or the third party) shall use reasonable efforts to manage the franchise operation, and shall have no liability to Franchisee for any debts, losses, or obligations the franchise obligation incurs, and shall not be liable to any of Franchisee's creditors, suppliers, employees, or contractors for any obligations incurred by Franchisee. Any such assumption of management does not affect any of CertaPro's rights under this Agreement or any other

agreement between CertaPro and Franchisee, and shall not constitute a joint venture, employment relationship, or independent contractor relationship between CertaPro (and/or the third party) and Franchisee.

16.8 Survival of Covenants. Notwithstanding the Expiration or termination of this Agreement for any reason whatsoever, all covenants and agreements to be performed or observed by Franchisee or any guarantor under this Agreement or which by their nature survive the Expiration or termination of this Agreement, including those in Articles 7, 8, 9 and 10, shall survive any such Expiration or termination.

16.9 Failure to Act Not to Affect Rights. CertaPro's failure to exercise any rights or remedies to which it is entitled to under this Article 16 or this Agreement shall not constitute a waiver of, or otherwise serve to prevent CertaPro from exercising any other rights or remedies to which it may be entitled either under Article 16 or elsewhere in this Agreement. The acceptance by CertaPro of any amount under this Agreement after the happening of any event provided for in either Section 16.3 or 16.4 above shall not, under any circumstance, constitute a waiver by CertaPro of any rights or remedies to which it may be entitled. No waiver of the happening of any event under either Section 16.3 or 16.4 above on any one occasion shall be deemed to be a waiver by CertaPro of any subsequent happening of any such event. All monies received by CertaPro from Franchisee or any guarantor under this Agreement may be applied to their respective indebtedness to CertaPro as CertaPro, in its sole discretion, may choose.

## **17 – SECURITY TO FRANCHISOR**

17.1 Security Agreement. Franchisee agrees, in order to secure payment and performance of any and all obligations from time to time owing by Franchisee to CertaPro, to provide, at the request of CertaPro, a security interest or interests by a security agreement, in such form as is provided by CertaPro, in such of the inventory, equipment, and other assets of the CertaPro Business and in such amount or amounts and upon such terms as CertaPro, in its absolute discretion, shall require. Any failure to provide such security within ten (10) days following the receipt by Franchisee of a written request specifying the nature and extent of the security required, shall be deemed to be a material default under this Agreement.

17.2 Other Agreements. Franchisee agrees to execute or cause to be executed such other guaranties or instruments as CertaPro may reasonably require from time to time to secure the payment and performance of any and all obligations from time to time owing by Franchisee to CertaPro.

## **18 – DISPUTE RESOLUTION**

### **18.1 Mediation**

18.1.1 Subject to Section 18.1.5, Franchisee agrees that all claims or disputes between Franchisee and CertaPro or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement between the parties, shall be submitted first to mediation before CertaPro's president at CertaPro's headquarters in Pennsylvania.

18.1.2 At CertaPro's option, all claims or disputes between Franchisee and CertaPro or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement between the parties, shall be submitted for third-party mediation in Philadelphia, PA ("Formal Mediation"), under the auspices of the American Arbitration Association ("AAA") in accordance with the AAA's Commercial Mediation Rules then in effect.

18.1.3 Franchisee agrees that, before commencing any legal action against CertaPro or its affiliates with respect to any such claim or dispute arising out of, or in any way relating to this Agreement or any other agreement between the parties, Franchisee must submit a notice to CertaPro, which specifies in detail the precise nature and grounds for such claim or dispute. It is agreed that CertaPro will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee whether CertaPro or its affiliates elect to exercise the option to submit such claim or dispute to Formal Mediation pursuant to Section 18.1.2 above. Franchisee agrees not to commence any action against CertaPro or its affiliates with respect to any such claim or dispute in any court unless CertaPro fails to exercise its option to submit such claim or dispute to Formal Mediation pursuant to Section 18.1.2 above or such Formal Mediation proceedings have been terminated either: (a) as a result of a written opinion of the mediator that further mediation efforts are not worthwhile; or (b) as a result of a written declaration by CertaPro.

18.1.4 The parties agree that each shall bear its own costs of mediation under this Section 18.1 and shall share equally the filing fee imposed by AAA and the mediator's fees. The parties further agree that CertaPro's right to Formal Mediation as set forth in this Section 18.1 may be specifically enforced by CertaPro.

18.1.5 It is further agreed that CertaPro shall not be required to first attempt to mediate a controversy, dispute or claim against Franchisee through mediation as set forth in this Section 18.1 if such controversy, dispute or claim concerns an allegation by CertaPro that Franchisee has violated, or threatens to violate, or poses an imminent risk of violating:

- (a) any of CertaPro's intellectual property rights in the CertaPro Proprietary Marks, the CertaPro System or in any of CertaPro's Confidential Information;
- (b) any claims pertaining to or arising out of or pertaining to any warranty issued; or
- (c) any of the restrictive covenants contained in this Agreement.

18.2 Arbitration. The parties agree that, if not resolved by mediation pursuant to Section 18.1, all disputes and claims arising out of, or in any way relating to this Agreement or any other agreement between the parties, the rights and obligations of the parties, or any other claims or causes of action relating to the making, interpretation, or performance of either party under this Agreement or any other agreement between the parties, including without limitation, officers, directors, shareholders, members or guarantors, or under this Agreement or relating to the franchise relationship, shall be settled by arbitration in Philadelphia, Pennsylvania in accordance with the Federal Arbitration Act and the Commercial Arbitration Rules of the American Arbitration Association. The parties further agree that the right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed by the Federal Arbitration Act, as amended. The following shall supplement and, in the event of a conflict, shall govern any arbitration: The parties agree that each shall bear its own costs of arbitration and any filing fees; the parties, however, agree that they shall share equally the arbitrator's fees. The arbitrator's award shall be rendered within ten days of the close of the hearing and shall include all fees, costs, and attorneys' fees. The arbitrator shall have no authority to determine class action claims and shall have no authority to amend or modify the terms of this Agreement. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration, except to the extent such issue may have been determined in another proceeding between the parties. Judgment upon the arbitrator's award shall be submitted for confirmation to the United States District for the Eastern District of Pennsylvania and, if confirmed, may be subsequently

entered in any court having competent jurisdiction. This agreement to arbitrate shall survive any termination or Expiration of this Agreement.

18.2.1 Notwithstanding anything to the contrary in this Agreement, CertaPro shall not be required to arbitrate the following disputes or claims against Franchisee:

(a) a collection action not in excess of \$25,000;

(b) injunctive claims pursuant to Section 18.4; or

(c) claims that may be asserted by CertaPro against Franchisee in any action to which a third party, that is, someone not a party to this Agreement or a guarantor of a party's obligation under this Agreement, is a party litigant.

18.3 Third Party Beneficiaries. CertaPro's officers, directors, shareholders, affiliates, agents or employees are express third party beneficiaries of this Agreement and the mediation and arbitration provisions contained in this Agreement, each having authority to specifically enforce the right to mediate and arbitrate claims asserted against such person(s) by Franchisee.

18.4 Injunctive Relief. Nothing contained in this Agreement shall prevent CertaPro from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect CertaPro's interest prior to the filing of any proceeding conducted under this Agreement.

18.5 Governing Law; Jurisdiction and Venue. This Agreement shall be deemed to have been written, approved, and accepted in the Commonwealth of Pennsylvania, and the construction and interpretation of this Agreement, wherever executed and wherever to be performed, shall be governed by the laws of the Commonwealth of Pennsylvania. With respect to any proceeding not subject to or unresolved by mediation or arbitration, the parties agree that any action at law or in equity instituted against either party to this Agreement shall be commenced only in the Court of Common Pleas for Montgomery County, Pennsylvania or the United States District Court for the Eastern District of Pennsylvania.

18.6 Jury Trial Waiver. The parties hereby agree to waive trial by jury in any action, proceeding or counterclaim, whether at law or equity, regardless of which party brings suit. The parties agree that this waiver will apply to any matter or claim which arises out of or is related in any way to this Agreement or any other agreement between the parties, the performance of any party under this Agreement or any other agreement between the parties, or Franchisee's purchase of the CertaPro franchise, the CertaPro Business, or any goods or services.

18.7 Waiver of Punitive Damages. Franchisee waives, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages, including without limitation, lost profits whatsoever, whether such claims be based in contract, negligence, strict liability, other tort or otherwise, and agrees that in the event of a dispute, Franchisee's recovery shall be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the preceding provisions of this Section 18.7 shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

18.8 Class Action Waiver. The parties agree that all proceedings will be conducted on an individual, not a class-wide basis, and that any proceeding between Franchisee and CertaPro or its affiliates, parents, shareholders, officers, directors, attorneys, agents or employees, whether

through mediation, arbitration, or litigation, may not be consolidated with any other proceeding between CertaPro and any other person or entity. The parties agree that this waiver will apply to any matter or claim which arises out of or is related in any way to this Agreement or any other agreement between the parties, the performance of any party, or Franchisee's purchase of CertaPro franchise, the CertaPro Business or any goods or services.

18.9 Attorneys' Fees. If either party institutes any proceeding to enforce any monetary or non-monetary obligations or to interpret the terms of this Agreement, the prevailing party shall, upon final judgment, be entitled to recover all costs, including reasonable attorneys' fees, incurred in regard to such proceeding.

## 19 – GENERAL PROVISIONS

19.1 Identity of Franchisee. If Franchisee is other than one or more individuals, such as a corporation or limited liability company, then such corporation or other legal entity must comply with all applicable provisions of Section 14.4, except that such corporation or other legal entity must be owned and controlled by, at all times, the individual or individuals approved by CertaPro for the grant of the franchise as set forth in this Agreement.

19.2 Gender, Number and Person. Throughout this Agreement, the use of the singular number shall include the plural and vice versa, the use of gender shall include the masculine, feminine and neuter genders and the word "person" shall include an individual, a trust, a partnership, a corporation, limited liability company, an association or other incorporated or unincorporated organization.

19.3 Overdue Amounts. All royalty and advertising amounts and other amounts due for goods or supplies or otherwise from Franchisee to CertaPro or its affiliates pursuant to this Agreement or any other agreement between the parties shall bear interest after the due date at the rate of the lesser of one and one-half percent (1.5%) per month (18% per annum) or at the maximum rate permitted by law. The acceptance of any interest payment shall not be construed as a waiver by CertaPro of its rights in respect of the default giving rise to such payment and shall be without prejudice to CertaPro's right to terminate this Agreement for such default.

19.4 Indemnification of CertaPro. To the fullest extent allowed by law, Franchisee hereby agrees, during and after the Term of this Agreement, to defend, indemnify and hold CertaPro and its officers, directors, parents, affiliates, shareholders, employees, attorneys, and agents ("Indemnified Parties") harmless from any and all liabilities, losses, damages, suits, claims, demands, arbitrations, investigations, expenses, costs, fines, punitive or exemplary damages, and actions of any kind or nature whatsoever (collectively "Losses") that arise out of or relate to Franchisee's ownership or operation of the CertaPro Business, including, without limitation, labor and employment law violations.

19.4.1 Negligence of Certa Pro. The foregoing indemnification expressly extends to Losses involving actual or alleged negligence by any of the Indemnified Parties, including their sole negligence. The foregoing indemnification expressly does not extend to Losses involving actual or alleged gross negligence or willful misconduct by the specific Indemnified Party(ies) that actually or allegedly engaged in gross negligence or willful misconduct.

19.4.2 Notice and Defense of Third-Party Actions. In the event that any third party notifies any Indemnified Party(ies) of any Loss or matter that may give rise to a claim for indemnification under Section 19.4, the Indemnified Parties shall notify Franchisee promptly in writing; provided, however, that no delay on the part of the Indemnified Party in notifying Franchisee shall relieve Franchisee from any liability or obligation unless (and then solely to the extent) Franchisee is

damaged by the delay. The Indemnified Parties shall retain the right to retain counsel of their choosing and to investigate or settle any Loss or matter, each at Franchisee's expense and subject only to reasonable advance notice by the Indemnified Parties to Franchisee. Franchisee shall not consent to the entry of any judgment or enter into any settlement on behalf of any Indemnified Party.

19.4.3 Insurance. Franchisee's purchase and maintenance of the insurance policies required by Section 13 of this Agreement shall in no way relieve or limit Franchisee's obligations under this Section 19.4. As to any particular Loss, the Indemnified Parties, at their sole discretion, may accept defense and indemnification by Franchisee's insurance company in partial or full satisfaction of Franchisee's obligations under this Section 19.4.

19.4.4 Costs of Enforcement. The Indemnified Parties shall be entitled to recover from Franchisee all attorneys' fees and other costs incurred in connection with enforcing this Section 19.4.

19.4.5 Claims by Franchisee. This Section 19.4 shall not apply to claims made by Franchisee against any of the Indemnified Parties.

19.5 No Liability. CertaPro is not responsible or otherwise liable for any injury, loss, or damage resulting from, occasioned to, or suffered by any person or persons or to any property because of any services provided or products sold by it or its affiliates to Franchisee.

19.6 Joint and Several. If two or more individuals or entities, or any combination thereof, shall sign or be subject to the terms and conditions of this Agreement as Franchisee or as a guarantor, the liability of each of them under this Agreement shall be deemed to be joint and several. Furthermore, should any legal entity become involved, in any manner, with the operation of the CertaPro Business referred to in this Agreement, then Franchisee and such legal entity agree that such legal entity shall be jointly and severally liable for all obligations under this Agreement.

19.7 Severability. If, for any reason whatsoever, any term or condition of this Agreement or the application of any term or condition shall be held to be invalid or unenforceable, then all other terms and conditions of this Agreement and the application of such terms and conditions shall not be affected thereby and each term and condition of this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.

19.8 Franchisee May Not Withhold Payments Due CertaPro. Franchisee agrees not to use the alleged non-performance by CertaPro of any of its obligations under this Agreement, as a basis for withholding payment of any Royalty or other amounts due to CertaPro or its affiliates or under this Agreement, whether on account of goods purchased by Franchisee or otherwise.

19.9 Notice. All notices, approvals or other communications (collectively "Notices") required or permitted to be given under this Agreement shall be in writing, and shall be deemed duly given when delivered by hand or mailed by certified mail, return receipt requested, postage prepaid, or by recognized overnight carrier that provides a receipt to the parties at their respective addresses set forth below or to such other party or parties at such address or addresses as may be given by either party to the other in writing from time to time. Such Notices, if mailed shall be deemed to have been given on the second business day, except Saturdays and Sundays, following such mailing, or, if delivered in hand, shall be deemed to have been given on the day of delivery, if a business day, or if not a business day, on the business day next following the day of delivery or on day of delivery if sent by a recognized overnight carrier providing a receipt.

19.10 Headings, Article Numbers. The headings, article numbers and table of contents, if any, appearing in this Agreement or any Schedule to this Agreement are for reference only and shall not in any way affect the construction or interpretation of this Agreement.

19.11 Time of the Essence. Time shall be of the essence of this Agreement and of each and every part hereof.

19.12 Waiver of Obligations. CertaPro may, by written instrument, unilaterally waive any obligation of or restriction upon Franchisee under this Agreement; provided, however any such waiver shall not be deemed or considered as a waiver in the future of any, other, new or continuing breach of the terms, conditions, obligations or covenants of this Agreement. No acceptance by CertaPro of any payment by Franchisee and no failure, refusal or neglect of CertaPro to exercise any right under this Agreement or to insist upon full compliance by Franchisee with its obligations under this Agreement, including without limitation, any mandatory specification, standard or operating procedure, shall constitute a waiver of any provision of this Agreement.

19.13 Cross-Default. In the event that Franchisee acquires the right and franchise to operate another CertaPro Business pursuant to a written agreement or enters into any other agreement with CertaPro then, any default by Franchisee in the performance or observance of any of the terms and conditions under any one agreement with CertaPro, including this Agreement, shall be deemed to be an event of default under all other agreements between Franchisee and CertaPro, including this Agreement.

19.14 Set-Off by CertaPro. Notwithstanding anything contained in this Agreement, upon Franchisee's failure to pay to CertaPro any amounts provided for in this Agreement when due, CertaPro shall have the right to deduct any and all such amounts remaining unpaid from any monies or credits held by CertaPro for the account of Franchisee.

19.15 Further Assurances. The parties hereto agree to execute and deliver such further and other agreements or documents, to cause such meetings to be held, resolutions passed and by-laws enacted, and to exercise their vote and influence and do and cause to be done any further and other acts and things as may be necessary in order to give full effect to this Agreement and every part of this Agreement.

19.16 Binding Agreement. Subject to this Agreement's restrictions on assignment, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors, and assigns.

19.17 When Agreement Binding on CertaPro. This Agreement is not effective until signed by an authorized corporate officer of CertaPro.

19.18 Rights of CertaPro are Cumulative. The rights of CertaPro under this Agreement are cumulative and no exercise or enforcement by CertaPro of any right or remedy under this Agreement shall preclude the exercise or enforcement by CertaPro of any other right or remedy under this Agreement or to which CertaPro is otherwise entitled by law to enforce.

19.19 Force Majeure. In the event that any party is delayed in the performance of any act required by this Agreement by reason of labor disputes, inability to procure materials, power failures, restrictive governmental laws or regulations, riots, insurrection, war or other reasons of a like nature, not the fault of such party, the performance of such act and the time for performance shall be extended for a period equivalent to the period of such delay, up to a maximum of three

(3) months. The provisions of this Section 19.19 shall not operate to excuse Franchisee from the prompt payment of any amount due CertaPro under this Agreement.

**19.20 Background Recitals and Entire Agreement.** The parties acknowledge and agree that the Background recitals are true and correct and are hereby incorporated into this Agreement. This Agreement and the documents incorporated herein by reference constitute the entire agreement between the parties and supersede all previous agreements and understandings between the parties in any way relating to the subject matter of this Agreement; provided, however, nothing herein is intended to disclaim the representations made in the Franchise Disclosure Document provided to Franchisee.

## **20 – ACKNOWLEDGMENTS**

### **20.1 Independent Investigation.**

20.1.1 Franchisee and any guarantor acknowledge that they have conducted an independent investigation of the CertaPro System and the CertaPro Business and recognize that the business venture contemplated by this Agreement involves business risks and that their success will be largely dependent upon the ability of Franchisee as an independent businessperson. CertaPro expressly disclaims the making of and Franchisee and any guarantor acknowledge that they have not received any warranty or guarantee, expressed or implied, as to the potential volume, profit, cash flow or success of the CertaPro Business. The provisions of the preceding sentence of this Subsection 20.1.1 do not apply and are not effective in the State of Illinois.

20.1.2 Franchisee and any guarantor acknowledge that they have received, have had ample time to read and have read this Agreement and fully understand its provisions. Franchisee and any guarantor further acknowledge that they have had an adequate opportunity to be advised by legal counsel and accounting professionals of their own choosing regarding all pertinent aspects of this franchise, the purchase of the CertaPro Business and the franchise relationship.

### **20.2 Independent Contractor**

20.2.1 The parties agree and acknowledge that, for all purposes under this Agreement or otherwise, Franchisee is an independent contractor and is not an agent, partner, joint venturer, or employee of CertaPro and, further is in no way authorized to make any contract, agreement, warranty, or representation, or to create any obligation, express or implied, on behalf of CertaPro. The parties further agree that this Agreement does not create a fiduciary or other special relationship between the parties and that no agency, employment, or partnership is created or implied by the terms of this Agreement.

**20.2.2** The parties further agree that neither this Agreement nor CertaPro's course of conduct is intended, nor may anything in this Agreement or CertaPro's course of conduct be construed to state or imply, that CertaPro is the employer of Franchisee's employees or independent contractors. Franchisee agrees that it is not and will not hold itself out as the agent, legal representative, partner, joint venturer, subsidiary, or employee of CertaPro. Franchisee agrees to prominently display in any medium used by Franchisee a statement that the business is independently owned and operated by Franchisee as a ~~franchisee of CertaPro~~ franchisee of CertaPro. Franchisee has sole authority and control over the day-to-day operations of the CertaPro Business and its employees and/or independent contractors. Franchisee agrees to be

solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of CertaPro or any of CertaPro's affiliates.

20.2.23 Under no circumstances shall CertaPro be liable for any act, omission, debt, or any other obligation of Franchisee. Franchisee agrees to defend, indemnify and hold CertaPro harmless as set forth in Section 19.4 above.

**IN WITNESS WHEREOF**, the undersigned have executed this Agreement as of the \_\_\_\_ day of \_\_\_\_\_, ~~2024~~2025.

**CERTA PROPAINTERS, LTD**

By: \_\_\_\_\_  
Its Authorized Officer

Address:  
2621 Van Buren Avenue  
Suite 550A  
Audubon, PA 19403

**FRANCHISEE**

\_\_\_\_\_  
Print Name:  
Address:

## ***SCHEDULE A to Franchise Agreement***

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### **Territory.**

The Franchisee's Territory is as follows:

### **Authorized Telephone Numbers.**

The Franchisee is authorized to publish the following telephone numbers used in connection with the CertaPro Franchised Business:

**1-800-462-3782**

***SCHEDULE B  
to Franchise Agreement***

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***Conditional Assignment of Telephone Numbers***

**CONDITIONAL ASSIGNMENT  
OF FRANCHISEE'S TELEPHONE NUMBERS**

1. \_\_\_\_\_, doing business at \_\_\_\_\_ (“Assignor”), in exchange for good and valuable consideration provided by Certa ProPainters, Ltd. (“Assignee”), receipt of which is hereby acknowledged, hereby conditionally assigns to Assignee all telephone numbers and listings used by Assignor in the operation of its CertaPro Business at Assignor’s above-referenced address. Those numbers are as follows:

2. This conditional assignment shall become effective automatically upon Expiration or termination of Assignor’s franchise. Upon the occurrence of that condition, Assignor shall do all things required by any telephone company to assure the effectiveness of the assignment of telephone numbers as if the Assignee had been originally issued such telephone numbers, telephone listings and the usage thereof.

3. Assignor agrees to pay the telephone company on or before the effective date of assignment all amounts owed for the use of the telephone number(s) including, without limitation, Yellow Pages advertising whether in print or any other medium. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company to effectuate this agreement, and agrees to cooperate fully with the telephone company and Assignee in effectuating this assignment.

ASSIGNOR:

\_\_\_\_\_

Date: \_\_\_\_\_

ASSIGNEE:

Certa ProPainters, Ltd.

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

Date: \_\_\_\_\_

**SCHEDULE C**  
**to Franchise Agreement**

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**Confidentiality Agreement**

## CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) made on the date set forth below by \_\_\_\_\_ (“Franchisee”), with an address of \_\_\_\_\_, and \_\_\_\_\_, with an address of \_\_\_\_\_ (“Employee” or “Contractor” as applicable)

### Background

A. Franchisee has been granted a franchise by the Certa ProPainters, Ltd. (“Franchisor”) to operate a CertaPro franchised business (“Franchised Business”);

B. Employee/Contractor is key to Franchisee’s Franchised Business and during the course of his/her engagement within the independently owned and operated Franchised Business, may be given access to certain confidential and/or proprietary information;

C. As a condition of Franchisee’s franchise, Franchisee agreed to cause its employees, subcontractors and others to enter into this Agreement.

NOW, THEREFORE, for and in consideration of Franchisee’s engaging Employee/Contractor or continuing such engagement in the operation of its independently owned and operated Franchised Business and the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. During the term of the engagement, Employee/Contractor shall faithfully and diligently perform such duties and exercise such powers as may from time to time be assigned to him/her or vested in him/her by Franchisee with respect to the operation of the Franchised Business.

2. Employee/Contractor hereby acknowledges and agrees that any information concerning any customers of Franchisee, the Franchisor and/or Franchisor’s affiliates, or any Trade Secrets, specifications, software, documents and data relating to the techniques for, methods of, or practice in the operation of the Franchised Business that are provided to Employee/Contractor are so provided in confidence and that the same is the property of Franchisor and/or Franchisor’s affiliates and/or Franchisee, and represent valuable proprietary rights of Franchisee and/or the Franchisor. Employee/Contractor agrees that, except as may be authorized in writing by Franchisee, Employee/Contractor shall not divulge nor communicate to any person, corporation, limited liability entity, partnership, trust or other entity, either during or after the term of Employee’s/Contractor’s engagement, any such knowledge or information or use of any of the same other than for the purpose of or in connection with his/her engagement by Franchisee with respect to the operation of the Franchised Business.

3. Upon termination of Employee’s/Contractor’s engagement with Franchisee for any reason whatsoever, Employee/Contractor shall immediately surrender to Franchisee or the Franchisor any and all materials in the possession or under the control of Employee/Contractor and relating in any manner to the Franchised Business.

4. The waiver by Franchisee of strict compliance or performance of any of the terms and conditions of this Agreement or any breach thereof on the part of Employee/Contractor shall not be held or deemed to be a waiver of any subsequent failure to comply strictly with or perform the same or any other term or condition of this Agreement or any breach hereof.

5. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns, as the case may be; provided, however, nothing herein shall permit Employee/Contractor to assign his/her duties and obligations under this Agreement.

6. Employee/Contractor acknowledges and agrees that Franchisor is and shall be a third party beneficiary of the Agreement and entitled to enforce it according to its terms.

IN WITNESS WHEREOF, the undersigned have executed this Agreement this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

FRANCHISEE:

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

Its: \_\_\_\_\_

EMPLOYEE/CONTRACTOR:

\_\_\_\_\_

**SCHEDULE D**  
**to Franchise Agreement**

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***Confidentiality and Non-Competition Agreement***

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**  
**(for trained key employees, shareholders, officers, directors,**  
**general partners, members and managers of Franchisee with access to CertaPro's**  
**Confidential Information)**

In consideration for my being a \_\_\_\_\_ of \_\_\_\_\_ (the "Franchisee"), and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, I hereby acknowledge and agree that:

1. \_\_\_\_\_, doing business as \_\_\_\_\_ ("Franchisee"), has acquired the right and franchise from Certa ProPainters, Ltd. ("CertaPro") to establish and operate a CertaPro Painters® independently owned and operated franchise ("Franchised Business") and the right to use in the operation of the Franchised Business CertaPro's trade names, trademarks and service marks (the "Proprietary Marks") and CertaPro's unique and distinctive format and system relating to the establishment and operation of CertaPro Painters businesses (the "System"), as they may be changed, improved and further developed from time to time in CertaPro's sole discretion, only at the following authorized and approved territory: \_\_\_\_\_ (the "Territory").

2. CertaPro possesses certain proprietary and confidential information relating to the operation of the System, which includes certain Trade Secrets and copyrighted materials, methods and other techniques and know-how ("Confidential Information").

3. Any and all information, knowledge, know-how, and techniques which CertaPro specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

4. As \_\_\_\_\_ of the independently owned and operated Franchisee, CertaPro and/or Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the CertaPro Operations Manual ("Operations Manual") and other general assistance during the term of my engagement.

5. I will not acquire any interest in the Confidential Information, other than the right to use it in the operation of the Franchised Business, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6. The Confidential Information is proprietary, involves Trade Secrets of CertaPro, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by CertaPro as confidential. Unless CertaPro otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as \_\_\_\_\_ of Franchisee, and will continue not to disclose nor use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

7. Except as otherwise approved in writing by Franchisee, I shall not, while in my position with the Franchisee and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, and continuing for one (1) year thereafter, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business which offers

or sells products or services of the type offered under the System within a radius of twenty (20) miles as the crow flies of Franchisee's Territory, or five (5) miles of any other CertaPro franchise's territory in operation.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that Franchisee shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice of such reduction; and I agree to comply immediately with any covenant as so modified.

10. CertaPro is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause Franchisee and CertaPro irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or CertaPro may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay all the costs incurred, including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement, any claim I may have against Franchisee is a separate matter and does not entitle me to violate or justify any violation of this Agreement.

11. This Agreement shall be construed under the laws of the Commonwealth of Pennsylvania. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

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

**ACKNOWLEDGED BY FRANCHISEE**

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

Name: \_\_\_\_\_

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

**SCHEDULE E**  
**to Franchise Agreement**

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**State Addenda**

**CERTA PROPAINTERS, LTD.  
FRANCHISE AGREEMENT**

**ADDENDUM FOR THE STATE OF CALIFORNIA**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF CALIFORNIA ARE HEREBY AMENDED AS FOLLOWS:**

1. Section 31125 of the California Corporations Code requires the Franchisor to give you a disclosure document, in a form and containing such information as the Commissioner of Corporations may by rule or order require, prior to solicitation of a proposed material modification of an existing franchise.

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

3. The Franchise Agreement provides the termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

4. The Franchise Agreement contains a covenant not-to-compete which extends beyond the termination of the franchise. This may not be enforceable under California law.

5. The Franchise Agreement requires mediation and binding arbitration. The mediation and arbitration will occur at a location in the major city or metropolitan area nearest the home office of the Franchisor with the costs being borne by equally by each party. This provision may not be enforceable under California law.

6. The Franchise Agreement may contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

7. The Franchise Agreement requires application of the laws of the State of Pennsylvania. This provision may not be enforceable under California law.

**CERTA PROPAINTERS, LTD.  
FRANCHISE AGREEMENT**

**ADDENDUM FOR THE STATE OF HAWAII**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF HAWAII ARE HEREBY AMENDED AS FOLLOWS:**

No release language set forth in the Franchise Agreement shall relieve CertaPro or any other party, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

Hawaii Law. Pursuant to Section 482E-6(3) of the Hawaii Revised Statutes, for so long as such statute remains in effect and so provides, upon termination or refusal to renew the franchise, Franchisee shall be compensated for the fair market value, at the time of termination or expiration of the franchise, of Franchisee's inventory, supplies, materials and furnishings purchased from the Franchisor or a supplier designated by the Franchisor, exclusive of personalized materials which have no value to the Franchisor. If the Franchisor refuses to renew a franchise for the purpose of converting the franchised business to one owned by the Franchisor, the Franchisor, in addition to the remedies provided in this paragraph, shall compensate Franchisee for the loss of goodwill. The Franchisor may deduct from such compensation reasonable costs incurred in removing, transporting and disposing of Franchisee's inventory, supplies, materials and furnishings pursuant to this paragraph, and may offset from such compensation any moneys due to the Franchisor.

**CERTA PROPAINTERS, LTD.  
FRANCHISE AGREEMENT**

**ADDENDUM FOR THE STATE OF ILLINOIS**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF ILLINOIS ARE HEREBY AMENDED AS FOLLOWS:**

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside Illinois.

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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

**CERTA PROPAINTERS, LTD.**

By: \_\_\_\_\_  
Its Authorized Officer

**FRANCHISEE**

\_\_\_\_\_  
Name:

Date: \_\_\_\_\_, 202\_

**CERTA PROPAINTERS, LTD.  
FRANCHISE AGREEMENT**

**ADDENDUM FOR THE STATE OF INDIANA**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF INDIANA ARE HEREBY AMENDED AS FOLLOWS:**

1. Any agreement executed in and operative within the State of Indiana shall be governed by applicable Indiana franchise laws and the right of any Franchisee to institute a civil action or initiate arbitral proceedings within the State of Indiana shall not be deemed to have been abridged in any form or manner by any provisions contained in this Agreement.

2. The Indiana Code 23-2-2.7-1 makes it unlawful for a Franchisor to terminate a franchise without good cause or to refuse to renew a franchise on bad faith, as well as providing other protections and rights to the franchisee.

3. In compliance with Indiana Code 12-2-2.7-1(9), any provisions in this Franchise Agreement relating to non-competition upon the termination or non-renewal of the Franchise Agreement shall be limited to a geographic area not greater than the Territory granted in this Franchise Agreement and shall be construed in accordance with Indiana Code 23-2-2.7-1(9).

4. Indiana Code section 23-2-2.7-1(10) prohibits the choice of an exclusive forum other than Indiana.

5. Indiana Code section 23-2-2.7-1(10) prohibits the limitation of litigation. The Indiana Secretary of State has interpreted this section to prohibit provisions in contracts regarding liquidated damages. Accordingly, any provisions in the Franchise Agreement regarding liquidated damages may not be enforceable.

6. In compliance with Indiana Code 23-2-2.7-1(10), any inference contained in the Franchise Agreement to the effect that the Franchisor "is entitled" to injunctive relief shall, when applicable to a Franchise Agreement executed in and operative within the State of Indiana, is hereby deleted, understood to mean and replace the words "may seek."

7. Indiana Code section 23-2-2.5 and 23-2-2.7 supersedes the choice of law clauses of the Franchise Agreement.

8. In compliance with Indiana Code 23-2-2.7-1(5), any requirement that the Franchisee must execute a release upon termination of this Agreement shall not be mandatory and is hereby made discretionary. However, Franchisee shall execute all other documents necessary to fully rescind all agreements between the parties under this Agreement.

**CERTA PROPAINTERS, LTD.  
FRANCHISE AGREEMENT**

**ADDENDUM FOR THE STATE OF MARYLAND**

**ALL FRANCHISE AGREEMENTS EXECUTED BY RESIDENTS OF OR IN AND OPERATIVE WITHIN THE STATE OF MARYLAND ARE HEREBY AMENDED AS FOLLOWS:**

1. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
2. The general release required under the Franchise Agreement as a condition of sale, renewal, assignment and/or transfer of the franchised business shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.
4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to, nor shall they act as, a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**CERTA PROPAINTERS, LTD.  
FRANCHISE AGREEMENT**

**ADDENDUM FOR THE STATE OF MINNESOTA**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF MINNESOTA ARE HEREBY AMENDED AS FOLLOWS:**

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, the Franchisor shall protect the franchisee's right to use the trademarks, service marks, trade names, logotypes, symbols, and other commercial symbols belonging to the Franchisor which the franchisee has been permitted to use under the Franchise Agreement and indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

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

3. Pursuant to Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5, nothing contained in the governing law provision of this Franchise Agreement shall in any way abrogate or reduce the rights of the Franchisee as provided under Minn. Stat. Sec. 80C nor shall the right of any franchisee to institute a civil action or initiate arbitral proceedings within the State of Minnesota be deemed to have been abridged in any form or manner by the provisions of this Franchise Agreement.

4. Notwithstanding anything to the contrary in the Franchise Agreement, pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, the Franchisor is prohibited from requiring litigation to be conducted outside Minnesota. In addition, nothing in the offering circular or this Franchise Agreement can abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. With respect to franchises governed by the Minnesota law, the Franchisor will comply with Minn. Rule 2860.4400D which prohibits a franchisor from requiring a franchisee to assent to a general release as a requirement to renew or extend.

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

**CERTA PROPAINTERS, LTD.  
FRANCHISE AGREEMENT**

**ADDENDUM FOR THE STATE OF NEW YORK**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF NEW YORK ARE HEREBY AMENDED AS FOLLOWS:**

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

**CERTA PROPAINTERS, LTD.  
FRANCHISE AGREEMENT**

**ADDENDUM FOR THE STATE OF NORTH DAKOTA**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF NORTH DAKOTA ARE HEREBY AMENDED AS FOLLOWS:**

1. Covenants not to compete upon termination or Expiration of a franchise agreement are generally unenforceable in North Dakota, except in certain instances as provided by law.

2. Any provision in the Franchise Agreement requiring a franchisee to agree to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business has been held by the North Dakota Securities Commissioner to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

3. Any provision in the Franchise Agreement that requires the franchisee to agree to jurisdiction or venue in a forum outside of North Dakota has been held by the North Dakota Securities Commissioner to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

4. Any provision in the Franchise Agreement requiring a franchisee to consent to termination penalties or liquidated damages has been held by the North Dakota Securities Commissioner to be unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

5. Any provision in the Franchise Agreement requiring that the Franchise Agreement be construed according to the laws of a state other than North Dakota has been held by the North Dakota Securities Commissioner to be unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

6. Any provision in the Franchise Agreement that requires a franchisee to waive his or her right to a jury trial has been held by the North Dakota Securities Commissioner to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

7. Any provision in the Franchise Agreement requiring a franchisee to consent to a waiver of exemplary and punitive damages has been held by the North Dakota Securities Commissioner to be unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

8. Any provision requiring a franchisee to sign a general release upon renewal of the franchise agreement has been held by the North Dakota Securities Commissioner to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

9. Any provision in the Franchise Agreement requiring a North Dakota franchise or franchisee to consent to a limitation of claims has been held by the North Dakota Securities Commissioner to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

**CERTA PROPAINTERS, LTD.  
FRANCHISE AGREEMENT**

**ADDENDUM FOR THE STATE OF RHODE ISLAND**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF RHODE ISLAND ARE HEREBY AMENDED AS FOLLOWS:**

1. Pursuant to the Rhode Island Franchise Investment Act, the choice of jurisdiction and venue provisions of this Franchise Agreement shall be governed by Section 19-28.1-14 of the Act.

2. Pursuant to Section 19-28.1-15 of the Act, any condition, stipulation or provision in this Franchise Agreement requiring a franchisee to waive compliance with or relieving a person of a duty of liability imposed by or a right provided by this Act or a rule or order under this Act is void. An acknowledgment provision, disclaimer or integration clause or a provision having a similar effect in the Franchise Agreement does not negate or act to remove from judicial review any statement, misrepresentations or action that would violate this Act or a rule or order under this Act. This section shall not affect the settlement of disputes, claims or civil lawsuits arising or brought under this Act.

**CERTA PROPAINTERS, LTD.  
FRANCHISE AGREEMENT**

**ADDENDUM FOR THE STATE OF WASHINGTON**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF WASHINGTON ARE HEREBY AMENDED AS FOLLOWS:**

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

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

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

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

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

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

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

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

Certa ProPainters, Ltd.

Franchisee:

By: \_\_\_\_\_  
It's Authorized Agent

\_\_\_\_\_

**CERTA PROPAINTERS, LTD.  
FRANCHISE AGREEMENT**

**WISCONSIN ADDENDUM**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF WISCONSIN ARE HEREBY AMENDED AS FOLLOWS:**

The Wisconsin Fair Dealership Law (Wisconsin Statutes, 1979-1980, Title XIV-A, Chapter 135, Sections 135.01 through 135.07) makes it unlawful for a franchisor to terminate, cancel or fail to renew a franchise without good cause, as well as providing other protections and rights to the franchisee. To the extent anything in the Franchise Agreement is contrary to the laws in the State of Wisconsin, said laws shall prevail.

**CERTA PROPAINTERS, LTD.  
FRANCHISE AGREEMENT**

**VIRGINIA RIDER**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE COMMONWEALTH OF VIRGINIA ARE HEREBY AMENDED AS FOLLOWS:**

Section 16.2.1 of the Franchise Agreement will not be applicable to the Franchise Agreement signed by the Virginia franchisee entering into the attached agreement. That Section is hereby deleted, and the following language is substituted:

16.2.1.1 CertaPro's Option to Rescind. CertaPro may, before the completion of Franchisee's Initial Franchisee Training, rescind this Agreement and refund the Initial Franchise Fee to Franchisee if Franchisee cannot satisfactorily complete the Initial Training and is shown to be incapable of managing or operating a CertaPro Franchise. Upon rescission, all of the rights and licenses granted to Franchisee hereunder shall terminate. Notwithstanding, Franchisee acknowledges and agrees that he or she shall remain bound, even after rescission of this Agreement, to those obligations contained in Article 8 relating to confidentiality and non-disclosure.

**CERTA PROPAINTERS, LTD.**

By: \_\_\_\_\_  
Its Authorized Officer

**FRANCHISEE**

\_\_\_\_\_  
Name:

Address:

Date: \_\_\_\_\_, 202\_

**EXHIBIT D**

**SCHEDULE OF STATE ADMINISTRATORS  
AND AGENTS FOR SERVICE OF PROCESS**

State	State Administrator	Agent for Service of Process
<b>California</b>	Department of Business Oversight Corporations Division 1515 K Street, Suite 200 Sacramento, CA 95814-4052 Telephone: (866) 275-2677	Department of Business Oversight Corporations Division 320 W. 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013
<b>Hawaii</b>	Director Department of Commerce and Consumer Affairs King Kalakaua Building 335 Merchant Street, Room 205 Honolulu, HI 96813 Telephone: (808) 586-2744	Commissioner of Securities Department of Commerce and Consumer Affairs King Kalakaua Building 335 Merchant Street, Room 205 Honolulu, HI 96813
<b>Illinois</b>	Illinois Attorney General Franchise Division 500 South Second Street Springfield IL 62706 Telephone (217) 782-4465	Illinois Attorney General Franchise Division 500 South Second Street Springfield IL 62706
<b>Indiana</b>	Indiana Securities Commissioner 302 W. Washington Street, Room E-111 Indianapolis, IN 46204 Telephone (317) 232-6681	Indiana Secretary of State 200 W. Washington Street, Room 201 Indianapolis, IN 46204
<b>Maryland</b>	Maryland Office of Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 Telephone (410) 576-6360	Maryland Securities Commissioner 7 St. Paul Street, Suite 820 Baltimore, MD 21202
<b>Michigan</b>	Consumer Protection Division Franchise Section P.O. Box 30213 Lansing, MI 48909 Telephone (517) 373-7117	Department of Commerce Corporations and Securities Bureau P.O. Box 30054 Lansing, MI 48909
<b>Minnesota</b>	Commissioner of Commerce Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101 Telephone (651) 539-1500	Commissioner of Commerce Department of Commerce 2345 Rice St., Suite 230 Roseville, MN 55113

State	State Administrator	Agent for Service of Process
<b>New York</b>	New York State Department of Law Bureau of Investor Protection and Securities 28 Liberty Street, 15 <sup>th</sup> Floor New York, NY 10005 Telephone (212) 416-8222	Department of State One Commerce Plaza 99 Washington Avenue Albany, NY 12231-0001
<b>North Dakota</b>	Securities Commissioner State Capitol 600 East Boulevard, 5 <sup>th</sup> Floor Bismarck, ND 58505 Telephone (701) 328-2910	Securities Commissioner State Capitol 600 East Boulevard, 5 <sup>th</sup> Floor Bismarck, ND 58505
<b>Rhode Island</b>	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Building 68-2 Cranston, RI 02920 Telephone (401) 462-9527	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Building 68-2 Cranston, RI 02920
<b>South Dakota</b>	Division of Insurance Securities Regulation 124 S. Euclid, 2 <sup>nd</sup> Floor Pierre, SD 57501 Telephone (605) 773-3563	Division of Insurance Securities Regulation 124 S. Euclid, 2 <sup>nd</sup> Floor Pierre, SD 57501
<b>Virginia</b>	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 Telephone (804) 371-9015	Clerk of the State Corporation Commission 1300 E. Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219
<b>Washington</b>	Administrator Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 Telephone (306) 902-8760	Administrator Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033
<b>Wisconsin</b>	Office of the Commissioner of Securities P.O. Box 1768 Madison, WI 53701 Telephone (608) 266-2139	Commissioner of Securities 8040 Excelsior Dr., Suite 400 Madison, WI 53717

AGENT FOR SERVICE OF PROCESS IN ALL OTHER STATES

CERTA PROPAINERS, LTD.  
2621 Van Buren Avenue, Suite 550A  
Audubon, PA 19403  
Attn: President

Tel: 610-650-9999

**EXHIBIT E**

**STATE ADDENDA**  
**to Franchise Disclosure Document**

## **FACTORS TO BE CONSIDERED IN THE STATE OF HAWAII**

These franchises will be/have been filed under the Franchise Investment Law of the State of Hawaii. Filing does not constitute approval, recommendation or endorsement by the Director of the Department of Commerce and Consumer Affairs or a find by the Director of the Department of Commerce and Consumer Affairs that the information provided in this Disclosure Document is true, complete and not misleading. The Franchise Investment Law makes it unlawful to offer or sell any franchise in this State without first providing the prospective franchisee, or subfranchisor, at least seven days prior to the execution by the prospective franchisee any binding franchise or other agreement at least seven days prior to the payment of any consideration by the franchisee or subfranchisor, whichever occurs first, a copy of the Disclosure Document, together with a copy of all proposed agreements relating to the sale of the franchise. This Disclosure Document contains a summary only of certain material provisions of the franchise agreement. The contract or agreement should be referred to for a statement of all rights, conditions, restrictions, and obligations of both the franchisor and the franchisee.

The name and address of our agent to receive service of process in the State of Hawaii is listed in Exhibit D attached.

## **FACTORS TO BE CONSIDERED IN THE STATE OF ILLINOIS**

In the State of Illinois, the “Franchise Disclosure Act of 1987” governs this Agreement. You may want to review this law.

## **FACTORS TO BE CONSIDERED IN THE STATE OF MARYLAND**

In the State of Maryland, the “Franchise Registration and Disclosure Law” and rules and regulations relating to that Law govern this Agreement. You may want to review these laws. See Addendum to the Disclosure Document for the State of Maryland.

## **FACTORS TO BE CONSIDERED IN THE STATE OF MINNESOTA**

In the State of Minnesota, Minn. Stat. section 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement 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 this jurisdiction. With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

The name and address of our agent to receive service of process in the State of Minnesota is listed in Exhibit D attached.

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

supersedes any other term of any document executed with the franchise.

### **FACTORS TO BE CONSIDERED IN THE STATE OF NEW YORK**

Any dispute between the franchisor and franchisee is subject to binding arbitration at the office of a mutually agreed upon arbitration association within the State designated in the franchise agreement.

In the State of New York, Article 33 of the New York State General Business Law governs this agreement. You may want to review this law.

The franchisor may, if it chooses, negotiate with you about items covered in the 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 stated in this Disclosure Document.

If you learn that anything in the Disclosure Document is untrue, contact the New York State Department of Law, Bureau of Investor Protection and Securities, 120 Broadway, 23<sup>rd</sup> Floor, New York, NY 10271.

### **FACTORS TO BE CONSIDERED IN THE STATE OF NORTH CAROLINA**

The State of North Carolina has not reviewed and does not endorse, approve, recommend, or sponsor any business opportunity. The information contained in the Disclosure Document has not been verified by the State. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

### **FACTORS TO BE CONSIDERED IN THE STATE OF UTAH**

#### **INFORMATION FOR PURCHASE OF A MARKETING PLAN**

To protect you, the State Division of Consumer Protection has required your seller to give you this information. The State Division of Consumer Protection has not verified this information as to its accuracy. The Notice may contain additional precautions deemed necessary and pertinent. The seller, in lieu of the information requested by Section 13-14-4, may file with the Commission and provide to prospective purchasers certified Disclosure Documents authorized for use by the Federal Trade Commission pursuant to Title 16, Chapter 1, subchapter D, Trade Regulation Rules, Part 436, "Disclosure Requirements and Prohibitions Concerning Franchising."

### **FACTORS TO BE CONSIDERED IN THE STATE OF WISCONSIN**

In the State of Wisconsin, Chapter 135 of the Wisconsin Fair Dealership governs this agreement. You may want to review this law.

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF CALIFORNIA**

1. Neither the franchisor nor any person in Item 2 of the Disclosure document is subject to any currently effective order in any national securities association of exchange as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership of such association or exchange.
2. The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the foregoing disclosure document.
3. The arbitration provision contained in the Franchise Agreement may not be enforceable under California Law.
4. The following paragraph is added to the end of Item 6 of the disclosure document

**A. Liquidated Damages Provision:**

If the Franchise Agreement contains any liquidated damage clauses, California Civil Code Section 1671 may render them unenforceable.

5. The following paragraphs are added at the end of Item 17 of the disclosure document

**A. Termination and Non-Renewal:**

California Business and Professional Code Sections 20000 through 20043 provide rights to franchisees concerning termination or non-renewal of a franchise. If the Franchise Agreement contains any provisions that is inconsistent with the law, the law, as amended from time to time, will control.

**B. Post Termination Non-Competition Covenants:**

Any non-competition and non-solicitation agreement containing a covenant not to compete that extends beyond the termination/expiration of the franchise, may not be fully enforceable under California law. However, we will enforce any such covenant to the extent enforceable.

**C. Liquidated Damages Provision:**

If the Franchise Agreement contains any liquidated damage clauses, California Civil Code Section 1671 may render them unenforceable.

**D. Termination upon Insolvency, Bankruptcy or Reorganization:**

Where the Franchise Agreement provides for termination upon insolvency, bankruptcy or reorganization, such a provision might not be enforceable under California Law, but we will enforce any such provision to the extent enforceable.

**E. Material Modifications:**

Section 31125 of the Franchise investment Law requires us to give you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of you Franchise Agreement.

6. The following paragraph is added to the end of Item 19 of the disclosure document:

**NOTICE REQUIRED BY THE STATE OF CALIFORNIA**

The financial performance representations do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees listed in the disclosure document may be one source of this information.

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF ILLINOIS**

**NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF ILLINOIS**

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside Illinois.

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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

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

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

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF INDIANA**

**NOTICE TO PROSPECTIVE FRANCHISEES ON THE STATE OF INDIANA**

The following are revisions to Item 17 of the Disclosure Document:

Indiana Code section 23-27-1(9) prohibits provisions in contract which require a franchisee to agree to a covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the Franchise Agreement upon termination or failure to renew the Franchise Agreement. Accordingly, in the State of Indiana, upon termination of the Franchise Agreement, you cannot be involved in a competing business for one (1) year within your exclusive Franchise Territory.

Indiana Code section 23-2.2.7-1(10) prohibits the limitation of litigation. The Indiana Secretary of State has interpreted this section to prohibit provisions in contract regarding liquidated damages. Accordingly, the provisions in the Franchise Agreement regarding liquidated damages may not be enforceable.

Indiana Code section 23-2-2.7-1(10) prohibits the choice of an exclusive forum other than Indiana.

Indiana Code section 23-2-2.5 and 23-2-2.7 supersedes the choice of law clauses of the Franchise Agreement.

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT,  
FRANCHISE AGREEMENT AND COMPLIANCE CERTIFICATION  
FOR THE STATE OF MARYLAND  
(applicable to franchise agreements executed by residents of the State of  
Maryland or executed in and operative within the State of Maryland)**

Item 17 of the Franchise Disclosure Document (FDD) and the Franchise Agreement are amended as follows:

1. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
2. The general release required under the Franchise Agreement as a condition of sale, renewal, assignment and/or transfer of the franchised business shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

The Franchise Agreement and Compliance Certification, attached as Exhibit G to the FDD, are amended as follows:

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

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MICHIGAN**

**NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF MICHIGAN**

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 on the right of a franchisee to join an association of franchisees.

(B) A requirement that a franchisee assent to release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from setting any and all claims.

(C) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for god cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(D) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings reasonably required in the conduct of the franchise business are subject to compensation. This subsection applies only if: (1) the term of the franchise is less than 5 years and (2) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of the franchisor's intent not to renew the franchise.

(E) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(F) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(G) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include but is not limited to:

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

(2) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

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 addressed to:

**DEPARTMENT OF ATTORNEY GENERAL  
CONSUMER PROTECTION DIVISION  
670 LAW BUILDING, 525 W. OTTAWA STREET  
LANSING, MI 48913**

**TELEPHONE (517) 373-7117**

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF MINNESOTA**

**NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF MINNESOTA**

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Stat. Sec 80c. 14, subsections 3,4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

Notwithstanding anything to the contrary in the Franchise Agreement, pursuant to Minnesota Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, the Franchisor is prohibited from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement 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.

Notwithstanding anything contained in the Franchise Agreement to the contrary, the Franchisor shall protect the Franchisees' right to use the trademarks, service marks, trade names, logotypes, symbols, and other commercial symbols belonging to the Franchisor and which the Franchisee has been permitted to use under the Franchise Agreement.

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NEW YORK**

**NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF NEW YORK**

ALTHOUGH THESE FRANCHISES HAVE BEEN EXEMPTED FROM FILING, SUCH EXEMPTION UNDER GENERAL BUSINESS LAW, ART. 33 OF THE STATE OF NEW YORK DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OF ENDORSEMENT BY THE NEW YORK STATE DEPARTMENT OF LAW THAT THE INFORMATION PROVIDED HEREIN IS TRUE.

THE DEPARTMENT DID NOT CONDUCT A DETAILED EXAMINATION OF THE MATERIALS SUBMITTED. A FALSE, INCOMPLETE, INACCURATE OR MISLEADING STATEMENT MAY CONSTITUTE A VIOLATION OF BOTH FEDERAL AND STATE LAW, AND SHOULD BE REPORTED TO BOTH THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, NEW YORK, NEW YORK 10271. GENERAL BUSINESS LAW, ARTICLE 33 OF THE STATE OF NEW YORK MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION (OR EXEMPTED FROM SUCH REGISTRATION) WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE A COPY OF THE OFFERING PROSPECTUS, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE AT THE EARLIER OF (a) THE FIRST PERSONAL MEETING BETWEEN THE FRANCHISOR OR ITS AGENT AND THE PROSPECTIVE FRANCHISEE, (b) AT LEAST TEN BUSINESS DAYS PRIOR TO THE EXECUTION OF A BINDING FRANCHISE OR OTHER AGREEMENT OR (c) AT LEAST TEN DAYS PRIOR TO THE RECEIPT OF ANY CONSIDERATION IN CONNECTION WITH THE SALE OR PROPOSED SALE OF A FRANCHISE.

The following are revisions to Item 3 of the disclosure document:

Other than the matters described above, neither CertaPro nor any person identified in Item 2: (1) has any pending administrative, criminal, or material civil action alleging a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; (2) has been convicted of a felony or pleaded nolo contendere to a felony charge or within the ten year period immediately preceding the application for registration, has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; or (3) is subject to any injunctive or restrictive order or decree relating to franchises or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

The following are revisions to Item 5 of the disclosure document:

Neither CertaPro, nor its affiliates, officers, or directors during the 10-year period immediately preceding the date of the offering prospectus have (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; 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 one (1) year after the officer or general partner of the franchisor held his position in the company or partnership.

The following are revisions to Item 5 of the disclosure document:

The Initial Franchise Fee is to be used for the purpose of sales development, training, and marketing costs as set forth in Item 7.

The following are revisions to Item 17D of the disclosure document:

The franchisee may terminate the agreement upon any grounds available by law.

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF NORTH DAKOTA**

**NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF NORTH DAKOTA**

For franchises and franchisees subject to the North Dakota Franchise Investment Law, the following information supersedes or supplements, as the case maybe, the corresponding disclosures in the preceding Franchise Disclosure Document.

1. Covenants not to compete upon termination or Expiration of a franchise agreement are generally unenforceable in North Dakota, except in certain instances as provided by law.
2. Any provision in the Franchise Agreement requiring a franchisee to agree to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business has been held by the North Dakota Securities Commissioner to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
3. Any provision in the Franchise Agreement that requires the franchisee to agree to jurisdiction or venue in a forum outside of North Dakota has been held by the North Dakota Securities Commissioner to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
4. Any provision in the Franchise Agreement requiring a franchisee to consent to termination penalties or liquidated damages has been held by the North Dakota Securities Commissioner to be unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
5. Any provision in the Franchise Agreement requiring that the Franchise Agreement be construed according to the laws of a state other than North Dakota has been held by the North Dakota Securities Commissioner to be unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
6. Any provision in the Franchise Agreement that requires a franchisee to waive his or her right to a jury trial has been held by the North Dakota Securities Commissioner to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
7. Any provision in the Franchise Agreement requiring a franchisee to consent to a waiver of exemplary and punitive damages has been held by the North Dakota Securities Commissioner to be unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
8. Any provision requiring a franchisee to sign a general release upon renewal of the franchise agreement has been held by the North Dakota Securities Commissioner to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

9. Any provision in the Franchise Agreement requiring a North Dakota franchise or franchisee to consent to a limitation of claims has been held by the North Dakota Securities Commissioner to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF RHODE ISLAND**

**NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF RHODE ISLAND**

For franchises and franchisees subject to Rhode Island statutes and regulations, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of Certa ProPainters, Ltd.'s Franchise Disclosure Document.

The following are revisions to Item 17 of the disclosure document:

**Item 17:**

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 Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF WASHINGTON**

**NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF WASHINGTON**

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

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

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

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

**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT  
FOR THE STATE OF WISCONSIN**

**NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF WISCONSIN**

IN THE STATE OF WISCONSIN, CHAPTER 135 OF THE WISCONSIN FAIR DEALERSHIP LAW GOVERNS THIS AGREEMENT. YOU MAY WANT TO REVIEW THIS LAW.

For franchises and franchisees subject to the Wisconsin Fair Dealership Law, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of Certa ProPainters, Ltd.'s Wisconsin Franchise Disclosure Document.

Item 17.

For Wisconsin Franchisees, ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract between Franchisor and Franchisee inconsistent with the Law.

**EXHIBIT F**  
**GUARANTEES OF PERFORMANCE**

State of California

GUARANTEE OF PERFORMANCE

For value received, FS Brands, Inc., a Delaware corporation, located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (the "Guarantor"), absolutely and unconditionally guarantees to assume the duties and obligations of Certa ProPainters, Ltd., located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2025 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at 2621 Van Buren Avenue, Suite 550A, Audubon, PA on the 20<sup>th</sup> day of March 2025.

Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Florida

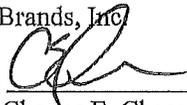
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Hawaii

GUARANTEE OF PERFORMANCE

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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Illinois

GUARANTEE OF PERFORMANCE

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Guarantor:

FS Brands, Inc.

By: 

Charles B. Chase, President

State of Indiana

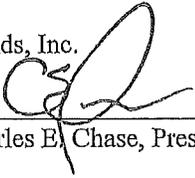
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The Guarantor signs this guarantee at 2621 Van Buren Avenue, Suite 550A, Audubon, PA on the 20th day of March 2025.

Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Maryland

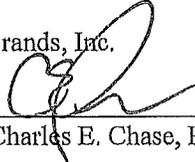
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Michigan

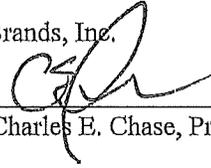
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Minnesota

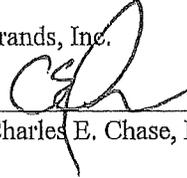
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of North Dakota

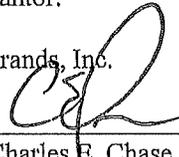
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of New York

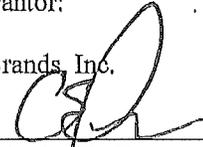
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Rhode Island

GUARANTEE OF PERFORMANCE

For value received, FS Brands, Inc., a Delaware corporation, located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (the "Guarantor"), absolutely and unconditionally guarantees to assume the duties and obligations of Certa ProPainters, Ltd., located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2025 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at 2621 Van Buren Avenue, Suite 550A, Audubon, PA on the 20<sup>th</sup> day of March 2025.

Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of South Dakota

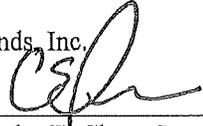
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Utah

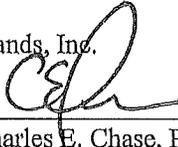
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

Commonwealth of Virginia

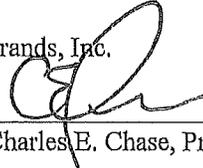
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The Guarantor signs this guarantee at 2621 Van Buren Avenue, Suite 550A, Audubon, PA on the 26<sup>th</sup> day of March 2025.

Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Washington

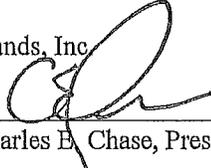
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Guarantor:

FS Brands, Inc

By: 

Charles E. Chase, President

State of Wisconsin

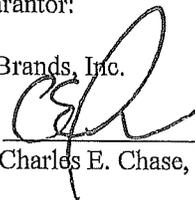
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of California

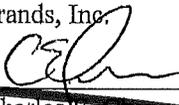
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The Guarantor signs this guarantee at 2621 Van Buren Avenue, Suite 550A, Audubon, PA on the 22<sup>nd</sup> day of March 2024.

Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Florida

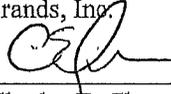
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Hawaii

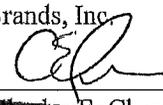
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Choso, President

State of Illinois

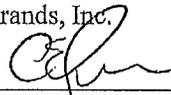
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Indiana

### GUARANTEE OF PERFORMANCE

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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

~~State of Maryland~~

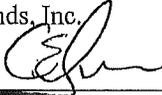
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The Guarantor signs this guarantee at 2621 Van Buren Avenue, Suite 550A, Audubon, PA on the 27<sup>th</sup> day of March 2024.

Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Michigan

GUARANTEE OF PERFORMANCE

For value received, FS Brands, Inc., a Delaware corporation, located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (the "Guarantor"), absolutely and unconditionally guarantees to assume the duties and obligations of Certa ProPainters, Ltd., located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (the "Franchisor") under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2024 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

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Guarantor:

FS Brands, Inc.

By:

  
Charles E. Chase, President

State of Minnesota

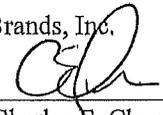
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Guarantor:

FS Brands, Inc.

By: 

Charles F. Chase, President

State of North Dakota

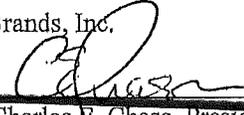
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of New York

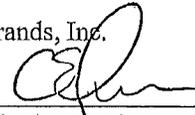
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Rhode Island

GUARANTEE OF PERFORMANCE

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Guarantor:

FS Brands, Inc.

By: 

Charles H. Chase, President

State of South Dakota

GUARANTEE OF PERFORMANCE

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Guarantor:

FS Brands, Inc.

By: 

Charles B. Chase, President

State of Utah

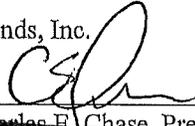
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Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

Commonwealth of Virginia

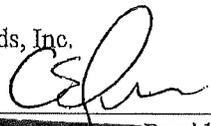
GUARANTEE OF PERFORMANCE

For value received, FS Brands, Inc., a Delaware corporation, located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (the "Guarantor"), absolutely and unconditionally guarantees to assume the duties and obligations of Certa ProPainters, Ltd., located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2024 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at 2621 Van Buren Avenue, Suite 550A, Audubon, PA on the 22<sup>nd</sup> day of March 2024.

Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Washington

GUARANTEE OF PERFORMANCE

For value received, FS Brands, Inc., a Delaware corporation, located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (the "Guarantor"), absolutely and unconditionally guarantees to assume the duties and obligations of Certa ProPainters, Ltd., located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2024 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at 2621 Van Buren Avenue, Suite 550A, Audubon, PA on the 22<sup>nd</sup> day of March 2024.

Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

State of Wisconsin

GUARANTEE OF PERFORMANCE

For value received, FS Brands, Inc., a Delaware corporation, located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (the "Guarantor"), absolutely and unconditionally guarantees to assume the duties and obligations of Certa ProPainters, Ltd., located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2024 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at 2621 Van Buren Avenue, Suite 550A, Audubon, PA on the 22<sup>nd</sup> day of March 2024.

Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

**EXHIBIT G**  
**TOPICS IN OPERATIONS MANUAL**

## Topics/Sections in Certa ProPainters, Ltd.'s Operations Manual

Certa ProPainters, Ltd., the franchisor, provides CertaPro Painters® franchisees with access to the Operations Manual through a dedicated link that is available on the CertaPro® University website.

The following is included in CertaPro Painters® Operations Manual:

- I. Standard Operating Procedures applicable to:
  - Job Site Conduct
  - National Account and Strategic Account Programs
  - Commercial Services
  - Brand Experience Rating – Net Promoter Score (“NPS”) Standards
  - Customer Warranties and Warranty Claims
  - Use of Certa ProPainters, Ltd.’s Registered Trademarks in Marketing, Advertising and Promotional Materials
  - Vehicles and Vehicle Branding
  - Wrapping of Subcontractors’ Vehicles
  - Local Marketing/Advertising
  - Website Compliance
  - Use of Telephone Numbers
  - Information Technology Requirements
  - Insurance
  - Franchisee’s Compliance with Federal, State, Provincial and Local Laws and Regulations
  - Identification of the Franchised Business
  - “Doing Business As” Designations
  - Assignment of the Franchise Agreement to a Corporation, LLC or Similar Entity
  - Resales and Transfers
  - Out of Territory (OOT) Residential Services
  
- II. New Owner Training Materials and Requirements, including topics covered in Development Owner School Training 101, 102 and 103, found elsewhere on the CertaPro University website.
  
- III. New Owner’s Checklist

**EXHIBIT H**  
**CERTAONE USER AGREEMENT**

## CERTAONE USER AGREEMENT

**Monthly Fee per User:** \_\_\_\_\_  
(subject to change – See Section 3.3 below)

This CertaOne User Agreement (“Agreement”) sets forth the terms and conditions under which Certa ProPainters, Ltd., a Massachusetts corporation with its principal place of business at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (“CertaPro”), will grant \_\_\_\_\_, who is a franchisee of CertaPro for the \_\_\_\_\_ Territory (“Franchisee”), pursuant to a franchise agreement (“Franchise Agreement”) the right to use CertaPro’s CertaOne, its proprietary software solution, and other proprietary software, as available (“CertaOne”).

### 1. DEFINITIONS

1.1. **CertaOne** is CertaPro’s proprietary software solution based on the Microsoft Dynamics 365 platform that has been customized for CertaPro’s processes to enable CertaPro Painters® franchisees to manage their residential and commercial painting business and related user manuals or materials provided by CertaPro, together with all updates and maintenance thereto that may be furnished to Franchisee by CertaPro during the term of this Agreement, and other proprietary software, as available. CertaOne includes a messaging function based on Microsoft Office 365, by which CertaOne provides limited access to and use of the CertaPro’s messaging system for the sole purpose of sending and receiving electronic communications via email, text, instant message and/or voice mail (“Messaging Services”), subject to Franchisee’s compliance with this Agreement.

1.2. **Proprietary Information** means CertaOne and any other information or materials marked or designated as confidential by CertaPro or its licensors.

### 2. TERM

This Agreement shall become effective on the date it is signed by both parties (“Effective Date”) and shall continue thereafter unless or until terminated as provided in Section 10 hereof.

### 3. GRANT

3.1. On the Effective Date, CertaPro grants Franchisee the right to use CertaOne during the term of this Agreement, solely for Franchisee’s Certa ProPainters® Franchised Business. Franchisee agrees not to use CertaOne for any other purpose and to use CertaOne only in accordance with and subject to the terms of this Agreement and the applicable Microsoft Participation Agreement. Franchisee hereby acknowledges and agrees to the terms of the Microsoft Participation Agreement and recognizes that Franchisee’s use of CertaOne constitutes his acceptance of and agreement to all the terms of the Microsoft Participation Agreement including without limitation Use Rights located at <http://www.microsoft.com/licensing/contracts>.

3.2. Franchisee agrees not to alter, disassemble, decompile or reverse engineer CertaOne in whole or in part, nor shall Franchisee analyze or otherwise examine any such proprietary software solution for reverse engineering. Franchisee agrees not to adapt or attempt to adapt CertaOne for use on non-compatible hardware or in a non-compatible operating system environment.

3.3. Franchisee agrees to obtain the right to use and to pay the agreed Monthly User Fee (“Monthly User Fee”) for any employee, contractor or worker affiliated with Franchisee’s CertaPro Painters® Franchised Business who accesses or uses CertaOne in any manner. Franchisee understands that the Monthly User Fee is based on fees charged by licensors to CertaPro which can and will change from time to time. Accordingly, Franchisee acknowledges and agrees that, upon receipt of at least 60 days’ advance written notice from CertaPro, Franchisee agrees to pay any increase and Franchisee agrees to pay any increase in the Monthly User Fee as and when directed by CertaPro.

#### **4. ACCEPTABLE USES**

4.1. In connection with the use of Messaging Services, Franchisee agrees that neither it nor any of its employees, contractors, workers or affiliates shall use such Messaging Services to do any of the following:

- (a) send “junk mail,” “spam,” hoaxes, chain letters or any unauthorized, unsolicited mass distribution of e-mail;
- (b) advertise or offer to sell any goods or services unrelated to the Certa ProPainters® Franchised Business;
- (c) transmit any slanderous communications or fraudulent offers of any kind;
- (d) transmit viruses, corrupted files or any other similar software or items that may damage another’s computer system;
- (e) knowingly distribute or transmit any software in violation of any copyrights or any applicable software license agreement;
- (f) jeopardize the operation of computer systems owned by CertaPro;
- (g) jeopardize the reputation of CertaPro;
- (h) harass or threaten others; or
- (i) knowingly violate any applicable laws or regulations.

4.2. Franchisee understands and agrees that CertaPro has no obligation to monitor the contents of any communication routed through CertaPro’s servers and related systems, however, CertaPro reserves the right to, immediately and without notice, terminate Franchisee’s access to and use of the Messaging Services upon learning of any actual or possible illegal or improper uses of such Messaging services. Franchisee hereby agrees to comply with the requirements of the Digital Millennium Copyright Act (the “DMCA”) and acknowledges that CertaPro is immune from liability under the DMCA including, specifically, 17 U.S.C. § 512.

#### **5. CONFIDENTIALITY**

Franchisee agrees to keep in confidence, not to disclose and to restrict the use of Proprietary Information as provided in this Agreement. Franchisee agrees that Proprietary Information may only be disclosed to those of Franchisee’s employees, contractors, workers, or affiliates who have a need to obtain access, subject to Franchisee’s compliance with paragraph 3.3 above. Franchisee agrees to inform its employees, contractors, workers, or affiliate of their obligations under this Section and instruct them so as to insure such obligations are met.

#### **6. TITLE**

Title to, ownership of, and all proprietary rights in and to CertaOne and other Proprietary Information are reserved to and will at all times remain with CertaPro and its licensors. All copies of all or part of CertaOne and other Proprietary Information are the sole property of CertaPro and its licensors. Franchisee shall have only those rights in CertaOne that are expressly granted in this Agreement.

#### **7. LIMITATIONS OF WARRANTY AND LIABILITY**

7.1. CertaPro warrants that it has the right to enter into this Agreement and to authorize Franchisee to use CertaOne as provided herein.

**7.2. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, BY OPERATION OF LAW OR OTHERWISE, FOR CERTAONE FURNISHED UNDER THIS AGREEMENT. CERTAPRO DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. CERTAPRO DOES NOT WARRANT THAT THE OPERATION OF CERTAONE WILL BE UNINTERRUPTED OR ERROR-FREE. ANY ROUTING SERVICES PROVIDED BY CERTAPRO UNDER THIS AGREEMENT ARE PROVIDED “AS IS” AND “AS AVAILABLE.” CERTAPRO DOES NOT WARRANT THAT THE ROUTING SERVICES WILL BE AVAILABLE UNINTERRUPTED, ERROR-FREE OR ON A COMPLETELY SECURE BASIS.**

7.3. IN NO EVENT SHALL CERTAPRO BE LIABLE FOR ANY SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING WITHOUT LIMITATION, LOSS OF PROFITS, USE, DATA OR OTHER INTANGIBLES), EVEN IF CERTAPRO HAS BEEN ADVISED OF THE POSSIBILITY THEREOF. UNLESS FURTHER LIMITED ELSEWHERE IN THIS AGREEMENT, CERTAPRO'S AGGREGATE LIABILITY FOR DAMAGES TO FRANCHISEE FOR ANY CAUSE WHATSOEVER, AND REGARDLESS OF THE FORM OF ACTION, SHALL BE LIMITED TO THE AMOUNTS FRANCHISEE HAS PAID TO CERTAPRO UNDER THIS AGREEMENT.

7.4. Franchisee agrees to indemnify and hold CertaPro harmless from all claims made by Franchisee's employees, contractors, workers or affiliates. "Claims" as used in this paragraph shall mean all claims, causes of action, judgments, damages, costs or expenses, including without limitation attorneys' fees and court costs, related to CertaOne or information provided through CertaOne, except where the Claims result from CertaPro's gross negligence or material breach of a contractual duty.

## **8. PAYMENT**

8.1. Franchisee agrees to pay to CertaPro the Monthly User Fee as set forth above and/or as changed pursuant to Section 3.3, which shall be processed and paid in the same manner as monthly sums due under the Franchise Agreement are processed and paid. Any failure by Franchisee to pay any sums due under this Agreement for any use of CertaOne by Franchisee's CertaPro Painters® Franchised Business shall be a breach of the Franchise Agreement, entitling CertaPro to all remedies as provided in this Agreement and in the Franchise Agreement, including the imposition and collection of a late payment charge as provided in the Franchise Agreement.

## **9. INSPECTION RIGHTS AND TRUE-UP**

9.1. Inspection Rights. During the Term of this Agreement and for two (2) years thereafter, upon reasonable prior notice, CertaPro or its designee may conduct an audit of Franchisee's compliance with this Agreement. Unless CertaPro has discovered an under payment or under reporting during the then prior six (6) months, audits may occur no more frequently than once during any twelve (12) month period. CertaPro shall have the right to invoice Franchisee for any unauthorized use of or access to CertaOne and such amount shall be immediately due and payable to CertaPro. The cost of such audits will be borne by CertaPro; provided, however, that if such audit determines that Franchisee has failed to pay fees amounting to three percent (3%) or more of that annual period's User fees due to CertaPro, then Franchisee shall reimburse CertaPro for the cost of such audit. For purposes of this audit right, conducting an audit in multiple locations of Franchisee shall constitute a single audit. Additionally, CertaPro's failure to conduct an audit in any given annual period shall not constitute a waiver of CertaPro's right to conduct future audits and receive additional payments.

9.2. True-Up Process. Within sixty (60) days after each annual anniversary of the Effective Date, Franchisee will take an inventory of the use of CertaOne by Franchisee and/or Franchisee's employees, contractors, workers, or affiliates. If the separately identifiable use of CertaOne exceeds the quantity paid for by Franchisee, Franchisee will immediately notify CertaPro and pay the required User fee per month for the preceding 12 months.

## 10. TERMINATION

10.1 The parties agree that this Agreement shall terminate under the following circumstances:

(a) Upon 10 days' advance written notice to Franchisee, if Franchisee fails to pay as and when due any sum owed to CertaPro under this Agreement and such default remains uncured after the expiration of the 10 day cure period;

(b) Immediately if Franchisee purports to sell, transfer or otherwise encumber or dispose of CertaPro or makes any unauthorized modification to CertaOne;

(c) Upon the effective date of the expiration or termination of the Franchise Agreement; or,

(d) Upon such other date as the parties agree in writing signed by such parties.

10.2 The parties agree that CertaPro's delay in exercising or failing to exercise any right or remedy under this Agreement, or CertaPro's acceptance of any late or partial payment due under this Agreement does not constitute a waiver of any of CertaPro's rights or remedies against Franchisee.

## 11. DUTIES AND OBLIGATIONS UPON TERMINATION

11.1 Upon termination of this Agreement, Franchisee shall immediately cease use of CertaOne and upon demand shall deliver to CertaPro's possession all copies of CertaOne, including all materials, documents, programs and updates in connection therewith and any and all other software that are modifications of or contain any portion of CertaOne. Upon CertaPro's request, Franchisee shall assemble all of the foregoing and deliver the foregoing to CertaPro at such time and place as CertaPro shall designate. Franchisee shall permit CertaPro or its designated representative, without legal process, to enter upon any premises in person or remotely where any of the foregoing materials are located to take possession of the same, and hereby releases CertaPro and its agents from any claim of loss or damage to any property which allegedly is caused by CertaPro or its agents in the course of effecting such repossession.

11.2 Following delivery of CertaOne and all related documentation to CertaPro or its designee, Franchisee shall certify to CertaPro that it has not retained any copies of CertaOne or any part thereof, and Franchisee shall be bound by all of the terms and conditions relating to confidentiality and nondisclosure under this Agreement.

11.3. After the expiration and nonrenewal, transfer or termination of the Agreement, regardless of the cause, neither Franchisee, its partners or shareholders nor any member of the immediate family of Franchisee or its partners or shareholders shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership or corporation disclose CertaOne in any manner or form, to any third party.

## 12. DISPUTE RESOLUTION; GOVERNING LAW and JURISDICTION

The parties agree and do hereby incorporate by reference the provisions of Article 18 Dispute Resolution and the applicable section of Article 18.5 entitled Governing Law; Jurisdiction and Venue of the Franchise Agreement as though set forth at length and hereby agree that such provisions apply with full force and effect to this Agreement.

## 13. GENERAL

13.1 All notices required to be given under this Agreement shall be given in writing and shall be deemed to have been given when (i) delivered by hand, (ii) mailed by prepaid certified mail, return receipt requested, (iii) sent by facsimile device, with a copy sent at the same time by certified mail, or (iv)

sent by commercial courier with written verification of the receipt of each party at its addresses set forth herein or in the Franchise Agreement, or at such other address as either party may designate to the other by notice as required hereby.

13.2 Franchisee agrees not assign or transfer (by operation of law, in bankruptcy or otherwise) all or any part of its rights or obligations under this Agreement, including, without limitation, any right to use CertaOne, to any other person, firm or entity without CertaPro's advance written authorization, and any purported assignment or transfer shall be null and void.

13.3 Franchisee is solely responsible for obtaining, configuring and maintaining compatible computer hardware, operating system software and any other communications equipment or devices as required to use CertaOne.

13.4 Franchisee agrees to maintain back-up data necessary to replace critical Franchisee data in the event of loss or damage to such data from any cause.

13.5 Products proprietary to third parties may be embedded in or delivered with CertaOne. Franchisee shall have no right to use or copy such products other than in connection with the use of CertaOne pursuant to this Agreement, or to disclose, sell, license or otherwise transfer any such products, which shall be considered Proprietary Information for the purposes of this Agreement.

13.6 This Agreement may be modified only by a writing signed by a duly authorized representative of each party. If any provision of this Agreement shall be found to be illegal or unenforceable, then, notwithstanding such illegality or unenforceability, this Agreement shall remain in full force and effect and such provision shall be deemed to be deleted. Except as expressly provided in this Agreement, any failure or delay by either party in exercising any right or remedy will not constitute a waiver.

13.7 This Agreement constitutes the final, complete and exclusive statement of the agreement between the parties in respect of the subject matter hereof and supersedes all prior and contemporaneous written and oral negotiations, understandings and agreements between the parties in respect to the subject matter of this Agreement. No other writings may become a part of this Agreement, except as provided herein. This Agreement may be accepted by either party through the return electronically of a signed copy hereof to the other party.

13.8 No action, regardless of form, arising out of or in connection with this Agreement may be brought by either party more than two years after the cause of action has accrued.

IN WITNESS WHEREOF, Franchisee and CertaPro have caused this Agreement to be executed by their duly authorized and empowered officers or representatives to be effective as of the date signed on behalf of CertaPro.

**Certa ProPainters, Ltd.**

**Franchisee:**

By: \_\_\_\_\_  
Authorized Agent

\_\_\_\_\_  
Franchisee's Authorized Signature

\_\_\_\_\_  
Print Signatory Name and Title

\_\_\_\_\_  
Print Signatory Name

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT I**  
**SAMPLE PROMISSORY NOTE**

PROMISSORY NOTE  
(the "Note")

AMOUNT: \$ \_\_\_\_\_

Dated as of \_\_\_\_\_, 20\_\_

Executed at Audubon, PA

For value received, receipt of which is hereby acknowledged, the undersigned, \_\_\_\_\_, whose address is \_\_\_\_\_ ("Maker"), promises to pay to the order of Certa ProPainters, Ltd., a Massachusetts corporation whose address is 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 ("Lender"), or at such other place as Lender or any subsequent holder hereof may designate, in writing, from time to time, in lawful money of the United States of America, the principal sum of \_\_\_\_\_ dollars (\$ \_\_\_\_\_) or such lesser portion thereof as may have from time to time been disbursed to or for the benefit of Maker and remaining unpaid pursuant to the books or records of Lender, or any subsequent holder hereof, together with interest on the unpaid balance of principal advanced from the dates of disbursement until paid in full as set forth below, in lawful money of the United States of America.

All capitalized terms used in this Note, unless defined in this Note, shall have the same meaning in this Note as in the Franchise Agreement. This indebtedness evidenced by this Note and the obligations created by this Note are secured by a Security Agreement executed simultaneously with this Note.

The principal balance of this Note, as it may be outstanding from time to time, shall bear interest from the date of the Note, until paid, at a variable percentage rate per annum of two and three-quarters percent (2 <sup>3</sup>/<sub>4</sub>%) above the New York Prime Rate ("Prime Rate"), which Prime Rate is defined as that rate published daily in the *Wall Street Journal* ("WSJ") under "Money Rate;" provided, that if more than one rate is so published, the Prime Rate under this Note shall be the highest of the rates so published. In the event the WSJ ceases to publish such a Prime Rate, the Prime Rate for the purpose of this Note shall be the interest rate designated and announced from time to time by Wachovia Bank, N.A. (or any successor) as its "Prime Rate" in effect at its principal office, although such rate may not be the lowest rate available at that particular time for loans of similar nature.

Commencing on \_\_\_\_\_, the outstanding principal balance of this Note and the accrued interest on the Note shall be payable in monthly installments according to the attached schedule (which is calculated based upon an interest rate of \_\_\_\_%) and incorporated herein by reference and with the monthly interest payment being equal to the accrued interest on the outstanding principal balance of this Note. Such monthly payments of principal plus accrued interest shall commence on \_\_\_\_\_, and continue on the 15th day of each and every month thereafter until and including \_\_\_\_\_. On \_\_\_\_\_, 20\_\_, the entire unpaid principal balance of this Note and all accrued but unpaid interest on the Note shall be finally due and payable in full.

This Note shall be negotiable and Maker and all endorsers and parties to this Note, jointly and severally, hereby waive presentment and demand, notice of demand, protest and notice of protest and nonpayment and consent to the additions or release of any other party or persons liable on this Note or the release of any collateral or security for this Note.

The occurrence of any one of the following events shall constitute an Event of Default under this Note entitling the holder to declare the entire principal balance, together with all accrued interest, to be immediately due and payable, and to take all action allowed the holder by law, under the terms of this

Note and under the terms of the Franchise Agreement and the Security Agreement, those conditions of default being as follows:

A default in the payment of any installment of principal and interest when due under this Note, provided that before the holder may declare the entire principal balance due and payable under this Note and take advantage of its remedies upon default as set forth in this Note and in the Franchise Agreement and the Security Agreement, Maker shall have a ten (10) day grace period after written notice within which to cure the default or defaults, except that if more than two (2) notices of payment default are required to be given in any twelve-month period, no written notice shall be required for any future late payment, and Maker shall only have a ten (10) day grace period within which to cure the default or defaults;

The failure to make any other payment of money when due called for under this Note, the Franchise Agreement, the Security Agreement, other agreement or note with respect to which Maker and Lender are parties; provided that before the holder may declare a default and take advantage of its remedies upon default as set forth herein and in the Franchise Agreement and the Security Agreement, Maker shall have a ten (10) day grace period after written notice within which to cure the default or defaults;

The appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Maker or any guarantor or surety for Maker;

Any default under the default provisions of the Franchise Agreement or any of the Security Agreement shall constitute a default under this Note, and the default provisions are expressly incorporated by reference, the same as if copied at length in this Note.

It is agreed that any sums that shall not be paid when due, whether maturing by lapse of time or by reason of acceleration under the provisions of this Note or the provisions of the Franchise Agreement or the Security Agreement, and whether for the principal or interest of the Note, or money owing pursuant to the terms of the Franchise Agreement, shall bear interest at the Variable Annual Percentage Rate as defined in this Note.

Interest on this Note shall be computed on the basis of actual number of days elapsed over an assumed year of 360 days in accordance with the customary practice of Lender.

The failure of any party to insist upon strict performance of any of the terms of this Note, or to exercise any rights in this Note or the Security Agreement, shall not be construed as a waiver or relinquishment to any extent of such party's right to assert or rely upon such terms or rights in any other instance. A waiver on any one occasion shall not be construed as a bar to or waiver of any right and/or remedy on any future occurrence. This Note cannot be modified, altered or amended except by an agreement, in writing, duly signed by authorized representatives of the parties.

The validity, enforceability, construction and interpretation of any of the clauses of this Note shall be governed and determined by the laws of the Commonwealth of Pennsylvania. If any provision of this Note is deemed illegal under any state or federal law, then such provision shall not be considered a part of this Note, and the remainder of this Note shall not be affected by such illegality.

The Undersigned consents to the jurisdiction of the Commonwealth of Pennsylvania and waives any objection they may have to either the jurisdiction or venue of such court, and further waives any argument that such venue is inconvenient.

The Undersigned agrees that any action arising out of or relating to this Note shall be commenced and concluded in the Commonwealth of Pennsylvania before the Court of Common Pleas of Montgomery County or the United States District Court of the Eastern District of Pennsylvania.

In the event that it becomes necessary for Holder to retain the services of legal counsel to enforce the terms of this Note, Holder shall be entitled to recover all costs and expenses, including reasonable attorney's fees, incurred in enforcing the terms of this Note.

**CONFESSION OF JUDGMENT:** THE UNDERSIGNED HEREBY IRREVOCABLY AUTHORIZES AND EMPOWERS THE PROTHONOTARY, ANY ATTORNEY OR ANY CLERK OF ANY COURT OF RECORD AT ANY TIME AFTER THE UNDERSIGNED FAILS TO TENDER PAYMENT, TO **CONFESS JUDGMENT** AGAINST THE UNDERSIGNED, WITHOUT PROCESS IN FAVOR OF HOLDER, FOR SUCH AMOUNT AS MAY APPEAR TO BE UNPAID, TOGETHER WITH COSTS AND REASONABLE ATTORNEY'S FEES OF THE GREATER OF TWO THOUSAND DOLLARS (\$2,000) OR TEN PERCENT (10%) OF THE UNPAID BALANCE THEN DUE UNDER THIS NOTE. THE UNDERSIGNED WAIVES AND RELEASES HOLDER FROM ALL ERRORS WHICH MAY INTERVENE IN SUCH PROCEEDINGS, AND CONSENTS TO THE IMMEDIATE EXECUTION UPON ANY SUCH JUDGMENT, RATIFYING AND CONFIRMING ALL THAT THE ATTORNEY MAY DO BY VIRTUE OF SUCH JUDGMENT. THE UNDERSIGNED WAIVES AND RELEASES, TO THE FULL EXTENT PERMITTED BY LAW, ALL BENEFIT AND RELIEF FROM ANY AND ALL APPRAISEMENT, STAY, OR EXEMPTION LAWS OF ANY STATE, NOW AND FOR HEREAFTER ENACTED. HOLDER'S RIGHT TO ENTER **JUDGMENT BY CONFESSION** SHALL NOT BE EXHAUSTED BY THE ENTRY OF SUCH JUDGMENT AND HOLDER SHALL HAVE THE RIGHT TO ENTER SUCCESSIVE JUDGMENTS PURSUANT TO THIS NOTE.

*THIS NOTE IS SUBJECT TO A CONFESSION OF JUDGMENT PROVISION, WHICH CONTAINS THE POWER AND AUTHORITY TO ENTER A JUDGMENT BY CONFESSION AGAINST EACH OF YOU. THIS RIGHT AND POWER MAY BE EXERCISED BY THE HOLDER WITHOUT GIVING YOU ANY PRIOR NOTICE OF ITS INTENTION TO DO SO AND/OR WITHOUT A HEARING.*

All payments received by the holder shall be allocated between principal, interest and fees, if any, in the discretion of the holder and, when applicable, any prepayments will be applied to principal in the inverse order of scheduled maturity. No partial prepayment of principal shall postpone the due date of any subsequent payment due hereunder. All or any part of the principal balance hereof may be prepaid at any time without penalty or premium.

All rights, privileges and immunities herein granted to Lender shall extend to its successors and assigns and any other legal holder of this Note.

Maker acknowledges that his Note evidences a loan made primarily for business, commercial or agricultural purposes and not primarily for personal, family or household purposes.

Franchisee/Maker: \_\_\_\_\_  
(date)

Franchisee/Maker: \_\_\_\_\_  
(date)

**EXHIBIT J**  
**SAMPLE RELEASE**

## TERMINATION OF FRANCHISE AGREEMENT AND RELEASE

This Termination of Franchise Agreement and Release (“Agreement”) is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between Certa ProPainters, Ltd., a Massachusetts corporation, with an address at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (“CertaPro”), and \_\_\_\_\_, with an address of \_\_\_\_\_ (“Franchisee”).

### BACKGROUND

A. Franchisee entered into a franchise agreement dated \_\_\_\_\_ with CertaPro for the Territory known as \_\_\_\_\_, as amended, (“Franchise Agreement”), for the right to operate a franchised CertaPro business (“Franchised Business”).

B. Franchisee desires to sell the Franchised Business to \_\_\_\_\_ (“Buyer”) pursuant to an Asset Purchase Agreement dated \_\_\_\_\_.

C. CertaPro consents to the sale and, pursuant to and subject to the terms of this Agreement, releases Franchisee from certain rights, duties, and obligations under the Franchise Agreement, as set forth in this Agreement.

OR

C. Franchisee now desires to terminate the Franchise Agreement and all rights and obligations therein, and CertaPro is willing to accept such early termination, subject and pursuant to the terms of this Agreement.

### AGREEMENT

In consideration of the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, and intending to be legally bound, the parties agree as follows:

1. The parties agree that the Background recitals listed above are true and correct and are hereby incorporated into this Agreement.

2. Subject to the terms and conditions of this Agreement, CertaPro releases Franchisee from all rights, duties, and obligations of the Franchise Agreement, which is hereby terminated pursuant to and subject to the terms of this Agreement.

3. This Agreement is contingent on the completion of the sale of the Franchised Business to the Buyer and the payment of the agreed upon listing / transfer fee, and the payment by Franchisee of any sums due CertaPro, including Minimum Royalties.

4. Franchisee represents that all outstanding obligations related to the operation of the Franchised Business, including but not limited to payroll, suppliers, subcontractors, and CertaPro, have been satisfied. Franchisee also represents that all jobs have been properly, accurately and fully reported in the CertaNotes or CertaOne System and to CertaPro.

5. Franchisee represents and warrants that they have discontinued, withdrawn or otherwise terminated any and all fictitious name or DBA registrations of any kind, including without limitation \_\_\_\_\_, with any state or local authorities or any business listing service(s) for the Franchised Business. Should any such listings be found to exist after execution of this Agreement, then Franchisee hereby designates CertaPro or any employee of CertaPro as their attorney-in-fact to prepare, file, notify or take any steps necessary to terminate any such listings or registrations with any authority or business listing service.

6. The parties agree that Franchisee shall remain bound by all of the post-term covenants and obligations contained in Franchise Agreement including, without limitation, those relating to confidentiality, indemnification, warranty, Dispute Resolution, Effect of Termination, and restrictions on competition.

7. Franchisee agrees that for a period of two (2) years after the date of execution of this Agreement neither Franchisee, his partners or its shareholders, nor any member of the immediate family of Franchisee who participated in the operation of the Franchised Business, or their partners or shareholders shall, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership, corporation or other entity own, maintain, engage in, be employed by, or have any interest in any other business which offers or sells products or services of the type offered under the CertaPro System within a radius of twenty (20) miles as the crow flies of the Territory, or five (5) miles of any other CertaPro franchise's territory in operation, or of any territory which is being considered or discussions are under way for a CertaPro franchise, as of the Termination Date.

8. Effective upon execution of this Agreement, Franchisee, together with his, her, their or its heirs, successors, administrators, agents, representatives, officers, directors, shareholders and agents, and all persons and entities claiming by, through or under them, release, acquit and forever discharge CertaPro and its present and former officers, employees, shareholders, directors, agents, servants, representatives, parents, affiliates, franchisees, successors and assigns ("CertaPro Releasees"), of and from any and all obligations, claims, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney's fees, actions or causes of action whatsoever, whether known or unknown, and whether arising under any franchise registration, disclosure or franchise practices statute ("Claims"), which Franchisee by themselves, on behalf of, or in conjunction with any other person, partnership, corporation, or limited liability entity now has, has had, or claims to have against the CertaPro Releasees, including, but not limited to any Claims arising out of or relating in any way to the Franchise Agreement or the franchise relationship. [If APPLICABLE] Without limiting the scope of this paragraph, Franchisee acknowledges a familiarity with Section 1542 of the Civil Code of the State of California, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Franchisee hereby waives and relinquishes every right or benefit which they have under Section 1542 of the Civil Code of the State of California, and any similar statute under any other state or federal law, to the fullest extent that they may lawfully waive such right or benefit. In connection with this waiver and relinquishment, with respect to the Claims released above,

Franchisee acknowledges that they may hereafter discover facts in addition to or different from those which they now know or believe to be true with respect to the subject matter of this Agreement and the release herein, but that it is the parties' intention, subject to the terms and conditions of this Agreement, fully, finally and forever to settle and release all such Claims, known or unknown, suspected or unsuspected, which now exist, may exist or did exist, and, in furtherance of such intention, the release given above shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts.

9. [APPLICABLE TO SALE OF BUSINESS ONLY] Effective upon the later of the date of execution of this Agreement or the payment of the sums due under this Agreement, and except as provided in this Agreement, and except for asserting any claim under any insurance policy providing coverage for Franchisee and/or CertaPro during the term of the Franchise Agreement, [IF APPLICABLE, and except for asserting any claim, including without limitation any indemnification claim, arising out of or relating to the sale of the Franchised Business to Buyer,] and subject to Franchisee's compliance with the terms of this Agreement, CertaPro, for itself and all persons and entities claiming by, through, or under it, release, acquit and forever discharges Franchisee and their successors and assigns, of and from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney's fees, actions or cause of action whatsoever, which CertaPro, by itself, on behalf of, or in conjunction with any other person, persons, partnership or corporation, has, has had or claims to have against Franchisee arising out of or relating to the operation of the Franchised Business, the parties' rights or obligations under the Franchise Agreement or the franchise relationship. [IF APPLICABLE] Without limiting the scope of this paragraph, Franchisee acknowledges a familiarity with Section 1542 of the Civil Code of the State of California, which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

Franchisee hereby waives and relinquishes every right or benefit which they have under Section 1542 of the Civil Code of the State of California, and any similar statute under any other state or federal law, to the fullest extent that they may lawfully waive such right or benefit. In connection with this waiver and relinquishment, with respect to the Claims released above, Franchisee acknowledges that they may hereafter discover facts in addition to or different from those which they now know or believe to be true with respect to the subject matter of this Agreement and the release herein, but that it is the parties' intention, subject to the terms and conditions of this Agreement, fully, finally and forever to settle and release all such Claims, known or unknown, suspected or unsuspected, which now exist, may exist or did exist, and, in furtherance of such intention, the release given above shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts.

10. This Agreement constitutes the entire integrated agreement of the parties with respect to the subject matter contained in this Agreement, and may not be modified without written consent of the parties.

11. Effective upon execution of this Agreement, CertaPro and Franchisee agree not to make any public statement, written or oral, in any type of medium that disparages or portrays the other in a negative light.

12. Franchisee agrees that there is no adequate remedy at law for any breach of this Agreement and CertaPro, in addition to the legal rights and remedies it may have, shall be entitled to an injunction restraining such breach.

13. This Agreement shall be construed under the laws of the Commonwealth of Pennsylvania, which laws shall control in the event of any conflict of law.

14. This Agreement shall be for the benefit of and binding upon the parties and their respective representatives, successors and assigns, but nothing herein shall permit Franchisee to assign any rights and obligations under this Agreement.

15. Each party acknowledges that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each party, after having had a reasonable opportunity to retain and confer with counsel. This Agreement is entered into after full investigation by the parties, and the parties are not relying upon any statements or representations not embodied in this Agreement.

16. If any party institutes any judicial or arbitration proceeding to enforce any monetary or non-monetary obligations or interpret the terms of this Agreement, the prevailing party shall be entitled to recover all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.

17. [AS APPLICABLE] Franchisee agrees that they have had a relationship with CertaPro at CertaPro's offices in Pennsylvania and that, with the exception of CertaPro's right to seek injunctive relief in any appropriate jurisdiction, any action by or against CertaPro arising out of or relating to this Agreement shall be commenced and concluded in the Commonwealth of Pennsylvania before the Court of Common Pleas of Montgomery County or the United States District Court of the Eastern District of Pennsylvania.

18. The parties agree that the provisions of Section 18, Dispute Resolution, including but not limited to Section 18.5, Governing Law; Jurisdiction and Venue, of the Franchise Agreement both of which are incorporated herein and are and shall be a part of this Agreement.

19. In the event that any provision or part of any provision in this Agreement is held invalid or unenforceable by a court or other tribunal of competent jurisdiction, then the provision shall be deemed severed and separated from the other provisions of this Agreement, which shall remain in full force and effect. To the extent enforcement is limited, then the provision or provisions so affected shall be deemed to have been modified to the extent necessary to make the provision or provisions enforceable.

20. This Agreement may be executed in two or more counterparts, and the failure to have the signatures of all parties in a single Agreement shall not affect the validity or enforceability of any part of this Agreement against any party who executes any counterpart of the Agreement.

**WE HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. WE WOULD NOT SIGN THIS AGREEMENT IF WE DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

Certa ProPainters, Ltd.

By: \_\_\_\_\_  
Its Authorized Agent

\_\_\_\_\_  
Franchisee

# EXHIBIT K

## SAMPLE ASSIGNMENT AND ASSUMPTION AGREEMENT

## ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (“Assignment”) is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 202\_\_, by and among Certa ProPainters, Ltd., a Massachusetts corporation, with its principal offices at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (“CertaPro”) and \_\_\_\_\_ (“Assignor”), and \_\_\_\_\_ (“Assignee”).

### BACKGROUND

A. CertaPro and Assignor entered into a Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”), whereby Assignor was granted the right and undertook the obligation to operate a CertaPro franchise in \_\_\_\_\_ (“Franchised Business”);

B. Assignor has organized and formed Assignee for the convenience and purpose of owning and operating the Franchised Business;

C. Assignor desires to assign his rights and obligations under the Franchise Agreement to Assignee pursuant to and in accordance with the provisions of the Franchise Agreement; and

D. CertaPro is willing to consent to the assignment of the Franchise Agreement to Assignee, subject to the terms and conditions of this Assignment, including without limitation, Assignor’s agreement to guarantee the performance by Assignee of its obligations under the Franchise Agreement and to continue to be bound by all of the provisions of the Franchise Agreement.

### AGREEMENT

In consideration of the mutual covenants contained in this Assignment, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, and intending to be legally bound, the parties agree as follows:

1. The parties agree that the Background recitals are true and accurate and are hereby incorporated and made a part of this Agreement.

2. Assignor hereby assigns and transfers over to Assignee all of his right, title and interest in and to the Franchise Agreement, effective as of the date of this Assignment and hereby, on his behalf and on behalf of all persons and entities claiming by, through or under him, release, acquit and forever discharge CertaPro and its present and former officers, employees, shareholders, directors, agents, servants, representatives, parents, affiliates, successors, assigns, present and former franchisees (“CertaPro Releasees”) of and from any and all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney’s fees, actions or causes of action whatsoever, whether known or unknown, which Assignor, by himself, on behalf of, or in conjunction with any other person, persons, partnership, limited liability company, or corporation, has or has had or claims to have against the CertaPro Releasees, arising out of or relating to the Franchised Business, the Franchise Agreement, or in any way arising out of or relating to the franchise relationship; provided, however, nothing herein shall release CertaPro from any future obligations it has under the Franchise Agreement to Assignee. Without limiting the scope of this paragraph, in connection with this waiver and relinquishment, with respect to the

Claims released above, Assignor acknowledges that they may hereafter discover facts in addition to or different from those which they now know or believe to be true with respect to the subject matter of this Assignment, but that it is the parties' intention, subject to the terms and conditions of this Assignment, fully, finally and forever to settle and release all such claims, known or unknown, suspected or unsuspected, which now exist, may exist or did exist, and, in furtherance of such intention, the release given above shall be and remain in effect as full and complete release, notwithstanding the discovery or existence of any such additional or different facts.

3. Assignee hereby assumes all of Assignor's obligations, assignments, commitments, duties and liabilities under the Franchise Agreement, and agrees to be bound by and observe and faithfully perform all of the obligations, assignments, commitments and duties of the franchisee under the Franchise Agreement with the same force and effect as if the Franchise Agreement were originally with Assignee as franchisee.

4. Assignor agrees that he shall continue to be bound by all of the terms and conditions of the Franchise Agreement, and that nothing contained in this Assignment herein shall be deemed to relieve Assignor of any of his obligations contained in the Franchise Agreement. Assignor further agrees to, and by this instrument does hereby, guarantee the performance by Assignee of all of its obligations, commitments, duties and liabilities under the Franchise Agreement. Without limiting the foregoing, Assignor irrevocably and unconditionally guarantees to CertaPro (i) that Assignee will pay all amounts to be paid and otherwise comply with all provisions of the Franchise Agreement and any other agreement between Assignor and CertaPro or its affiliates concerning the operation of the Franchised Business, and (ii) that if Assignee defaults in making any such payments or complying with any such provisions, Assignor shall pay forthwith upon demand all amounts due and owing CertaPro and all damages that may arise as a result of any such non-compliance.

5. In the enforcement of any of its rights against Assignor, CertaPro may proceed as if Assignor were the primary obligor under the Franchise Agreement. Assignor waives any right to require CertaPro to first proceed against Assignee or to proceed against or exhaust any security (if any) held by CertaPro or to pursue any other remedy available to it before proceeding against Assignor. No dealing between CertaPro and Assignee shall exonerate, release, discharge or in any way reduce the obligations of Assignor hereunder, in whole or in part, and in particular and without limiting the generality of the foregoing, CertaPro may modify or amend the Franchise Agreement, grant any indulgence, release, postponement or extension of time, waive any term or condition of the Franchise Agreement, or any obligation of Assignee, take or release any securities or other guaranties for the performance by Assignee of any of its obligations, and otherwise deal with Assignee as CertaPro may see fit without affecting, lessening or limiting in any way the liability of Assignor. Notwithstanding any assignment for the general benefit of creditors or any bankruptcy or other act of insolvency by Assignee and notwithstanding any rejection, disaffirmance or disclaimer of this Assignment or the Franchise Agreement, Assignor shall continue to be fully liable.

6. This Assignment is entered into in the Commonwealth of Pennsylvania and shall be construed and interpreted in accordance with its laws, which laws shall control in the event of any conflict of law.

7. Assignor and Assignee jointly and severally represent, warrant and covenant as follows:

A. Assignee's organizational documents (corporate charter, articles/certificate of incorporation/organization, etc.) shall at all times provide that the activities

of Assignee are confined exclusively to the operation of the Certa ProPainters franchise pursuant to the terms of the Franchise Agreement;

B. Assignee's operating agreement, bylaws, partnership agreement and/or any other written documents regarding ownership and governance of Assignee shall at all times provide that the activities of Assignee are confined exclusively to the operation of the Certa ProPainters franchise pursuant to the terms of the Franchise Agreement;

C. Copies of Assignee's articles/certificates of incorporation/organization, bylaws, operating agreement, partnership agreement and any other governing documents, together with any amendments thereto, resolutions authorizing entry into and performance under this Agreement, any certificates, buy-sell agreements, shareholders agreements or any other documents relating to the sale or transfer of stock or ownership interests of Assignee, shall be furnished to CertaPro prior to the execution of this Agreement and upon the creation or amendment of any such document by Assignee;

D. Assignee shall maintain at all times a current list of the names and addresses of all owners of record and all beneficial owners of any class of voting securities in Assignee, including their percentage interest in Assignee, and shall immediately provide a copy of the updated list to CertaPro upon the occurrence of any change of ownership, and otherwise make its list available to CertaPro upon request;

E. Assignee shall maintain at all times a current list of the names and addresses of all members, officers and directors of Assignee, and shall immediately provide a copy of the updated list to CertaPro upon the occurrence of any change of members, officers and directors, and otherwise make its list available to CertaPro upon request;

F. Assignor and Assignee shall at all times comply with the requirements for assignment as set forth in Article 14 of the Assignment Agreement and in Article XVII of the Standard Operating Procedures; and

G. The representations, warranties and covenants set forth in this Agreement are continuing obligations of Assignor and Assignee, and any failure to comply with such shall constitute a material event of default under the Franchise Agreement.

8. This Assignment shall be binding and inure to the benefit of the parties and their respective heirs, successors and assigns.

9. Assignor and Assignee acknowledge and agree that they are bound by the dispute resolution provisions of Article 18, Dispute Resolution, including but not limited to Article 18.5, Governing Law; Jurisdiction and Venue of the Franchise Agreement. Assignor and Assignee further agree that they have and will continue to have a substantial relationship with CertaPro at its offices in Pennsylvania and that, with the exception of CertaPro's right to seek injunctive relief in any appropriate jurisdiction as set forth below, any action by or against them arising out of or relating to this Assignment shall be commenced, litigated and concluded only in the Commonwealth of Pennsylvania before the Court of Common Pleas of Montgomery County or the United States District Court for the Eastern District of Pennsylvania. Assignor and Assignee agree that Pennsylvania represents the most convenient forum for the parties to litigate any disputes between them. Accordingly, Assignor and Assignee irrevocably submit to the jurisdiction of such court and waive any objection they may have to either the jurisdiction or venue of such courts. Assignor and Assignee further waive any objection that such court is an inconvenient forum. CertaPro shall have the option, at its sole discretion, of bringing any action seeking equitable relief to enforce the terms of this Assignment in any court of competent

jurisdiction in order to prevent real or threatened harm, and Assignor and Assignee consent to the entry of injunctive relief, including, without limitation, temporary restraining orders and/or preliminary and permanent injunctions without the requirement of bond, according to the usual equity rules in the jurisdiction in which such relief is sought.

10. This Assignment constitutes the entire integrated assignment between the parties with respect to the subject matter contained herein and shall not be subject to change, modification, amendment or addition without the express written consent of all the parties.

11. In the event that any provision or part of any provision in this Agreement is held invalid or unenforceable by a court or other tribunal of competent jurisdiction, then the provision shall be deemed severed and separated from the other provisions of this Agreement, which shall remain in full force and effect. To the extent enforcement is limited, then the provision or provisions so affected shall be deemed to have been modified to the extent necessary to make said provision or provisions enforceable.

12. In the event that it becomes necessary for CertaPro to retain the services of legal counsel to enforce the terms of this Assignment, CertaPro shall be entitled to recover all costs and expenses, including reasonable attorneys' fees and expert and investigative fees, incurred in enforcing the terms of this Assignment.

13. Each party declares that the terms of this Assignment have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain, and confer with counsel. This Assignment is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not contained in this Assignment.

14. The person executing this Assignment on behalf of Assignee acknowledges their authority to do so.

**I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

**IN WITNESS WHEREOF**, the undersigned have affixed their signatures hereto as of the day and date first above written.

Certa ProPainters, Ltd.

ASSIGNOR:

By: \_\_\_\_\_  
Its Authorized Agent

\_\_\_\_\_

ASSIGNEE:

By: \_\_\_\_\_  
, Authorized Agent

**Certa ProPainters, Ltd.**  
2621 Van Buren Avenue  
Suite 550A  
Audubon, Pennsylvania 19403

**ACKNOWLEDGEMENT OF  
ASSIGNMENT OF FRANCHISE AGREEMENT**

We, the undersigned Officers, Directors and/or Members of

a \_\_\_\_\_ duly organized and existing under the laws of the State of \_\_\_\_\_ ("Company") hereby acknowledge the assignment of a certain Franchise Agreement between Certa ProPainters, Ltd. and

(the "Franchise Agreement") to the Company and agree that the Company shall be bound by the terms of the Franchise Agreement. We, the undersigned, further agree to be personally bound by the provisions of the Franchise Agreement relating to proprietary information, trade secrets and restrictive covenants, including, but not limited to, the provisions of Articles 8 and 10 of the Franchise Agreement.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_.

Officers

Directors

Members

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**EXHIBIT L**  
**SAMPLE PERSONAL GUARANTY**

## PERSONAL GUARANTY

FOR VALUE RECEIVED, and in consideration of and in order to induce Certa ProPainters, Ltd., a Massachusetts corporation, ("CertaPro" or "Franchisor") to enter into a Franchise Agreement for \_\_\_\_\_ Territory, ("Franchise Agreement") with \_\_\_\_\_, a duly organized and existing \_\_\_\_\_ under the laws of the State of \_\_\_\_\_ ("Franchisee"), providing for the grant of a non-exclusive right to operate a CertaPro Franchise and a non-exclusive license to use the CertaPro System and Proprietary Marks, as those terms are defined in the Franchise Agreement ("Franchised Business"), the undersigned, \_\_\_\_\_ ("Guarantor") hereby unconditionally guarantees to Franchisor the full and prompt performance by Franchisee of all obligations that Franchisee presently has or hereafter may have to Franchisor under the Franchise Agreement and payment when due of all other sums presently or hereafter owing by Franchisee to Franchisor under the Franchise Agreement, and agrees to indemnify Franchisor against any losses Franchisor may sustain and expenses it may incur as a result of any default by Franchisee under the Franchise Agreement and/or as a result of the enforcement or attempted enforcement by Franchisor of any of its rights against Guarantor under this Guaranty.

Guarantor hereby expressly waives all defenses which might constitute a legal or equitable discharge of surety or guarantor, and agrees that this Guaranty shall be valid and unconditionally binding upon Guarantor regardless of (i) the reorganization, merger or consolidation of Franchisee into or with another entity, corporate or otherwise, or the sale or other disposition of all or substantially all of the capital stock, business or assets of Franchisee to any other person or party, or (ii) the dissolution of Franchisee, or (iii) the voluntary or involuntary bankruptcy (including a reorganization in bankruptcy) of Franchisee, or (iv) the granting by Franchisor of any indulgences to Franchisee, or (v) the assertion by Franchisor against Franchisee of any of Franchisor's rights and remedies provided for under the Franchise Agreement or existing in its favor in law, equity or bankruptcy, or (vi) the release of Franchisee from any of Franchisee's obligations under the Franchise Agreement by Franchisor or by operation of law or otherwise, or (vii) any invalidity, irregularity, defect or unenforceability of any provision of the Franchise Agreement. Guarantor hereby waives notice of and consents to all of the provisions of the Franchise Agreement, and to any amendments thereof, and to any actions taken there under, and to the execution by Franchisee of the foregoing documents and of any other agreements, documents and instruments executed by Franchisee in connection therewith. Guarantor further waives notice of Franchisor's acceptance of this Guaranty, of any default and non-payment and/or non-performance by Franchisee under the Franchise Agreement, presentment, protest and demand, and of all other matter to which Guarantor might otherwise be entitled. Guarantor further agrees that this Guaranty shall remain and continue in full force and effect notwithstanding any renewal, modification or extension of the Franchise Agreement term. Guarantor hereby expressly waives all notice of and documents pertaining to such renewal, modification or extension. Guarantor further agrees that Guarantor's liability under this Guaranty shall be absolute primary and direct, and that Franchisor shall not be required to pursue any right or remedy it may have against Franchisee under the Franchise Agreement or otherwise (and shall not be required to first commence any action or obtain any judgment against Franchisee) before enforcing this Guaranty against Guarantor.

Guarantor further warrants and represents to Franchisor that execution, delivery and performance of this Guaranty will not result in a breach of, or constitute a default under, or result in the creation of any security interest, lien, charge or encumbrance upon any property or assets of Guarantor pursuant to any loan agreement, indenture or contract to which Guarantor is a party to, by or under which Guarantor is bound.

Guarantor hereby agrees that the failure of Franchisor to insist in any one or more instances upon a strict performance or observance of any of the terms, provisions or covenants of the Franchise Agreement or to exercise any of its rights there under, shall not be construed or deemed to be a waiver or relinquishment for the future of any such terms, provisions, covenants or rights, but such terms, provisions, covenants and rights shall continue and remain in full force and effect. Receipt by Franchisor of any royalty or other sums payable under the Franchise Agreement with knowledge that Franchisee has breached any of the terms, provisions or covenants of the Franchise Agreement shall not be deemed to be a waiver by Franchisor of such breach.

Guarantor hereby acknowledges and agrees that he/she is bound by Article 18 – Dispute Resolution, including but not limited to Article 18 Governing Law; Jurisdiction and Venue - of the Franchise Agreement both of which are hereby incorporated herein as though set forth at length. Guarantor further agrees that he/she has and will continue to have a substantial relationship with CertaPro at its offices in Pennsylvania and that, with the exception of CertaPro's right to seek injunctive relief in any appropriate jurisdiction as set forth below, any action by or against him/her arising out of or relating to this Guaranty shall be commenced, litigated and concluded only in the Pennsylvania Court of Common Pleas for Montgomery County, Pennsylvania or the United States District Court for the Eastern District of Pennsylvania. Guarantor agrees that Pennsylvania represents the most convenient forum for the parties to litigate any disputes between them. Accordingly, Guarantor irrevocably submits to the jurisdiction of such court and waives any objection he/she may have to either the jurisdiction or venue of such court. Guarantor further waives any objection that such court is an inconvenient forum. CertaPro shall have the option, at its sole discretion, of bringing any action seeking equitable relief to enforce the terms of this Guarantor in any court of competent jurisdiction in order to prevent real or threatened harm, and Guarantor consents to the entry of injunctive relief, including, without limitation, temporary restraining orders and/or preliminary and permanent injunctions without the requirement of bond, according to the usual equity rules in the jurisdiction in which such relief is sought.

Guarantor further agrees to be personally bound by the provisions of the Franchise Agreement relating to proprietary information, trade secrets and restrictive covenants, including, but not limited to, the provisions of Articles 8, 9 and 10 of the Franchise Agreement which are hereby incorporated herein as though set forth at length.

No assignment or other transfer by Franchisor or Franchisee of any interest, right or obligation under the Franchise Agreement or assumption by any third party of the obligations of Franchisee under the Franchise Agreement shall extinguish or diminish the unconditional, absolute, primary and direct liability of Guarantor under this Guaranty for the obligations of Franchisee under the Franchise Agreement up to the date of Franchisor's acceptance of such assignment. Guarantor hereby consents to and waives all notice of any such assignment, transfer or assumption.

This Guaranty is assignable by Franchisor without notice to Guarantor, but may not be assigned by Guarantor. Any assignee of Franchisor shall have all of the rights of Franchisor hereunder and may enforce this Guaranty against Guarantor with the same force and effect as if this Guaranty were given to such assignee in the first instance. This Guaranty shall be construed liberally in Franchisor's favor and shall inure to the benefit of administrators, successors and assigns.

In the event that it becomes necessary for Franchisor to retain the services of counsel to enforce the terms of this Guaranty, Franchisor shall be entitled to recover all costs and expenses, including reasonable attorneys' fees and other costs incurred in enforcing the terms of this Guaranty.

This Guaranty shall be deemed to have been written, approved and accepted in the Commonwealth of Pennsylvania, and the construction and interpretation of this Guaranty, wherever executed and wherever to be performed, shall be governed by the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, this \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_, Guarantor has hereunto signed, sealed and acknowledged this Guaranty.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Guarantor –

ACKNOWLEDGMENT OF GUARANTOR

STATE OF \_\_\_\_\_ DATE \_\_\_\_\_

COUNTY OF \_\_\_\_\_

Then personally appeared before me, \_\_\_\_\_ and \_\_\_\_\_, acknowledged the foregoing to be their free and voluntary act and deed.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

**EXHIBIT M**  
**SAMPLE SECURITY AGREEMENT**

## SECURITY AGREEMENT

[ \_\_\_\_\_ ]

(hereinafter referred to as the Debtor), hereby grants to Certa ProPainters, Ltd., a corporation, duly organized and existing under the laws of the Commonwealth of Massachusetts and whose address is 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 (“CertaPro” or “Secured Party”), to secure the payment and performance of all obligations of the Debtor to the Secured Party, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, (collectively “Obligations”), a security interest in all of the Debtor’s properties, assets and rights of every kind and nature, whether tangible or intangible, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof, including, without limiting the generality of the foregoing, all goods, accounts, contract rights, rights for payment of money including tax refund claims, chattel paper, documents, instruments, general intangibles, debts, obligations and liabilities, in whatever form owing to Debtor from any person, firm, or association, or any other legal entity, whether now existing or hereinafter arising, now or hereinafter received by or belonging or owing to Debtor, for goods sold by it or for services rendered by it or however otherwise same may have been established, or created, all guarantees and securities therefor, all right, title and interest of Debtor in the merchandise or services which gave rise thereto, including the rights of reclamation and stoppage in transit, all rights of an unpaid seller of merchandise and services and in the proceeds thereof, including without limitation, all proceeds of credit, fire or other insurance, securities, patents, trademarks, trade names, copyrights, engineering drawings, service marks, motor vehicles, furniture, fixtures, equipment, tools, machinery, inventory, supplies, raw materials, work in progress, books and records, real property and interests in and right in, on or over real property (all of the same being hereinafter called the Collateral).

The Debtor represents, warrants and agrees with the Secured Party as follows:

1. The Debtor is the owner of the Collateral free from any adverse lien, security interest or encumbrance.
2. The Collateral will be kept at the Debtor’s address first stated above, and the Debtor will not remove the Collateral from such address (except in connection with the sales of inventory in the ordinary course of business) without the written consent of the Secured Party.
3. Except for the security interest herein granted, and any encumbrances of record filed prior hereto, the Debtor shall be the owner of the Collateral free from any lien, security interest or encumbrance, and the Debtor shall defend the same against all claims and demands or all persons at any time claiming the same or any interests therein adverse to the Secured Party. The Debtor shall not pledge, mortgage or create, or suffer to exist a security interest in the Collateral in favor of any person other than the Secured Party.
4. The Debtor will not sell or offer to sell or otherwise transfer the Collateral or any interest therein except for sales of inventory and manufactured products in the ordinary courses of business.
5. The Debtor shall have and maintain at all times with respect to the Collateral, insurance against risks of fire, so-called extended coverage, sprinkler leakage and other risks customarily insured against by companies engaged in similar business to that of the Debtor, in amounts, containing such terms, in such form, for such periods and written by such

companies as may be satisfactory to the Secured Party. All policies of insurance shall name the Secured Party as having an insurable interest as secured parties and shall provide for ten (10) days written minimum cancellation notice to the Secured Party. In the event of failure to provide and maintain insurance as herein provided, the Secured Party may, at its option, provide such insurance and the Debtor hereby promises to pay the Secured Party on demand the amount of any disbursements made by the Secured Party for such purposes. The Debtor shall furnish to the Secured Party certificates or other evidence satisfactory to the Secured Party of compliance with the foregoing insurance provisions. The Secured Party may act as attorney for the Debtor in obtaining, adjusting, settling and canceling such insurance and endorsing any drafts; and any amounts collected or received under any such policies may be applied by the Secured Party to any indebtedness secured hereby in such order or preference as the Secured Party in its discretion may determine, or at the option of the Secured Party, the same may be released to the Debtor, but such application or release shall not cure or waive any default hereunder and no amount so released shall be deemed a payment on any indebtedness secured hereby.

6. The Debtor will keep the Collateral in good order and repair, and will not use the same in violation of law or any policy of insurance thereon. The Secured Party or its agents or nominees may inspect the Collateral at any reasonable time, wherever located. The Debtor will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation under this agreement.

7. In its discretion, the Secured Party may discharge taxes and other encumbrances at any time levied or placed on the Collateral, make repairs thereof and pay any necessary filing fees. The Debtor agrees to reimburse the Secured Party on demand for any and all expenditures so made, and until paid the amount thereof shall be a debt secured by the Collateral. The Secured Party shall have no obligation to the Debtor to make any such expenditures nor shall the making thereof relieve the Debtor of any default.

8. The Debtor shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as the Secured Party may require more completely to vest in and assure to the Secured Party its rights hereunder or in any of the Collateral, such as the execution and filing of financing or continuation statements in form and substance satisfactory to the Secured Party.

9. Upon default by the Debtor, in the payment or performance of any of the Obligations or upon the dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any part of the property, assignment for the benefit of creditors, calling of a meeting or creditors, appointment of a committee of creditors or offering of a composition or extension to creditors by, for or of the Debtor, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against the Debtor, the Secured Party may without notice or demand declare this agreement to be in default and the Secured Party shall thereafter have in any jurisdiction in which enforcement hereof is sought, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code, including, without limitation, the right to take possession of the Collateral, and for that purpose the Secured Party may, so far as the Debtor can give authority therefor, enter upon any premises on which the Collateral may be situated and remove the same therefrom. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Secured Party shall give the Debtor at least five (5) days prior written notice of the time and place of any public sale of Collateral or of the time after which any private sale or any other indeed disposition is to be made.

10. The Debtor waives demand, notice, protest, notice of acceptance of this agreement, notice of loans made, credit extended, collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect both to the Obligations and the Collateral, the Debtor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as the Secured Party may deem advisable. The Secured Party shall have no duty as to the collection or protection of the Collateral or any income thereon, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the safe custody thereof. The Secured Party may exercise its rights with respect to the Collateral without resorting or regard to other collateral or sources of reimbursement for liability. The Secured Party shall not be deemed to have waived any of its rights upon or under the Obligations or the Collateral unless such waiver is in writing and signed by the Secured Party. No delay or omission on the part of the Secured Party in exercising any rights shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of such right on any future occasion. All rights and remedies of the Secured Party on the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly or concurrently.

11. The Debtor shall pay to the Secured Party on demand any and all expenses, including reasonable counsel fees, incurred or paid by the Secured Party in protecting or enforcing its rights upon or under the Obligations or the Collateral. After deducting all of said expenses the residue of any proceeds of collection or sale of the Obligations or Collateral shall be applied to the payment of principal or interest on the Obligations in such order or preference as the Secured Party may determine, proper allowance for interest on the Obligations not then due being made, and any excess shall be returned to the Debtor and the Debtor shall remain liable for any deficiency, together with interest thereon.

12. The Secured Party may from time to time agree to the release of certain of the Collateral from the security interest created hereby.

13. This Agreement and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by the laws of the Commonwealth of Pennsylvania. This agreement is intended to take effect as a sealed instrument.

IN WITNESS WHEREOF, this \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_, the Debtor, as aforesaid, has hereunto signed, sealed and acknowledged this Security Agreement.

ACCEPTED:

Certa ProPainters, Ltd.

Debtor:

By: \_\_\_\_\_  
Its Authorized Agent

By: \_\_\_\_\_  
Authorized Agent

**EXHIBIT N**

**LOCAL ADVERTISING COOPERATIVE PARTICIPATION  
AGREEMENTS**

## AGREEMENT TO MODIFY FRANCHISE AGREEMENT

This Agreement is made this \_\_\_\_ day of \_\_\_\_\_, 202\_\_, by and between Certa ProPainters, Ltd., a Massachusetts corporation, ("CertaPro") and \_\_\_\_\_ ("Franchisee").

### AGREEMENT

In consideration of the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties agree to modify the Franchise Agreement between them as follows:

1. Franchisee acknowledges (a) that advertising and marketing are necessary to the successful operation of Franchisee's business as a CertaPro franchisee; (b) that advertising and marketing by other CertaPro franchisees within Franchisee's marketing area directly benefits Franchisee's CertaPro Franchise; and, (c) Franchisee's legal, business and other responsibilities to approve, cooperate, and participate in the advertising program established by CertaPro and other CertaPro franchisees in Franchisee's marketing area, as such programs are approved by CertaPro.

2. Franchisee agrees that should Franchisee be in default of any money due for local cooperative advertising, or should Franchisee fail to participate in any local advertising or marketing program and make payment for it, then Franchisee shall be subject to a delinquency charge and pay interest at the highest contract rate permitted by law to be computed in addition to Franchisee's actual billing, plus any legal costs and attorneys' fees incurred in the event a suit must be commenced against Franchisee because of a violation of this Agreement. Further, Franchisee acknowledges and agrees that a breach of Franchisee's obligations to Franchisee's local Advertising Cooperative shall constitute a breach of Franchisee's Franchise Agreement.

3. Franchisee agrees that Franchisee will submit any and all information required to administer the local CertaPro Painters franchise advertising program in Franchisee's area and will submit such information to CertaPro as required from time to time and in the form required by CertaPro.

4. It is further agreed and understood by Franchisee that Franchisee contracts for a period equal to the duration of Franchisee's Franchise Agreement with CertaPro and any renewals thereof, to participate in the [NAME OF COOP] CertaPro Painters Advertising Cooperative ("Advertising Cooperative") and to be responsible for the payment of advertising and marketing on this local level as determined by Franchisee's Advertising Cooperative. Franchisee acknowledges that the benefit that Franchisee is deriving and will derive from participating in local advertising and marketing and Franchisee's concurrent responsibility for payment of Franchisee's share of local advertising and marketing shall begin effective with the effective date of his Franchise Agreement. Franchisee further agrees to execute any agreement presently in use by Franchisee's local Advertising Cooperative.

The amount of payment for such advertising by the Advertising Cooperative shall be as follows:

(a) **INSERT APPLICABLE PERCENT** ( \_\_% ) of the previous month's Gross Sales on all residential and commercial jobs completed, as calculated by Certa ProPainters, Ltd.'s invoicing, effective \_\_\_\_\_.

5. Franchisee agrees to make all such payments to CertaPro, which will separately account for such funds, and agrees that CertaPro shall disburse such funds, in a manner that is approved by CertaPro, as determined by the Advertising Cooperative.

6. Franchisee acknowledges and agrees that the above amount may be changed by the local Advertising Cooperative by a vote of \_\_\_\_\_ ( ) of its members in good standing with the local Advertising Cooperative and with CertaPro, and as approved by CertaPro and Franchisee agrees to be bound by any such change. Voting will be one vote per franchisee or business entity, not by territory.

7. Franchisee further agrees to continue to participate in the local Advertising Cooperative for the duration of Franchisee's Franchise Agreement.

8. The parties agree that a signed copy of this Agreement may be delivered by fax or other electronic means, such as email transmission, to a party's email address, and such electronic copy shall be valid and binding as an original signed copy of this Agreement.

Certa ProPainters, Ltd.

By: \_\_\_\_\_  
Its Authorized Agent

\_\_\_\_\_  
Franchisee –

Territory(ies): \_\_\_\_\_

\_\_\_\_\_, 202\_\_

Certa ProPainters, Ltd.  
2921 Van Buren Avenue, Suite 550A  
Audubon, PA 19403

This letter constitutes our agreement that I, as a Certa ProPainters, Ltd. ("CertaPro") franchisee, will participate in and cooperate with the local advertising program and the **[INSERT NAME OF COOP]** Area Local Advertising Cooperative ("Advertising Cooperative").

- A. I acknowledge that advertising is necessary to the successful operation of our business as a CertaPro franchisee.
- B. I acknowledge that advertising and marketing by other CertaPro franchisees within my marketing area directly benefits our CertaPro franchise.
- C. I acknowledge the legal, business and other responsibilities to approve cooperate and participate in the advertising program established by CertaPro and the other CertaPro franchisees in my marketing area, as such programs are approved by CertaPro.
- D. I agree that should I be in default of any money due for local CertaPro Painters franchisee advertising, or should I fail to participate in any advertising or marketing program and make payment for it, I shall be subject to a delinquency charge and pay interest at the highest contract rate permitted by law to be computed in addition to the actual billing, plus any legal and attorneys' fees incurred in the event suit must be commenced against me because of a violation of this Agreement. Further, I acknowledge and agree that a breach of my payment obligations for local advertising shall constitute a breach of the franchise agreement.
- E. I agree that I will submit any and all information required to administer the local CertaPro Painters franchisee advertising program in this area and will submit such information to CertaPro as required from time to time and in the form required by CertaPro.
- F. It is further agreed and understood that I contract for a period equal to the duration of the Franchise Agreement with CertaPro and any renewals thereof, to participate in and to be responsible for the payment of advertising on this local level, as determined by our local Advertising Cooperative. I acknowledge that the benefit that I am deriving and will derive from participating in local advertising and marketing and my concurrent responsibility for payment of my share of local advertising and marketing shall begin at the end of the first full week after the actual opening of our CertaPro franchise. I further agree to execute any agreements presently in use by the local CertaPro Painters franchisee Advertising Cooperative and

that the Franchise Agreement shall be deemed amended to give effect to this agreement. The amount of payment for such advertising shall be as follows:

**\_\_\_\_\_ (\_\_\_%) of the previous month's gross sales on all residential and commercial jobs completed, as calculated by Certa ProPainters, Ltd.'s invoicing, commencing \_\_\_\_\_.**

Such payments shall be made to CertaPro, which will separately account for such funds, and CertaPro shall disburse such funds, in a manner that is approved by CertaPro, as determined by the advertising cooperative.

- G. I acknowledge that the above amount(s) may be changed by the local CertaPro Painters franchisee Advertising Cooperative by a \_\_\_\_\_ vote of its members in good standing with the local CertaPro Painters franchisee Advertising Cooperative and CertaPro and as approved by CertaPro and I agree to be bound by any such change(s).

I further agree to continue to participate in the local CertaPro Painters franchisee Advertising Cooperative for the duration of my Franchise Agreement.

- H. The parties agree that a signed copy of this Agreement may be delivered by fax or other electronic means, such as email transmission, to a party's email address, and such electronic copy shall be valid and binding as an original signed copy of this Agreement.

Date: \_\_\_\_\_

\_\_\_\_\_  
Franchisee –

Territory(ies):

Certa ProPainters, Ltd.

By: \_\_\_\_\_  
Its Authorized Agent

**EXHIBIT O**  
**COMMERCIAL SERVICES ADDENDUM**

## COMMERCIAL SERVICES ADDENDUM

This Commercial Services Addendum ("Addendum") is made this \_\_\_ day of \_\_\_\_\_, 202\_\_ (the "Effective Date"), by and between Certa ProPainters, Ltd. ("Franchisor"), a Massachusetts corporation, and \_\_\_\_\_ ("Franchisee").

### BACKGROUND

A. On or about \_\_\_\_\_, the parties entered into a franchise agreement ("Franchise Agreement") wherein Franchisee obtained the right and undertook the obligation to operate a CertaPro Painters franchise in \_\_\_\_\_ ("Territory").

B. Pursuant to the terms and conditions of the Franchise Agreement, Franchisee was authorized to offer, sell, and perform Residential Services only, as defined in the Franchise Agreement.

C. Franchisee desires to offer, sell and perform Commercial Services, as defined in the Franchise Agreement, pursuant and subject to the terms and conditions of this Addendum and hereby requests approval from Franchisor.

D. Franchisor is willing to allow Franchisee to offer, sell and perform Commercial Services, as defined in the Franchise Agreement, pursuant and subject to the terms and conditions of this Addendum.

NOW, THEREFORE, for in consideration of the mutual promises made herein and other good and valuable consideration, the parties agree as follows:

### AGREEMENT

1. Commercial Services License Fee. Franchisee shall pay to Franchisor a Commercial Services License Fee ("Fee") in the amount of \$10,000, which is to be paid upon execution of this Addendum, unless the Fee has already been paid by Franchisee.

2. Term. The term of this Addendum is concurrent with the term of the Franchise Agreement and shall coincide with the balance of the remaining term under the Franchise Agreement, and any renewal thereof ("Term").

3. Authorization to Perform Commercial Services.

3.1 Commercial Services. Subject to the terms and conditions of this Addendum, including Section 3.2, Exclusions, and so long as Franchisee is in compliance with the Franchise Agreement, Franchisee is hereby authorized to offer, sell and perform Commercial Services, which are the painting and decorating of the interior or exterior of any building **not** specifically identified as a Residential Service or a Program Service, including National Accounts, as these terms are defined in the Franchise Agreement ("Commercial Services"), located within two hundred miles (200 miles) of the borders of the Territory, including Commercial Services located within the Territory and the territories of other franchisees, including the territories of other Commercial Services Certified franchisees; provided, however, Franchisee acknowledges and agrees that he/she may not establish nor use an office from which any such Commercial Services are based, performed or advertised at

any location outside the Territory identified in the Franchise Agreement without Franchisor's prior written consent. Franchisee also recognizes and agrees that other Commercial Services Certified franchisees may perform Commercial Services within the Territory of his/her Franchise Agreement, using CertaPro's Proprietary Marks, and Franchisee disclaims any compensation or consideration for such work.

3.2 Exclusions. The following types of projects are specifically excluded from the definition of Commercial Services and cannot be performed by Franchisee without the prior written consent of Franchisor: shift differential, prevailing wage, specialty coatings, heavy industrial, blueprint jobs, floors (other than garage floors), and general contracting.

4. Royalties.

4.1 All Gross Sales, as defined in the Franchise Agreement, generated by Franchisee under this Addendum shall be included in the calculation pursuant to Section 2.2 of the Franchise Agreement.

4.2 Franchisee agrees that any Commercial Services performed by Franchisee outside the Territory shall, for the purposes of determining Minimum Royalty and Performance Criteria under the Franchise Agreement, be deemed made in the Territory identified above in Paragraph A, which shall be deemed the "Commercial Services Designated Territory." Franchisee further agrees that if Franchisee has either now or in the future more than one franchise agreement in existence, then any Commercial Services performed by Franchisee that are performed outside the Territory identified above in Paragraph A or outside the territory identified in any such other franchise agreement, shall, for the purposes of determining Minimum Royalty and Performance Criteria under any franchise agreement in effect, be deemed to have been performed in the Commercial Services Designated Territory as defined in this paragraph 4.2.

5. Commercial Advertising/Marketing.

5.1. General Advertising Fund Contributions. All Gross Sales, as defined in the Franchise Agreement, generated by Franchisee under this Addendum shall be included in the General Advertising Fund ("Fund") contribution calculation pursuant to Section 11.1.1 of the Franchise Agreement.

5.2. Franchisee Limitations on Marketing. Franchisee may advertise and market Commercial Services through the development of personal contacts and calls to prospective customers, but the Franchisor, through the Fund or otherwise, has the sole and exclusive right to advertise and/or market Commercial Services through any media, including, without limitation, national publications, trade shows, internet, digital or any electronic form.

5.3. Lead Referrals. Franchisee agrees that any inquiries that Franchisor receives from potential customers for Commercial Services as a result of such promotion and marketing efforts ("Leads") may be distributed by the Franchisor to any Commercial Services Certified franchisee(s) in accordance with the Franchisor's policy regarding the distribution of Leads, as such policy may be amended from time to time. Franchisor does not represent nor warrant that it will distribute any minimum number of Leads to Franchisee and Franchisee disclaims any right to receive compensation or consideration for any Lead or work performed by another Commercial Services Certified franchisee pursuant to Franchisor's Lead policy.

5.4 Commercial Toll-Free Telephone Number. Franchisee acknowledges and agrees to use the Commercial Toll-Free Telephone Number assigned by CertaPro solely for the marketing of Commercial Services (“Commercial Toll-Free Telephone Number”) in accordance with instructions and directions given by CertaPro from time to time, including referring any calls for Residential Services on the Commercial Toll-Free Telephone Number to the appropriate CertaPro franchisee in accordance with the Franchise Agreement. Franchisee agrees not to use such Commercial Toll-Free Telephone Number for any other purpose with CertaPro’s advance written approval. Franchisee agrees to pay all costs associated with the use of such Commercial Toll-Free Telephone Number as and when billed, and that failure to pay such sums by auto debit shall constitute a breach of the Franchise Agreement and this Addendum. Franchisee further agrees to sign the required Conditional Assignment of Commercial Toll-Free Telephone Number attached as Exhibit “A.”

5.5 Commercial Services CRM Software. Franchisee acknowledges and agrees that, at any time during the term of this Commercial Services Addendum, Franchisor may designate a Customer Relations Management software to be used by Franchisee in the conduct of Commercial Services (“CRM Software”). If Franchisor designates such CRM Software, Franchisee agrees to purchase and implement promptly such CRM Software, which, in no event, shall be later than 30 days after Franchisor designates such CRM Software.

## 6. Commercial Training.

6.1 Prior to performing any Commercial Services, Franchisee acknowledges and agrees that he/she must attend and successfully complete Franchisor's Commercial Training Program - Level One as detailed on the attached Exhibit B in which Franchisor shall provide training to Franchisee or to one representative designated by Franchisee regarding how to perform certain kinds of Commercial Services work. Upon successful completion of the Commercial Training – Level One, Franchisee shall be authorized to perform Commercial Services. Franchisee further acknowledges and agrees that he/she must attend and timely and successfully complete Commercial Training – Level Two and Commercial Training – Level Three within two (2) years after completion of Commercial Training – Level One, and that failure to do so shall be a breach of this Addendum and the Franchise Agreement.

6.2 Franchisee shall also participate in such site visits, estimate bid reviews, and field trainings as Franchisor may require from time to time in order to ensure compliance with CertaPro Painters brand standards and requirements for Commercial Services, and failure to do so shall be a breach of this Addendum and the Franchise Agreement.

6.3 Franchisee further agrees that should Franchisee designate a representative to complete the training provided for in this Addendum and such representative shall cease to be employed by Franchisee, either Franchisee or a replacement representative shall be required to attend and successfully and timely complete Franchisor's Commercial Training Program.

7. Franchisor Authorization Required for Some Commercial Work. In cases in which the aggregate contract amount of the Commercial Services that Franchisee wishes to perform exceeds the amount specified below, Franchisee must, prior to submitting a proposal for such work, notify Franchisor in writing and submit a written proposal describing the work Franchisee wishes to

perform and the location of the job site, if applicable, and obtain Franchisor's written consent to perform such work. Franchisor may condition its consent upon the completion of appropriate training and on any other terms and conditions it deems necessary in its sole discretion.

<u>Time from Effective Date</u>	<u>Amount Requiring Franchisor's Written Consent</u>
0-2 years	\$20,000 or more
2-3 years	\$50,000 or more
Life of Franchise Agreement	\$100,000 or more

8. Non-Solicitation of National Accounts. Franchisee may not solicit nor service any entity, customer, contract or site that is a National Account, as defined in the Franchise Agreement, whether within or outside the Territory, without Franchisor's prior written approval which may be conditioned on such terms and conditions as Franchisor deems fit in its sole discretion, including Franchisor's right to exclusively negotiate the terms of any National Account, set additional training requirements and set the fees due Franchisor for services rendered in connection with any National Accounts contract.

9. Non-Competition and Non-Solicitation Obligations. (a) Franchisee reaffirms the non-competition provisions contained in the Franchise Agreement and in addition to those provisions agrees that for a period of three (3) years after the expiration and nonrenewal, transfer or termination of this Addendum, regardless of the cause, neither Franchisee, its partners, members or shareholders, nor any member of the immediate family of Franchisee or its partners, members or shareholders involved in the CertaPro Business shall, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership, corporation or other entity own, maintain, engage in, be employed by, or have any interest in any other business which offers or sells products or services of the type offered under the CertaPro System within a radius of twenty (20) miles of the location of any Program Service, including National Account, or Commercial Services job Franchisee has performed under this Addendum; provided, however, Franchisee may continue to operate any other CertaPro System franchise for which Franchisee and Franchisor have a then-current franchise agreement.

(b) For a period of three (3) years after the expiration and nonrenewal, transfer or termination of this Addendum, regardless of the cause, Franchisee, its partners, officers, directors, members, or shareholders, or any member of the immediate family of Franchisee involved in the operation of the CertaPro Business or its partners, officers, directors, members, or shareholders shall not, directly or indirectly, for itself or through, on behalf of, or in conjunction with any other person, partnership, corporation or entity, solicit business from then existing or prospective Program Services customers, including National Accounts, or any Commercial Services customers with whom Franchisee's CertaPro Business did business in the three (3) years preceding the expiration and nonrenewal, transfer or termination of this Addendum for any related or competitive business purpose, or solicit any employee of CertaPro or any other CertaPro System franchisee to discontinue his or her employment.

10. Franchise Agreement. All other terms of the Franchise Agreement not modified by this Addendum shall remain in full force and effect. Any term defined in the Franchise Agreement which is not defined in this Addendum will be ascribed the meaning given to it in the Franchise Agreement.

11. Progress Payments. For any Commercial Services with a total cost of \$100,000 of greater, or for any jobs performed pursuant to the Strategic Account Management Program regardless of cost, Franchisee is required to report all progress payments for the jobs in CertaOne For all other Commercial Services, Franchisee is encouraged to make progress payments. All jobs will still be considered in-progress.

12. Entire Agreement. This Addendum, along with the Franchise Agreement, contains the entire agreement between the parties concerning the provision of Commercial Services; no promises, inducements or representations not contained in this Addendum or the Franchise Agreement have been made, nor shall any be of any force or effect, or binding on the parties. Modifications of this Addendum must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor's policies, procedures, standards, specifications, or manuals at Franchisor's discretion. In the event of an apparent conflict between this Addendum and the Franchise Agreement, this Addendum and the Franchise Agreement shall be interpreted to the fullest extent possible as not in conflict; provided, however, that, if not feasible, then the terms, conditions and intent of this Addendum shall control.

The parties, intending to be legally bound, have executed this Addendum as of the Effective Date.

Certa ProPainters, Ltd.

Franchisee:

By: \_\_\_\_\_  
Its Authorized Agent

\_\_\_\_\_

Exhibit A  
to Commercial Services Addendum

**CONDITIONAL ASSIGNMENT  
OF COMMERCIAL TOLL FREE  
TELEPHONE NUMBER**

1. \_\_\_\_\_, doing business at \_\_\_\_\_  
("Assignor"), in exchange for valuable consideration provided by Certa ProPainters, Ltd.  
("Assignee"), receipt of which is hereby acknowledged, hereby conditionally assigns to Assignee all  
Commercial Toll Free Telephone Number and listings used by Assignor in the operation of its  
CertaPro Business at Assignor's above-referenced address. Those numbers are as follows:

2. This conditional agreement shall become effective automatically upon termination of  
Assignor's franchise. Upon the occurrence of that condition, Assignor shall do all things required by  
the telephone company to assure the effectiveness of the assignment of telephone numbers as if the  
Assignee had been originally issued such telephones, telephone numbers, telephone listings and the  
usage thereof.

3. Assignor agrees to pay the telephone company on or before the effective date of  
assignment all amounts owed for the use of the telephone number(s) including, without limitation,  
Yellow Pages advertising. Assignor further agrees to indemnify Assignee for any sums Assignee  
must pay the telephone company to effectuate this agreement and agrees to cooperate fully with the  
telephone company and Assignee in effectuating this assignment.

ASSIGNOR:

\_\_\_\_\_

Date: \_\_\_\_\_

ASSIGNEE:

Certa ProPainters, Ltd.

By: \_\_\_\_\_  
Its Authorized Agent

Date: \_\_\_\_\_

Exhibit B  
to Commercial Services Addendum

**Commercial Training Program**

Commercial Training – Level One (CT1) – 4 days

Commercial Training – Level Two (CT2) – 2 days (after completion of three commercial jobs supported by appropriate documentation)

Commercial Training – Level Three (CT3) – 2 days

Such site visits, estimate bid reviews, and field trainings as Franchisor may require from time to time in order to ensure compliance with CertaPro Painters brand standards and requirements for Commercial Services

## EXHIBIT P

### STATE LAWS CONTRACTOR LICENSING/REGISTRATION

## **STATE LAWS CONTRACTOR LICENSING/REGISTRATION**

**ALABAMA** State license required for general contractors 334-272-5030; [www.genconbd.alabama.gov](http://www.genconbd.alabama.gov); residential contractors information at Alabama Home Builders Licensure Board; 334-242-2230 [www.hblb.alabama.gov](http://www.hblb.alabama.gov)

**ALASKA** State license required; Division of Corporations, Business and Professional Licensing; [www.commerce.state.ak.us/web/cbpl](http://www.commerce.state.ak.us/web/cbpl) ; 907-465-2550. [www.dced.state.ak.us](http://www.dced.state.ak.us)

**ARIZONA** Arizona Registrar of Contractors; 602-542-1525; [www.azroc.gov](http://www.azroc.gov)

**ARKANSAS** License required for some jobs; also, check with local government; Arkansas Contractors Licensing Board 501-372-4661; [www.arkansas.gov/clb](http://www.arkansas.gov/clb)

**CALIFORNIA** State license required; California Contractors State License Board 800-321-2752 [www.cslb.ca.gov](http://www.cslb.ca.gov)

**COLORADO** No state license required, check local county planning boards [www.colorado.gov](http://www.colorado.gov)

**CONNECTICUT** Connecticut Department of Consumer Protection; Occupational and Professional Licensing Division; 860-713-6135; [www.ct.gov/dcp](http://www.ct.gov/dcp)

**DELAWARE** Required to obtain a business license from the Delaware Division of Revenue 302-577-8778

**DISTRICT OF COLUMBIA** District of Columbia, Department of Consumer and Regulatory Affairs, Business and Professional Licensing Administration; 202-442-4311; [www.dkra.dc.gov](http://www.dkra.dc.gov)

**FLORIDA** Florida Department of Business and Professional Regulations; Construction Industry Licensing Board; 850-487-1395 [www.myfloridalicense.com](http://www.myfloridalicense.com)

**GEORGIA** Georgia State Licensing Board for Residential and Commercial Contractors; 478-207-2440; <http://sos.ga.gov/index.php/licensing/plb/46>

**HAWAII** Hawaii Department of Commerce and Consumer Affairs; Professional and Vocational Licensing Division; 808-586-3000; [www.hawaii.gov/pvl/pvl](http://www.hawaii.gov/pvl/pvl)

**IDAHO** Idaho Contractors Board; Idaho Bureau of Occupational Licenses; 208-334-3233 [www.ibol.idaho.gov](http://www.ibol.idaho.gov)

**ILLINOIS** State license required for some trades; check local government for other trades

**INDIANA** No state license required; check local government

**IOWA** Contractors registration information can be obtained through the Labor Division. 515-242-5871; [www.iowacontractor.gov](http://www.iowacontractor.gov)

**KANSAS** No state license required; check local government.

**KENTUCKY** Only HVAC contractors require a state license; check local government for others,

**LOUISIANA** Louisiana State Licensing Board for Contractors; 225-765-2301.  
[www.lslbc.louisiana.gov](http://www.lslbc.louisiana.gov)

**MAINE** No state license required; Maine Attorney General Home Construction Warning; Check local government.

**MARYLAND** Maryland Home Improvement Commission 410-230-6231;  
[www.dllr.state.md.us/license/mhic](http://www.dllr.state.md.us/license/mhic)

**MASSACHUSETTS** Massachusetts Office of Consumer Affairs and Business Regulation; 617-973-8700; [www.mass.gov/oca](http://www.mass.gov/oca)

**MICHIGAN** Michigan Department of Licensing and Regulatory Affairs; CSCL – Licensing Division; 517-373-8068 [www.michigan.gov/builders](http://www.michigan.gov/builders)

**MINNESOTA** State License Required. Minnesota Department of Labor and Industry Residential Building Contractors; 651-284-5069 [www.dli.mn.gov/cclld.asp](http://www.dli.mn.gov/cclld.asp)

**MISSISSIPPI** Mississippi State Board of Contractors; 601-354-6161 [www.msbc.us](http://www.msbc.us)

**MISSOURI** No state license required; check local government

**MONTANA** Montana Department of Labor and Industry Contractor Registration Unit; 406-444-0563  
[www.mtcontractor.com](http://www.mtcontractor.com)

**NEBRASKA** Nebraska Department of Labor; Office of Labor Standards; 402-471-2239  
[www.dol.nebraska.gov](http://www.dol.nebraska.gov)

**NEVADA** Nevada State Contractors Board; 702-486-1100 [www.nscb.nv.gov](http://www.nscb.nv.gov)

**NEW HAMPSHIRE** No state license required; check local government

**NEW JERSEY** New Jersey Division of Consumer Affairs; Office of Consumer Protection; Regulated Business Section; Contractors' Registration Act, N.J.S.A. sections 56:8-136 et seq. 973-504-6200 [www.nj.gov/oag/ca/HIC](http://www.nj.gov/oag/ca/HIC)

**NEW MEXICO** New Mexico Construction Industries Division (CID); Regulation and Licensing Department; 505-476-4700 [www.rld.state.nm.us/construction](http://www.rld.state.nm.us/construction)

**NEW YORK** No state license required; check local government

**NORTH CAROLINA** North Carolina Licensing Board for General Contractors; 919-571-4183  
[www.nclbgc.org](http://www.nclbgc.org)

**NORTH DAKOTA** North Dakota Secretary of State; State Capital; 701-328-3665 [www.nd.gov/sos](http://www.nd.gov/sos)

**OHIO** Ohio Department of Commerce; OH Admin. Code, section 4101:16-2-05; check local government

**OKLAHOMA** Construction Industries Board Act of Oklahoma; Check local government

**OREGON** State License Required; Oregon Construction Contractors Board; 503-378-4621  
[www.oregon.gov/CCB](http://www.oregon.gov/CCB)

**PENNSYLVANIA** Registration with the Consumer Protection Bureau of the PA Attorney's General Office required; 717-772-2425 [www.attorneygeneral.gov](http://www.attorneygeneral.gov) (See Home Improvement Consumer Protection Act); check local government.

**RHODE ISLAND** Rhode Island Department of Administration; Contractors' Regulation and Licensing Board; 401-222-1268 [www.crb.ri.gov](http://www.crb.ri.gov)

**SOUTH CAROLINA** South Carolina Contractors Licensing Board; 803-896-4686  
[www.llr.state.sc.us/pol/contractors](http://www.llr.state.sc.us/pol/contractors)

**SOUTH DAKOTA** No state license required; check local government

**TENNESSEE** Home improvement license required; Tennessee Board for Licensing Contractors; 800-544-7693 or 615-741-8307 [www.tn.gov/commerce/section/contractors-home-improvement](http://www.tn.gov/commerce/section/contractors-home-improvement)

**TEXAS** Texas Comptroller of Public Accounts; 877-651-TRCC [www.trcc.state.tx.us](http://www.trcc.state.tx.us)

**UTAH** Utah Department of Commerce; Division of Occupational and Professional Licensing; 801-530-6628 [www.dopl.utah.gov](http://www.dopl.utah.gov)

**VERMONT** No contractors licensing; check local government.

**VIRGINIA** Virginia Department of Professional and Occupational Regulation; Board for Contractors; 804-367-8511 [www.dpor.virginia.gov](http://www.dpor.virginia.gov)

**WASHINGTON** Washington Department of Labor and Industries; Specialty Compliance Services Division; 360-902-5226 or 800-647-0982 [www.lni.wa.gov/TradesLicensing/Contractors](http://www.lni.wa.gov/TradesLicensing/Contractors)

**WEST VIRGINIA** West Virginia Division of Labor Contractor Licensing Board; 304-558-7890  
[www.wvlabor.org](http://www.wvlabor.org)

**WISCONSIN** No license requirements; check local government.

**WYOMING** No state requirement; check local government.

**EXHIBIT Q**

**STATE AND LOCAL LAWS REGARDING INDEPENDENT  
CONTRACTORS**

## STATE AND LOCAL LAWS REGARDING INDEPENDENT CONTRACTORS

**ARIZONA** Act defining “Indications of Control” (H.B. 2150); Law Creating Declaration of Independent Business Status (H.B. 2114)

**CALIFORNIA** Opportunity to Work Act, AB 5, effective January 1, 2020; Independent Contractor Willful Misclassification Law (S.B.459) Labor Code Section 2810.3: Liability for Employment Violations of Independent Contractor Companies

**COLORADO** Misclassification of Employees as Independent Contractors Law for Purposes of the Colorado Employment Security Act (H.B. 09-1310)

**CONNECTICUT** Act Concerning Employee Misclassification (S.B. 454) Act Implementing the Recommendations of the Joint Enforcement Commission on Employee Misclassification (H.B. 5204)

**DELAWARE** Workplace Fraud Act (Title 19, Section 3501 et seq.)

**DISTRICT OF COLUMBIA** Wage Theft Protection Amendment Act of 2014, effective February 25, 2014

**FLORIDA** Act Defining the Term “Independent Contractor” (H.B. 311)

**ILLINOIS** Employee Classification Act (820 ILCS 185); Act Amending Portions of the Employee Classification Act (H.B. 923 and H.B 2649)

**INDIANA** Independent Contractor Information Sharing Laws (S.B. 0478)

**KANSAS** Misclassification of Employees to Avoid Tax Withholding, Contributions and Reporting Requirements (H.B. 2135)

**LOUISIANA** Act Providing Graduated Penalties for Misclassification (S.B. 472)

**MAINE** Uniform Definition of Independent Contractor for Unemployment Purposes (LD 1420, HP 437) (26 M.R.S.A., Chapter 13, 1043, 11, E) Act to Ensure that Construction Workers are Protected by Workers’ Compensation (LD 1456, HP1008); Act Standardizing the Definition of Independent Contractor (PUBLIC Law, Chapter 643, LD 1314)

**MARYLAND** Workplace Fraud Act of 2009 (S.B. 909; amended S.B. 272); Amendments to Workplace Fraud Act (S.B. 272)

**MASSACHUSETTS** Independent Contractor Misclassification Law; as amended

**MINNESOTA** Independent Contractor Law (MN Stat. 181.723); Act Clarifying Definition of Independent Contractor and Creating Pilot Project for Construction Contractors (S.F. 1653)

**NEBRASKA** Employee Classification Act (for Construction and Delivery Services) (LB 563)

**NEVADA** Act Establishing Uniform Definition of Independent Contractor (S.B. 224)

**NEW HAMPSHIRE** Act Relative to the Definition of Employee (S.B. 92)

**NEW JERSEY** Construction Industry Independent Contractor Act (N.J.S.A. 34:20-1 et seq.)

**NEW YORK** Construction Industry Fair Play Act (S 5847C) (A 8237A), New York City – the Freelance Isn't Free, Act (No. 1017-2015)

**NEW YORK CITY** Freelance Isn't Free Act; effective May 15, 2017; enforced by New York City Department of Consumer Affairs

**NORTH CAROLINA** Employee Fair Classification Act (SB407); 8/11/2017; created the Employee Classification Section within the North Carolina Industrial Commission

**OREGON** Determination of Independent Contractor Relationships (ORS 670.600); House Bill 2498 proposed amendments

**PENNSYLVANIA** Construction Workplace Misclassification Act (H 400)

**RHODE ISLAND** Suspected Misclassification Information Sharing Law (H 7564)

**TENNESSEE** Misclassification of Employees in Construction Services (H.B. 833)

**TEXAS** Proper Classification of Workers Performing Services in Connection with Governmental Contracts (H.B. 2015)

**UTAH** Independent Contractor Database Act (S.B. 189); Amendments to Workers Compensation Laws Regarding Independent Contractor Misclassification (S.B. 159); Workers Classification Coordinated Enforcement (S.B. 11); Construction Licensees Related Amendments (S.B. 35)

**VERMONT** Act Related to Misclassification of Employees to Lower Premiums for Workers' Compensation and Unemployment Compensation (H. 647)

**VIRGINIA** Amendment to Workers' Compensation Law Increasing Penalties for Failure to Cover Employees (H. 458)

**WASHINGTON** Determination of Independent Contractor Status Law (H.B. 1701)

**WISCONSIN** Worker Classification Compliance Law (S.B. 672)

## 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 Franchise Disclosure Document is effective and may be used in the following states, where the Franchise Disclosure Document is filed, registered, or exempt from registration, as of the Effective Date stated below:

California	
Florida	Pending
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	Pending
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Utah	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**RECEIPT**

**STATE:** \_\_\_\_\_

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

If CertaPro offers you a franchise, CertaPro must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

**New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.**

**Michigan, Oregon and Wisconsin require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.**

If CertaPro 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 or state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and that state agency listed on Exhibit D.

The franchisor is Certa ProPainters, Ltd., located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403; 610.650.9999

Issuance date: March 25, 20242025

The franchisor seller for this offering is (circle one) either David Barron, Adam Biedenbender, Brennan Conway, Gina Moughty, ~~Greg Salzano~~ or Michael Stone whose principal business address is 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403; 610.650.9999.

CertaPro authorizes the respective state agencies and agents identified in Exhibit D to receive service of process for it in the particular state.

I have received a Franchise Disclosure Document with an issuance date of March 25, 20242025 that included the following Exhibits:

- A. LISTS OF FRANCHISEES AND FORMER FRANCHISEES
- B. FINANCIAL STATEMENTS
- C. FRANCHISE AGREEMENT (including all schedules and state addenda) and amendment, if applicable
- D. SCHEDULE OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
- E. STATE ADDENDA TO FDD
- F. GUARANTEES OF PERFORMANCE
- G. TOPICS IN OPERATIONS MANUAL
- H. CERTAONE USER AGREEMENT
- I. SAMPLE PROMISSORY NOTE
- J. SAMPLE RELEASE
- K. SAMPLE ASSIGNMENT AND ASSUMPTION AGREEMENT
- L. SAMPLE PERSONAL GUARANTY
- M. SAMPLE SECURITY AGREEMENT
- N. LOCAL ADVERTISING COOPERATIVE PARTICIPATION AGREEMENTS
- O. COMMERCIAL SERVICES ADDENDUM
- P. STATE LAWS REGARDING CONTRACTOR LICENSING/REGISTRATION
- Q. STATE AND LOCAL LAWS REGARDING INDEPENDENT CONTRACTORS

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

You may return the signed receipt either by signing, dating, and mailing it to Certa ProPainters, Ltd. at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403 or by faxing a copy of the signed and dated receipt to CertaPro at 610.650.9997

**RECEIPT**

**STATE:** \_\_\_\_\_

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

If CertaPro offers you a franchise, CertaPro must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

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