



FRANCHISE DISCLOSURE DOCUMENT

CMIT Solutions, LLC
a Texas limited liability company
9433 Bee Caves Road, Building 3, Suite 210
Austin, TX 78733
800-710-CMIT (2648) www.cmitsolutions.com

As a franchisee you will operate an information technology (“IT”) services business under the name “CMIT Solutions” ~~offering~~that offers a wide variety of IT services and support, including professional and managed services, along with alliance partner product and service offerings primarily to small and medium-sized businesses. The total investment necessary to begin operation of a single CMIT Solutions Business franchise is ~~\$101,950~~106,450 to ~~\$154,950~~159,450. This includes ~~\$52,050~~50,950 to ~~\$63,550~~61,450 that must be paid to the franchisor or affiliate. We also offer multi-unit franchise opportunities to qualified parties. The total investment necessary to enter into our Multi-Unit Agreement will depend on the development rights we grant you. If we grant you the right to open 2 CMIT Solutions Businesses, your initial investment will be ~~\$141,925~~143,425 to ~~\$200,175~~201,675, which includes ~~\$77,025~~75,975 to ~~\$99,025~~91,675 that must be paid to the franchisor or affiliate. This amount shall increase for each additional territory awarded to you.

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~~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 government 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 Franchise Administration Department at 9433 Bee Caves Road, Building 3, Suite 210, Austin TX 78733 and 800-710-CMIT (2648).

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

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

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

Issuance Date: April 29, ~~2024~~2025

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and multi-unit agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in our home state (currently Texas). 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 our home state than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty and 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.

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE MICHIGAN
FRANCHISE INVESTMENT LAW ONLY)**

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

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

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

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General
G. Mennen Williams Building, 7th Floor
525 Ottawa Street
Lansing, Michigan 48909
Telephone Number: (517) 335-7567

* * * *

Note: Notwithstanding paragraph (f) above, we intend to, and you agree that we and you will, enforce fully the provisions of the arbitration section of our agreements. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing the arbitration provisions.

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EXHIBITS TO THE FRANCHISE DISCLOSURE DOCUMENT

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- B. FINANCIAL STATEMENTS
- B-1. GUARANTEE OF PERFORMANCE
- C. TABLE OF CONTENTS OF THE GENERAL OPERATING POLICIES AND PROCEDURES MANUAL
- D. LISTS OF FRANCHISEES AND FRANCHISEES WHO LEFT THE SYSTEM
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- H. STATEMENT OF PROSPECTIVE FRANCHISEE
- I. STATE APPENDIX
- J. RECEIPTS

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Us and Our Related Companies

To simplify the language in this disclosure document, “we” or “us” means CMIT Solutions, LLC, the franchisor. “You,” means the person or entity that acquires the franchise. If you are an entity, your direct and indirect owners owning a 20% or greater interest in you must sign the Guaranty attached to the “Franchise Agreement” (Exhibit F), which means that all or some of the provisions of the Franchise Agreement also will apply to your owners.

The Franchisor

We are a Texas limited liability company. We were originally incorporated under the name CMIT Operating, Inc., a Texas corporation, on December 11, 2009. We changed our name to CMIT Solutions, Inc. on February 9, 2010, and converted to a limited liability company under the name CMIT Solutions, LLC on December 19, 2018. We have no predecessors. We conduct business under the name “CMIT Solutions” and other Marks (defined below) and have no business activities other than those described here. Our principal business address is 9433 Bee Caves Road, Building 3, Suite 210, Austin, Texas 78733. We have offered franchises for CMIT Solutions Businesses (defined below) since February 2010 but have never offered franchises in any other line of business. Although we do not own or operate any CMIT Solutions Businesses, we have the right to do so. If we have an agent for service of process in your state, we disclose that agent in Exhibit A.

Our Parents and Affiliates

For purposes of this disclosure document, we have three parents. Our immediate parent company is Encore Acquisition Corp. (“Encore Acquisition”) ~~that, which~~ acquired us and our affiliates ~~under a Membership Interest Purchase Agreement dated on~~ December 27, 2022 (the “Transaction”). Encore Acquisition is wholly-owned by Encore TopCo, LLC (“Encore TopCo”). ~~A majority of the voting power of the equity securities of Encore TopCo is owned by private equity funds managed by Hammond, Kennedy, Whitney & Company, Inc. (“HKW”), an Indiana-based private equity firm. The private equity funds invested in~~ owns a majority of the voting shares of Encore TopCo ~~are pursuant to a transaction that closed on December 27, 2022.~~

Encore Acquisition is an Indiana corporation, with its principal place of business at 8888 Keystone Crossing, Suite 600, Indianapolis, Indiana 46240. Encore TopCo is a Delaware limited liability company, with its principal place of business at 8888 Keystone Crossing, Suite 600, Indianapolis, Indiana 46240. HKW is a New York corporation, with its principal place of business at 8888 Keystone Crossing, Suite 600, Indianapolis, Indiana 46240.

Our affiliate, CMIT Solutions National Corp. (formerly registered as Encore Acquisition II Corp. ~~(“Encore Acquisition II”), acquired)~~ operates a CMIT Solutions ~~Businesses from a franchisee located~~ Business in California and Rhode Island and separately in Oregon. These CMIT Solutions Businesses were former franchise locations that were acquired, respectively, in December 2022 and ~~from a franchisee located in Oregon in July 2023 and currently operates these businesses.~~ At your option, our ~~affiliate~~ saffiliate CMIT Solutions Businesses may provide IT services, ~~including support directly to you or may provide~~ professional and managed services to ~~you or customers~~ on your behalf. ~~Encore Acquisition II pursuant to a separate contract between you and them.~~ CMIT Solutions National Corp. is an Indiana corporation incorporated on December 15, 2022, with its principal place of business at ~~1440 Reservoir Avenue, Cranston, Rhode Island 09290.~~ One Indiana Square, Suite 2650, Indianapolis, IN

46204.

Our affiliate, CMIT Solutions Marketing Fund, LLC (“CMIT Marketing”), administers our Fund (defined in Item 11). CMIT Marketing is a Texas limited liability company organized on March 17, 2013, whose principal place of business is the same as ours. Except as described above, we currently have no affiliate (an entity controlled by, controlling, or under common control with us) that owns or operates CMIT Solutions Businesses, provides products or services to our franchisees or that offers franchises in the United States in any line of business.

We have one affiliate, CMIT Solutions of Canada, LLC (“CMIT Canada”), that has offered CMIT Solutions Business franchises in Canada since 2017. CMIT Canada is a Texas limited liability company organized on January 9, 2017, whose principal place of business is the same as ours. CMIT Canada has never operated a CMIT Solutions Business and, except as described above, has never offered franchises in any line of business. We do not have any other affiliates that offer franchises in any line of business or provide products or services to our franchisees.

Franchise Opportunity

We grant ~~franchises for businesses that provide outsourced IT~~ qualified persons and legal entities the right to establish and operate a franchised business that offers customers outsourced IT service and support, including professional and managed services ~~and product offerings primarily to,~~ along with approved hardware and software offerings. This disclosure document may refer to your operation as the “CMIT Solutions Business” or the “Business.” Although a CMIT Solutions Business may service any sized business, most of our franchisees (defined below) support small- and medium-sized businesses, ~~which are primarily identified by the Marks and use of the System (defined below). We call these businesses “CMIT Solutions Businesses” and we call the~~.

You are not required to have specific IT or technology experience, education, background, or training to own or operate a CMIT Solutions Business. However, such experience may assist you in your sales efforts, as well as in hiring and managing computer technicians and other skilled personnel. You should have, at a minimum, general computer and internet knowledge and skills and a willingness to learn about the IT services and support industry.

Each CMIT Solutions Business ~~that you~~ is authorized to use certain Marks and will operate ~~under the Franchise Agreement your “Business.” CMIT Solutions Businesses operate under~~ according to our proprietary business System (defined below). Our “Marks include certain trade names, trademarks, and/or service marks, logos and emblems used with the System, including the trademark and service mark “CMIT Solutions®,” and any additional trademarks, service marks and trade names that we may ~~periodically now designate in our Manual (defined below) (the “Marks”) or may in the future designate for use in connection with the System. The “System” collectively means our business system~~ valuable know-how, business formats, research and development, confidential communication, copyrights, Operations Manual, methods, information, trade secrets, procedures, designs, standards, specifications and Marks, all of which we may improve, further develop and otherwise modify periodically. The “Manual” means General Operating Policies and Procedures Manual (sometimes referred to as an. The “Operations Manual”), as we periodically modify it. The ~~or “Manual” contains mandatory and suggested specifications, standards, best practices, general operating policies and procedures and rules that we periodically specify for developing and/or operating a CMIT Solutions Business (“System Standards”) and information on your other obligations under the Franchise Agreement. We reserve the right to improve, further develop, and otherwise modify or periodically change the System (or any component thereof), Marks, and Manual from time-to-time.~~

Franchise Agreement

If we agree to grant a franchise to you, you must sign and deliver to us our then-current form of franchise agreement (“Franchise Agreement”), which is attached as Exhibit F to this disclosure document. The Franchise Agreement gives you the right to establish and operate a single-unit Business from a specified location within a protected geographic area known as the “Territory” (as defined in Item 12). Please refer to Item 12 for additional Territory permissions and restrictions. As a Franchisee, you are required to develop business within the Territory in accordance with the terms of your Franchise Agreement.

If you are an individual or sole proprietor, you must sign our personal Guaranty, which is included as an exhibit to the Franchise Agreement (Exhibit F to the Franchise Agreement). If you are a legal entity such as a corporation or limited liability company, each owner of a 20% or greater interest in you must sign the Guaranty, which guarantees your performance and financially binds each owner to the Franchise Agreement. You may operate your Business from an office in your home, or you may choose to lease office space outside of your home and within your protected ~~territory (the “Territory”)~~.

Multi-Unit Offering

We also offer qualified parties the right to enter a multi-unit relationship. If you desire to open and operate more than one CMIT Solutions Business, and if you qualify, you will sign a separate “Multi-Unit Agreement,” ~~(which is attached as Exhibit E) to this disclosure document~~ in addition to your first Franchise Agreement. The Multi-Unit Agreement ~~is our form of area development agreement and~~ permits you to operate an agreed-upon number of additional CMIT Solutions Businesses ~~in a “Multi-Unit Territory.”~~

Under the Multi-Unit Agreement, we and you will agree on a schedule (the “Schedule”) by which you must sign Franchise Agreements for each CMIT Solutions Business that the Multi-Unit Agreement covers. You may operate all of these CMIT Solutions Businesses out of one office in the Multi-Unit Territory. You will sign a separate Franchise Agreement for each CMIT Solutions Business you develop under a Multi-Unit Agreement, but each Franchise Agreement will be the same form of contract (currently the Franchise Agreement attached to this disclosure document) and will expire on the same date. We award multi-unit opportunities after evaluating a candidate’s background and other established criteria, including but not limited to their business acumen, experience, and financial capacity. If you are an existing Franchisee and desire to purchase additional units, before granting your request, we reserve the right to evaluate whether your existing CMIT Solutions Business(es) are operating in good standing and that you are not otherwise in default under your Franchise Agreement(s) or any other agreement with us or our affiliates beyond the applicable cure period. Existing Franchisees are required to sign a separate franchise amendment as a part of this transaction, the terms of which may amend your existing Franchise Agreement(s) that are under the common ownership and control of the same entity; existing owners that purchase multiple units are not eligible to sign the Multi-Unit Agreement.

Usage of Certain Terms

The terms “~~unit~~Unit(s),” “~~outlet~~Outlet(s),” “~~business~~Business(es)” and “~~territory~~Territory(ies)” are used in various instances throughout this disclosure document. When used in the singular, these terms and “Single-Unit” generally refer to ~~the operation operating~~ of a CMIT Solutions Business ~~from an office and within 1 territory~~within a single Territory (as defined). When used in the plural, these terms and the terms “Multi-Unit” and “multiple units” generally refer to the operation of a CMIT Solutions Business or Businesses ~~from an office or offices and within at least two (2)~~ or more territories.

We previously offered an area representation program under which third parties, called “Area Representatives,” ~~could sign contracts with us allowing them to solicit~~solicited prospective franchisee candidates and ~~provide~~provided support services to franchisees within their designated market areas. ~~Under the area representation program, we may require a franchisee to sign our then-current form of~~

~~franchise agreement, which may differ from the one disclosed in this disclosure document. If your Business will operate within an Area Representative's market area, then that Area Representative will receive a portion of the initial franchise fee and royalties that you pay to us, and will provide some of our support services under your Franchise Agreement. If we offer rights for additional area representation businesses, we will do so under a separate disclosure document.~~opportunities.

Market and Competition

The IT services market is developed ~~and~~, competitive, and rapidly expanding. You may offer IT services and support along with a suite of additional hardware and software to businesses ~~and residential customers~~ in various industries. We expect the primary market to be small and medium sized businesses, ~~with opportunity to support home-based business owners~~ and organizations. Sales are not seasonal. Because IT services and support are not industry-specific, your customer is any business or organization that uses electronic devices and technology daily. You will compete with independent, national, and franchised IT support services companies, hardware and software manufacturers, independent consultants, and other businesses that offer technical support, services and products. The competition for customers varies significantly from market to market, and your Business could be impacted by competitor pricing changes, changes in laws, advancement in and/or new technologies.

Applicable Laws and Regulations

Your Business is subject to all laws and regulations in your state, county, or municipality that govern the operation of a service-based business that offers the same or similar products and services. We are unaware of any states that ~~have any specific regulations~~ specifically regulate the provision of IT professional and managed services or that require specific permits or licensing requirements for offering IT professional services. You ~~will have to~~ must comply with ~~a number of~~ laws that ~~apply~~ generally apply to the operation of ~~businesses~~ a business, including laws on data privacy ~~laws and laws that apply to home-based businesses. These laws include those involving zoning, permits and licensing and security,~~ consumer privacy, payment card industry data security standards, wage and hour laws, employment, workers compensation, unemployment, insurance, and laws or regulations for permitting and business licensing. If you operate from a commercial office you may also be subject to compliance with zoning laws and additional law related to discrimination, equal rights, and disabilities, such as The Americans with Disability Act and state equivalents. You also must comply with all applicable laws, rules and orders of any governmental authority concerning any pandemic or public health crisis, which may require service-oriented businesses like CMIT Solutions Businesses to materially modify, limit or cease operations for an indeterminate period. There may be other laws, rules or regulations that affect your CMIT Solutions Business. ~~You should~~ Because laws and regulations vary widely, you should consult with a local advisor and/or attorney and investigate all ~~of these~~ laws, regulations, and ordinances in your jurisdiction that may affect the ownership and operation of the Business now and in the future.

You are responsible for all operations and employment decisions, including marketing and advertising, invoicing, collections, disputes, hiring, firing, employment benefits, etc. Depending on your jurisdiction and any relevant employment requirements in your area, you may hire employees, retain the services of independent contractors, or use a combination of both. You should familiarize yourself with the federal, state, and local rules and regulations that govern the classification and treatment of employees and independent contractors to ensure that your workers are properly classified.

ITEM 2

BUSINESS EXPERIENCE

President and Chief Executive Officer: Roger Lewis

Mr. Lewis has been our President and Chief Executive Officer since June 2019. ~~Before joining us, Mr. Lewis was the Regional Vice President for Cvent in Austin, Texas from November 2015 to May 2019.~~

Chief Financial Officer: ~~Bill Bala~~Michael Murphy

Mr. ~~Bala~~Murphy has been our Chief Financial Officer since ~~June 2023~~. ~~From June 2021 to June 2023, Mr. Bala was Finance Director of Forepoint, a cybersecurity company in Austin, Texas. From October 2018 to June 2021, Mr. Bala was Senior Vice President of Verb, Inc., a software company with software products designed to foster leadership development~~August 2024. ~~Before joining us, Mr. Murphy was the CFO of BP3 Global in Austin, Texas, from March 2021 to December 2023 and the CFO of Personiv in Austin, Texas from March 2018 to March 2021.~~

Chief Strategy Officer: ~~Jason Arabian~~

~~Mr. Arabian has been our Chief Strategy Officer since January 2023. Prior to that, Mr. Arabian served as the President of CMIT Solutions of Central Rhode Island from May 2005 to December 2022.~~

Vice President of Operations: Tara Osborn

Ms. Osborne has been our Vice President of Operations since August 2023. Prior to joining us, from August 2022 to August 2023, Ms. Osborne was Chief Revenue Officer of Ackert, Inc., dba, Pipeline Plus, ~~an technology company and consulting firm~~ in Encino, California ~~that offers software as a service ("SAAS"), business development coaching, pipeline management tools and training programs.~~ From May 2021 to August 2022, Ms. Osborne was our Director of Marketing in Austin, Texas; and from January 2007 to October 2019, Ms. Osborne was Chief Marketing Officer of Endurance House International Inc., ~~a franchise company in Madison, Wisconsin offering retail store franchises featuring the retail sale of specialty products for endurance athletes.~~

Director of Franchise Development: Lisa Montanio

Ms. Montanio has been our Director of Franchise Development since January 2021. She was our Senior Franchise Development Manager from August 2016 to December 2020.

Director of Service Delivery: Stuart Hentschel

Mr. Hentschel has been our Director of Service Delivery since ~~July 2019 and was our Director of Finance and Business Services from January 2014 to~~ July 2019. Since January of 2003, Mr. Hentschel also has owned his own business providing accounting and bookkeeping services to small and medium sized businesses in Austin, Texas.

General Manager: Ian Miller

~~Mr. Miller has been our General Manager since December 2023. Prior to that, Mr. Miller served as the CEO of CMIT Solutions of Portland Bend, Oregon from May 2018 to August 2023.~~

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Initial Fee and Territory Fee

When you sign the Franchise Agreement, you must pay us a non-refundable, lump sum initial fee (the “Initial Fee”) and, in some cases, a non-refundable, lump-sum territory fee (the “Territory Fee”), as follows:

<u>Initial Fee</u>	<u>SBEs</u>	<u>Territory Fee</u>
<u>\$49,950</u>	<u>3,000 – 3,500</u>	<u>n/a</u>
<u>\$54,950*</u>	<u>3,501 – 4,000</u>	<u>\$11.00/SBE over 4,000*</u>

(a) ~~Tier 1: The tier 1 Initial Fee is \$49,950 and applies to Territories comprised of entire, Each Territory contains a series of~~ contiguous US postal zip codes ~~containing that include~~ a minimum ~~of 3,000~~ and maximum ~~of 3,500~~ number of eligible small business establishments (“SBEs”) that meet our then-current client criteria ~~for including~~ business size, ~~as etc., as more fully~~ described in Item 12. and our Operations Manual

(b) ~~Tier 2: The tier 2 Initial Fee is \$54,950 and applies to a Territory comprised of entire, contiguous US postal zip codes with a minimum of 3,501 and maximum of 4,000 SBEs within your Territory that meet our criteria for business size.~~

(c) ~~For Territories comprised of entire, contiguous US postal zip codes with~~ *If your Territory contains more than 4,000 SBEs, then in addition to the \$54,950 Initial Fee, you ~~must will~~ pay a Territory Fee of \$11.00 for each additional SBE ~~over 4,000 up to a maximum of 500 additional~~ SBEs ~~within the Territory~~. Unless we agree otherwise in writing, the Territory size will not exceed 4,500 SBEs and the corresponding Territory Fee will not exceed \$5,500.

Leads Contact List

You are required to purchase a Leads Contact List that contains a list of active prospects that meet our minimum criteria within your Territory. The minimum initial investment is \$1,000 per Territory. We will contract with our approved third-party service provider to provide you with these contacts either before or during the Training Program. This fee covers our costs associated with obtaining this list on your behalf. You may obtain additional contacts at an additional cost during your franchise term, as outlined in Item 6.

VetFran Discount

We participate in the International Franchise Association's VetFran program. For qualifying veterans or members of the Armed Forces, we offer a 20% one-time discount ~~off~~on the Initial Fee. You may be required to provide evidence that you qualify for this discount. We reserve the right to offer discounts or incentives to franchisees through additional programs, but these discounts may not be combined.

Multiple Units

If you sign a Multi-Unit Agreement, then in addition to the Initial Fee ~~and Territory Fee (if applicable)~~ for the first Franchise Agreement, you must pay us a reduced Initial Fee ~~and Territory Fee (if applicable)~~ for each additional CMIT Solutions Business you will develop in your Multi-Unit Territory based on the schedule below.

<u>Discounted Initial Fee</u>	<u>SBEs</u>	<u>Discounted Territory Fee</u>
<u>\$24,975</u>	<u>3,000 – 3,500</u>	<u>n/a</u>
<u>\$27,475*</u>	<u>3,501 – 4,000</u>	<u>\$5.50/SBE over 4,000*</u>

These amounts are due when you sign the Multi-Unit Agreement and the first Franchise Agreement and are not refundable under any circumstances.

Business	Percent Discount- on Franchise Fee- and Territory Fee	Tier 1 Franchise Fee	Tier 2- Franchise Fee	Tier 2 Territory- Fee
First CMIT Solutions- Business	0% discount	\$49,950	\$54,950	\$11.00/SBE over 4,000
Each additional- Business	50% discount	\$24,975	\$27,475	\$5.50/SBE over 4,000

* Similar to the above, if your Territory contains more than 4,000 SBEs, then in addition to the discounted Initial Fee of \$27,745, you must pay us a discounted rate of \$5.50 for each additional SBE up to a maximum of 500 additional SBEs. Unless we agree otherwise in writing, the Territory size will not exceed 4,500 SBEs, and the corresponding Territory Fee will not exceed \$2,750.00. For each unit in your Multi-Unit Development Agreement, you must sign our then-current Franchise Agreement, which may contain materially different terms than the Franchise Agreement attached to this disclosure document.

ITEM 6

OTHER FEES

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Royalty	<p>6% of Gross Professional Services (“GPS”) Revenue (defined in Note (2)), subject to a Minimum Royalty, which starts 12 months after you complete the Training Program if you are a new franchisee.⁽³⁾</p> <p><u>Initial 12 months after you complete the Training Program: 6% of GPS Revenue (defined in Note (2))⁽²⁾</u></p> <p><u>Beginning in month 13: Greater of 6% of GPS Revenue or the Minimum Royalty^(2,3)</u></p> <p>We calculate the Royalty due for multiple Businesses under a Multi-Unit Agreement on an aggregated basis⁽⁴⁾<u>The starting date and payment amounts are adjusted for multi-unit owners and franchisees who purchase an existing Business</u></p>	<p>Currently on the<u>The 15th day of each month, but subject to change in the future</u></p> <p><u>You must also submit a sales report on or before the 15th of each month for revenue generated the prior month</u></p>	We may annually increase the minimum fee amounts but not by more than the CPI Increase ⁽⁵⁾
Marketing Development Fund Contribution (“MDF Contribution”)	<p>2% of GPS Revenue⁽²⁾, subject to a Minimum MDF Contribution, which starts<u>Initial 12 months after you complete the Training Program if you are a new franchisee: 2% of GPS Revenue^(6,2)</u></p> <p><u>Beginning in month 13: Greater of 2% of GPS Revenue or the Minimum MDF Contribution^(2, 6)</u></p> <p><u>The starting date and payment amounts are adjusted for multi-unit owners and franchisees who purchase an existing Business⁽⁶⁾</u></p> <p>We calculate the MDF Contribution due for multiple Businesses under a Multi-Unit Agreement on an aggregated basis⁽⁴⁾</p>	Currently on the 18 th day of each month	We may annually increase the minimum fee amounts but not by more than the CPI Increase. ⁽⁵⁾ We describe the Fund in Item 11

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Local Advertising Marketing Expenditures	Currently a minimum Minimum of \$2,500 per month, <u>per Territory</u> subject to change	As incurred	You are required to spend at the minimum amount we specify on local advertising (currently, at least in your Territory (\$2,500 per month or the equivalent of \$30,000 per calendar year)). We may change the required minimum. We will provide at least upon 60 days' written notice before any increase. We have the right to periodically review your spending and direct <u>where or</u> how your spending is allocated. If you fail to spend the minimum amount required, we reserve the right to collect, invoice, and manage the funds for you <u>and advertise on your behalf within your Territory.</u>
Additional <u>attendees or replacements - Initial training</u>	Up to \$2,000 per person, but could <u>subject to</u> increase if <u>our</u> costs increase	Before training, <u>but no later than 7 days upon issuance of an invoice</u>	Payable if more than 3 persons attend initial training, <u>even if they attend the same session, or if you hire a replacement manager or Managing Owner</u>
Software enhancements	Will vary depending on the type of enhancement	As incurred	We or a third party may develop customized software configurations. We may make available to you any enhancements developed, for which we may charge a reasonable fee
Technology fees	Currently \$125 <u>150</u> per month ⁽⁷⁹⁾ , but could increase if costs increase	Monthly	Currently covers <u>Covers</u> a learning management system, email security, automated answering services, provisioning, <u>quoting</u> tool integrations, ongoing support, and other applicable technologies

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Managed services cost Cost of goods Goods Revenue	<p>a) RMM and AV currently up: Up to \$2.89 per workstation per month and up to \$30 per server per month under management, but could increase if costs increase</p> <p>b) CurrentlyHelp Desk: \$19.75 per user per month for help desk services during business hours, including the support for one workstation, or \$24.75 for 24-hour help desk, but <u>this</u> could increase if costs increase</p>	As incurred.	<p>a) ThisThe RMM and AV fee is payable only if you have workstations and servers under remote management. <u>We highly recommended that your business device be on remote monitoring</u></p> <p>b) ThisThe Help Desk fee is payable only if you have users under contract for help desk services We highly recommended your business device be on remote monitoring</p>
Software Fees	<p>Currently: Autotask: \$84 per month for 2 users \$42 per month per additional user \$65 one-time set-up<u>set-up</u> fee; Privacy Pro: \$67 per month Quoting tool: Hubspot: \$65 to \$85<u>100</u> per month <u>(optional)</u> Office 365: \$19.32 for E3 license Marketing automation upgrade: (optional) QuickBooks Online: \$90 per month</p> <p>All stated costs are <u>current fees and</u> subject to increase; <u>we reserve the right to add to or modify this list with notice</u> ⁽⁸⁾</p>	Monthly	<p>Autotask is used for the Service Delivery ticketing and invoicing system. Privacy Pro enables the sales and fulfillment of cybersecurity and HIPAA compliance assessments. Quoting tool is currently offering a price incentive of \$65 per month for your first year of subscription and is \$85 per month thereafter. <u>You are required to use specific platforms and third-party software to operate your Business. We will invoice you, and you will pay us directly for this software (with certain exceptions)</u> ⁽⁸⁾</p>
Contact <u>Additional Leads</u> Contact List	<u>Average of \$1,500 to \$2,500 per territory, but may vary based on the number of contracts purchased</u>	After training or <u>As</u> incurred	We will contract with a service provider to obtain a list of contacts for SBEs in your territory. This amount covers our costs associated with providing the list to you. <u>You may obtain additional SBE contacts at an additional cost during your franchise term</u>

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Renewal fee	\$5,000	Upon renewal	<u>Payable if you qualify to renew your franchise rights, satisfy all renewal terms and conditions, and sign our then-current franchise agreement</u>
Convention fee	Currently \$795 850, but could increase if costs increase <u>Includes the cost for a single attendee; we reserve the right to charge for additional attendees</u>	Annually	<u>This amount does not include the cost of travel and related expenses, including employee wages</u>
Franchise broker resale fee	Then current fee that broker charges, currently \$24,000, or 10% of the purchase price—whichever is higher	When closing sale or transfer	This fee is in addition to the transfer fee (see below)
Transfer fee	\$15,000. The if the transfer is to a new franchisee. You will pay a reduced fee <u>is of \$8,000 if the transfer is to an existing franchisee who has completed the Training Program (excludes employees of an existing franchisee)</u> <u>In addition to the Transfer Fee, you must reimburse us our actual cost of the broker commission, finder's fee, or similar charges if the broker finds the buyer</u>	Before closing sale <u>or the transfer is effective</u>	Payable if you sell your CMIT Solutions Business— No or complete any type of transfer as defined in your Franchise Agreement. <u>There is no charge if your CMIT Solutions Business is transferred to a corporation that you wholly control within six (6) months of signing the Franchise Agreement</u>
Death <u>Management fee – death or disability-management fee</u>	You must <u>Varies; depends on the extent and duration of the management services offered. If we elect to manage the Business on your behalf, you must pay us or our appointed designee a management fee. We recommend that you set aside a cash reserve sufficient to allow us to provide management services, in addition to the Royalty and MDF Contributions due; (estimated at least a minimum of 20% of the GPS Revenue monthly revenue for 90 - 120 days)</u>	At time <u>When</u> services are rendered	Due only if we or our designee manages the Business after your or your Managing Owner's death or disability <u>We may assist you by managing your Business upon the untimely death or permanent disability of you or your Managing Owner during the transition to a new franchise owner. We are not obligated to provide this service and may terminate our management service with notice</u>
Late payment interest	18% interest per year or highest interest rate the <u>allowed by law—allows, whichever is less</u>	As incurred	Payable on all fees or assessments that are more than 5 days late <u>late. This fee is in addition to any fees or other interest charges</u>

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
EFT <u>Non-sufficient Funds</u> (" <u>NSF</u> ") fee	Either (a) \$100 for first occurrence, \$200 for second occurrence, and \$400 for each additional occurrence, or (b) the amount our financial institution charges <u>for each NSF</u> , whichever is greater; but no more than the fee allowed under applicable law	Upon notification of draft dishonor	Due if your bank does not honor any EFT <u>for any reason, including insufficient funds, or if you issue a stop payment</u>
Late report <u>reporting</u> fee	\$100 for first occurrence, \$200 for second occurrence, and \$400 for each additional occurrence during the term of the Franchise Agreement.	As incurred	Payable only if you do not fail to submit a required <u>sales</u> report or, financial statement, <u>form, record, certificate, or any other required report</u> by the due date
Collection costs	All collection costs including reasonable attorneys' fees	Due on demand	Payable only if we retain an attorney or collection agency to collect your delinquent payments
<u>Additional training programs</u>	<u>The then-current fee</u>	<u>Before training, but no later than 7 days upon issuance of an invoice</u>	<u>Includes technician training, or if we require or offer additional training programs or consulting services</u>
Insurance costs	Premiums plus our costs and expenses <u>a minimum \$250 administrative fee for our assistance to procure insurance on your behalf</u>	As incurred; <u>reimbursement is due in the following month</u>	Due only if you fail to maintain (or prove that you have <u>provide proof of</u>) insurance and we, at our option, obtain insurance for you
<u>Non-compliance fee⁽⁹⁾</u>	<u>Currently, \$500 per occurrence, but subject to change</u>	<u>As incurred</u>	<u>We may impose this fee if you are non-compliant with your Franchise Agreement, Manual, or our System standards and specifications. This may be assessed in addition to, and not in lieu of, any other fee, and is not our sole remedy; we reserve all rights available at law or equity</u>
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims from the operation of your CMIT Solutions Business <u>or your misuse of the Marks. Includes all costs of our defense of any claim.</u>

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Audit costs	<u>Actual costs incurred by us and any third parties (such as an independent accountant) that assist us in the audit, plus interest as detailed above and payment of any under-reported amounts, our attorneys' fees, travel, and other audit-related expenses, if any.</u>	As incurred	You must pay only if an audit shows an understatement greater than 2% of Gross Professional Sales GPS Revenue or any underreporting of sales or non-compliance. In addition to general audit rights, we reserve the right to audit you if you fail to submit sales or other reports or financial information, fail to pay amounts due under the Franchise Agreement, or if we discover that you underreported sales in any calendar month or year by 2% or more

Notes:

1. All fees in this Item 6 are imposed and collected by, and payable to, us and are nonrefundable. These fees are uniform for franchisees signing the Franchise Agreement included in this disclosure document, although franchisees who signed other forms of the franchise agreement may pay different amounts for some fees. The fees listed here are current as of the issuance of this disclosure document and are subject to the CPI Increase, noted below.

You must pay the Royalty, MDF Contribution, minimums, and other amounts due under the Franchise Agreement or any related agreement between us (or our affiliates) and you by electronic funds transfer (EFT). We will draft Royalties and MDF Contributions at a frequency that we periodically specify (currently monthly) from your business bank account. ~~If you do not timely submit GPS Revenue statements, we may debit your account for 110% of the average of the last 3 Royalty and MDF Contributions that we debited. If the amounts that we debit from your account are less than the amounts you actually owe us (once we have determined your true and correct GPS Revenue), we will debit your account for the balance, plus interest, on the day we specify. If the amounts that we debit from your account are greater than the amounts you actually owe us (once we have determined your true and correct GPS Revenue), we will credit the excess (without interest) against the amounts we otherwise would debit from your account during the following month(s).~~ You must, at all times, maintain a minimum balance of \$5,000 or 20% of your monthly revenue, whichever is greater, in the separate, dedicated bank account against which we will draw these EFTs. We may periodically change the ~~mechanism for your payments~~ payment method, the due dates and frequency of Royalties, MDF Contributions and other ongoing fees or other amounts you owe to us and our affiliates under the Franchise Agreement or any related agreement upon written notice to you.

You must make each payment to us under the Franchise Agreement free and clear and without ~~deduction for any present or future taxes, levies, imposts, duties or other charges of any nature, including any interest or penalty, that any government or political subdivision imposes on or relating to the operation of your Business, the payment of monies, or the exercise of rights granted under the Franchise Agreement~~ offset or deduction by you or any third party, except taxes imposed on or measured by our net income.

2. You will pay a Royalty on “Gross Professional Services (GPS) Revenue,” which means all revenue that you receive or otherwise derive from ~~operating the Business, managed and professional services~~, whether from cash, check, credit and debit card, barter, exchange, trade credit, or other credit transactions, including any implied or imputed GPS Revenue from any business interruption insurance. GPS Revenue includes all revenue from services provided by any acquisitions made during the Franchise ~~Agreement’s~~ Agreement term and includes IT and related consulting services, project work, professional and managed services, cloud services, technical support, break/fix services, training, pass-through services (hardware and software), software development and other technical services, whether one-time or recurring. ~~However, For the avoidance of doubt, all recurring and/or monthly revenue is GPS revenue.~~ To calculate your revenue, we will include the full price of the charge or credit payment on the date the charge or sale is made, regardless of when you receive payment, whether it is partial or full.

In addition to GPS Revenue, you will also generate sales revenue for hardware and software that you offer to customers. Please refer to the Operations Manual for an updated definition of any hardware and/or software excluded from GPS Revenue. GPS Revenue excludes: (1) sales taxes, use taxes, and other similar taxes added to the sales price, collected from the client and paid to the appropriate taxing authority; (2) any bona fide refunds and credits that you actually provide to clients; and (3) the face value of coupons or discounts that clients redeem or rebates paid directly to you by third party approved vendors or suppliers for customer purchases. We treat each charge or sale on credit as a sale for the full price on the day during which the charge or sale is made, regardless of when you receive payment (whether full or partial, or at all) on that sale.

3. ~~The 12-month exception to the Minimum Royalty~~ If you are a new franchisee, you will not pay a Minimum Royalty during your initial 12 months of operation, as defined in Item 11. Although you will not owe a Minimum Royalty on revenue generated, you will pay a Royalty that is equal to a percentage of all GPS Revenue. This 12-month Minimum Royalty “grace period” is only offered to new franchisees or existing Franchisees that acquire a new franchise Territory; it does not apply to renewals, or if you are signing purchase an a already-existing CMIT Solutions Business as a new or an existing franchise owner. If you sign the Franchise Agreement to operate an existing CMIT Solutions Business, including when renewing an expiring franchise agreement or buying an already existing CMIT Solutions Business (an “Existing Business”). If you are signing the Franchise Agreement to operate an Existing Business, your Minimum Royalty is the CPI-adjusted minimum royalty payable then in effect under the franchise agreement for the Existing Business (the agreement which you are seeking to renew or, in the case of a purchase, the selling franchisee’s franchise agreement) as of the date of signing the Franchise Agreement; or, in the case of a renewal, the minimum then in effect for the franchise agreement you are seeking to renew.

The following are the Minimum Royalties:

Months since Completion of Training Program	Minimum Monthly Royalty for New Franchisees*
Months 0-12	\$0
Months 13-24	\$800
Months 25-120	\$1000

*subject to a CPI Increase

4. If you sign a Multi-Unit Agreement, then for each additional CMIT Solutions Business you will develop simultaneously in your Multi-Unit Territory, after your first, you will receive a 24-month Minimum Royalty “grace period,” rather than the 12-month ~~exception to the~~ “grace period”. The Minimum Royalty will ~~be extended to 24 months. Thereafter, the Minimum Royalty will~~ be set at \$250, and will increase by \$250 each quarter until it reaches \$1000, as set forth below:

Months since Effective Date of Franchise Agreement <u>Completion of Training Program</u>	Minimum Monthly Royalty Fee for New Franchisees*
Months 0-24	\$0
Month 25 <u>Months 25-27</u>	\$250
Month 26	\$250
Month 27	\$250
Month 28 <u>Months 28-30</u>	\$500
Month 29	\$500
Month 30	\$500
Month 31 <u>Months 31-33</u>	\$750
Month 32	\$750
Month 33	\$750
Month <u>Months 34-120</u>	\$1000

*subject to a CPI Increase

5. We may increase the Minimum Royalties and Minimum MDF Contributions each year, effective as of January 1 of the calendar year, by the CPI Increase. ~~To calculate the “CPI Increase” on any amount, multiply that amount by a fraction, the numerator of which is the Inflation Index on the first day of the year for which the increase is to apply, and the denominator for which is the Inflation Index on January 1 of the year of the Franchise Agreement’s effective date or the effective date of the most recent CPI Increase, whichever is more recent. The “Inflation Index” means the Metropolitan Area Consumer Index for~~ Such increase shall be effective as of January 1st of the applicable calendar year. The “CPI Increase” refers to our right to increase a fee based upon an increase in the Consumer Price Index: All Items/U.S. Cities Average – All Urban Consumers—~~All Items~~ (1982-1984 = 100), ~~or, if that~~ published by the Bureau of Labor Statistics, U.S. Department of Labor, or a comparative index we designate if such index is discontinued or unavailable, ~~another comparable index for calculating changes in the cost of living or purchasing power for consumers in the United States that we reasonably designate.~~

6. This 12-month Minimum MDF Contribution “grace period” is only offered to new or existing franchisees acquiring a new Territory. The 12-month ~~exception to~~ “grace period” for the Minimum MDF

Contribution does not apply if you ~~are signing~~sign the Franchise Agreement to operate an Existing Business, or are renewing your franchise agreement. If you ~~are signing~~sign the Franchise Agreement to operate an Existing Business, your Minimum MDF Contribution is the CPI-adjusted minimum MDF Contribution payable under the franchise agreement for the Existing Business (~~the agreement which you are seeking to renew or~~, in the case of a purchase, the selling franchisee's franchise agreement) as of the date of signing the Franchise Agreement ; or, in the case of a renewal, the minimum then in effect for the franchise agreement you are seeking to renew.

The following are the Minimum MDF Contributions:

Months since Completion of Training Program	Minimum MDF Contribution for New Franchisees
Months 0-12	\$0
Months 13-24	\$266
Months 25-120	\$333

*subject to a CPI Increase

If you sign a Multi-Unit Agreement, then for each additional CMIT Solutions Business you will develop simultaneously in your Multi-Unit Territory (starting with unit #2), the 12-month ~~exception to the~~ Minimum MDF Contribution "grace period" will be extended to 24 months. Thereafter, the Minimum MDF Contribution will be \$333, as set forth below:

Months since Completion of Training Program	Minimum MDF Contribution for New Franchisees
Months 0-24	\$0
Months 25-120	\$333

*subject to a CPI Increase

7. You will pay only a single Technology Fee for all CMIT Solutions Businesses that you operate ~~under a Multi-Unit Agreement~~.

~~8. Specifications for software are subject to change based on changes in technology. Software fees and costs are subject to change. These fees are as of the date of this disclosure document.~~

~~9. An audit may cost anywhere from \$0 to \$3,500 depending on the scope of the audit. You are also responsible for Royalties and MDF Contributions on all under reported GPS Revenue.~~

8. Software specifications are subject to change based on market conditions, and advances or developments in technology. We may require you to use additional or alternative software or to stop using specific software upon notice. Please refer to our software and hardware pricing sheet and the Manual for current pricing information. You may be required to obtain additional software or platforms for your use or to offer to your customers based on regulatory or industry-specific standards.

9. We may impose this charge if you are operating in violation of your Franchise Agreement or our System standards and specifications. Some examples of non-compliance would include failure to maintain and timely provide us with proof of commercial insurance after we issue notice, failure to timely submit financial or operations reports, the use or selling of unapproved products or services, or engaging in any behavior that is prohibited per the Franchise Agreement, Operations Manual, or in any other communication or other material distributed by us, or if you engage in an act of fraud, deception, or

intentional disregard of your franchise obligations. If we determine that you have received revenue more than what you have reported to us, you will be deemed to have engaged in noncompliant behavior and are subject to these fees in addition to other rights and remedies available to us at law or equity, including the right to audit your Business.

10. Audit costs may vary depending on the scope, duration, and extent of the audit. This estimate may increase if we deem it necessary to retain the services of third-party accountants or other service professionals. In addition to paying the cost of the audit, you are also responsible for Royalties and MDF Contributions on all under-reported GPS Revenue or other revenue or expenses owed to us or our affiliate.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Single Unit

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Fee and Territory Fee (1)	\$49,950 to \$60,450	Lump sum	At signing of Franchise Agreement	Us
Training expenses (2)	\$2,500 to \$4,000	As incurred	During training	Us <u>Airlines, hotels and Suppliers restaurants</u>
Real property and leasehold improvements (3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)
Initial marketing package (4)	\$5,000 <u>12,000</u>	As incurred	Pre-training to post-training, as <u>As</u> incurred	Us <u>Our Affiliate</u> and approved suppliers
Initial marketing (5)	\$2,500	As incurred	Prior to and at the time of opening	Approved suppliers and associations
Business equipment <u>management and technology system</u> (65)	\$2,000 to \$3,000	As incurred	Pre-training <u>Before training</u>	Suppliers
Accounting set-up (76)	\$1,500	As incurred	During training	Approved supplier
Additional funds – 6 months (87)	\$38,500 to \$78,500	As incurred	As incurred	Various suppliers
Total estimated initial investment (98)	\$101,950 <u>106,450</u> to \$154,950 <u>159,450</u>	(Excluding real estate costs – see Note 3)		

All of the expenditures you pay to us are non-refundable. Whether any of the vendors to whom you make

payments will refund those payments will depend on their terms of purchase.

Notes:

1. We describe the Initial Fee and Territory Fee in Item 5. You might pay less if you are eligible for the VetFran Program or ~~operating purchase~~ an additional CMIT Business under a Multi-Unit Agreement.

2. You must pay all expenses you or your employees incur to participate in and attend the initial training programs, like travel, lodging, meals, and wages. These costs will vary depending upon a variety of factors, including salaries, wage rates, choice of hotels and dining facilities, distance traveled, and airfare or other transportation costs or modes of travel.

3. ~~We~~You must operate your Business from a location and address within your Territory. Although we do not require you to obtain outside office space from which to operate your Business, ~~although if you operate as a home-based business~~, you must verify and comply with local laws or regulations. You must acquire a virtual office address that within your Territory for mail delivery services, which can be registered with Google ~~to use~~and other third-party platforms and used on our website and other advertising materials so that we can. We will also use this commercial address to leverage your business location for internet marketing. Since we do not expect you to acquire a separate office space, this table does not include any estimated ~~investment costs~~ for real property (whether purchased or leased), fixtures, other fixed assets, construction, remodeling, leasehold improvements, or decorating costs. If you ~~do not~~ to lease or purchase ~~the a commercial~~ premises for your Business, ~~you must locate~~ your office must be located within your Territory. ~~The, and will likely contain a single office or suite of offices that is 1,000 sq ft or less; you are not permitted to relocate your office without our consent, which will not be unreasonably withheld, conditioned, or denied. Commercial~~ rent or purchase costs will vary substantially depending on the size, condition ~~and~~, market conditions, area demographics, geography, and the physical location of the premises.

4. You must begin marketing your Business and be prepared to provide IT professional and managed services and otherwise operate your Business under the Franchise Agreement within 30 days after completing the Training Program. Your initial marketing purchase includes business cards, ~~product literature, campaign materials (handouts), and other items. The estimated costs associated with your purchase of the list of contacts for SBEs in your Territory ("Contact List") is also included.~~

and the time and cost to establish an online presence through the creation of a Google business listing, social media accounts on various platforms, online media campaigns, the initial SEO (search engine optimization) campaign, and paid advertising. Although you are not required to allocate a certain amount to initial marketing, we highly recommend that you spend this minimum amount within the initial 90 days of opening to promote and market your business; Franchisees are not limited to this amount, and the total amount may vary based on your Territory size, the marketing that you select, and the duration of your marketing efforts. We recommend that you actively 5. ~~You must~~ promote the opening of your Business through both online and offline approved marketing channels, such as hosting and attending local events, offering educational programs, participating in local associations and organizations like your local Chamber of Commerce, and costs associated with joining local business associations. You may elect to retain the services of our approved marketing programs, local events and associations, agencies to assist in these efforts, or you may hire your own marketing agency, or an independent marketing consultant or employee to assist in marketing and promoting the business. The estimates in this Section include the purchase of an initial Leads Contact List, as identified in Item 6.

Prior to and after the opening, we have the right, but not the obligation, to collect, invoice, and manage your expenditures for you. As disclosed in Item 6, we require you to spend a minimum amount,

~~currently~~ \$2,500 per month, per Territory, or the equivalent of \$30,000 per year on local advertising, which is subject to change. Any monies spent on initial marketing may be included in your local monthly marketing spend. Additional costs for advertising after opening are included in the estimate of “Additional Funds”. See Note 8 below.

65. You must have available for use in operating your Business a laptop computer system that is capable of running our business systems and software designated by us for your use and customer demo purposes. This figure covers the initial cost of the laptop with sufficient speed, memory, and other performance capabilities and other aspects of the Technology System. “Technology System” means the computer-based, web-based, application-based and/or other technological and communications systems and services that we periodically specify, including hardware components, software, dedicated communication and power systems, printers, payment devices, telephones and other communications equipment, devices and services, and other computer-related accessories and peripheral equipment that you must obtain and use in the operation of the Business. You must purchase the Technology System components from various third-party approved vendors and suppliers. The amounts above include setup fees and licensing fees for the first three (3) months of operation.

76. You must contract with our approved supplier to set-up and integrate QuickBooks online with a professional services automation (PSA) tool we specify.

87. This estimates the additional funds that you will need to cover your Business expenses during the first 6 months of operation (other than the items identified separately in the table). Business expenses include business licenses and other prepaid expenses, payroll for staff and personnel, taxes, insurance, attendance at the CMIT convention, cell phone, email hosting and internet services, and other technology costs and fees, credit card processing, additional marketing expenses, bookkeeping, furniture and equipment, staff recruitment fees, and costs associated with remote monitoring and management (RMM).

98. We relied on our affiliates’ and our principals’ experience in developing, operating and franchising CMIT Solutions Businesses since 2010 to prepare the estimate for additional funds and other estimates in this table for the first 6 months of operation only. You should review these figures carefully with a business advisor before deciding to acquire the franchise. The initial investment estimate is based on the assumption that you and your employees currently have suitable vehicles for use in business operations. Historically, our franchisees and employees have not incurred any additional costs for vehicles. As a service business, there are no costs to acquire inventory for the CMIT Solutions Business. The estimate does not include any finance charge, interest, or debt service obligation. We do not offer financing for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral and the lending policies of financial institutions from which you request a loan.

Multi-Unit Agreement (Two Units)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Discounted Initial Fee and Territory Fee	\$24,975 to \$30,225	Lump sum	At signing of Franchise Agreement	Us
Additional <u>initial</u> marketing commitment— 6	\$15,000 <u>12,000</u>	As incurred	As incurred	Approved suppliers and associations

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
months				
Estimated initial investment for single unit	\$ 101,950 <u>106,450</u> to \$ 154,950 <u>159,450</u>	(See prior table)		
Total estimated initial investment (two units)	\$ 141,925 <u>143,425</u> to \$ 200,175 <u>201,675</u>			

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must comply with our System Standards involving the purchase of all Operating Assets and other products or services for or at your CMIT Solutions Business. “Operating Assets” means all required furniture, fixtures, Technology System components, equipment, furnishings, and signs that we periodically require for the Business. We issue and modify our standards and specifications based on our own experience and that of our franchisees, or developments in the industry. You must comply with each new or changed System Standard.

You must purchase, lease, or otherwise acquire all Operating Assets and all other items necessary to operate the Business according to our standards and specifications. If we require, you must purchase or lease Operating Assets or other products and services only from suppliers or distributors that we designate or approve, which may include or be limited to us or our affiliates. The Manual contains our standards and specifications, and we occasionally issue our standards and specifications directly to approved suppliers. We or our affiliates may derive revenue based on your purchases and leases, including from charging you for products and services that we or our affiliates provide to you and from promotional allowances, volume discounts and other payments that suppliers and/or distributors make to us and our affiliates, whether or not based on your or other franchisees’ actual or prospective dealings with them, without restriction for any purposes we or our affiliates deem appropriate.

We currently are an approved supplier or the only approved supplier of certain technology solutions for CMIT Solutions Businesses, which we acquire through third parties. During our ~~2023~~2024 fiscal year, we derived \$~~2,940,152~~3,421,091.84 in revenue from selling these technology solutions to CMIT Solutions Business franchisees, which represents ~~32~~32.86% of our total ~~2023~~2024 revenue of \$~~9,322,030~~10,411,008.45. In the future, at our request, you must enter into a software license agreement with us in the form that we require to license certain proprietary software that we may provide for the operation of your CMIT Solutions Business.

You currently must purchase an initial business package (which includes logo wear and a laptop), ~~an invest in~~ initial marketing ~~package~~, and purchase a remote management platform only from our approved suppliers. You also must subscribe to and use the approved e-mail marketing program and other approved and specified automation systems. Some of our approved suppliers pay us a rebate based on franchisee purchases, ranging from approximately 1% to 10% of franchisee purchases. CMIT Solutions Business franchisees (or their clients) also purchase products or services from certain approved vendors we ~~call~~refer to as our “service affiliates,” and those service affiliates pay us commissions or referral fees ranging from 0% to 15% of invoice cost to cover some of our administrative costs. Service affiliates are ~~third-party~~third-party vendors that provide a service distinctly different from our ~~services~~own. Otherwise, neither we nor our affiliates received during ~~2023~~2024, nor do we or they currently plan to receive, any

payments or other consideration from suppliers based on franchisees' purchases from those suppliers. None of our officers owns an interest in any current supplier to the CMIT Solutions Business franchise network (other than us).

Except as described in this Item 8, there currently are no goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business that you must buy or lease from us, our affiliates, or suppliers that we designate or approve. But all products and services that you acquire for use or sale by your Business must comply with our System Standards. If you want to use any Operating Assets or other products or services for or at the CMIT Solutions Business that we have not yet evaluated, or purchase or lease any Operating Assets or other products or services from a supplier or distributor that we have not yet approved (for Operating Assets or other products and services that we require you to purchase only from designated or approved suppliers or distributors), you must submit to us a written request for approval. We will provide you with written notice of approval or disapproval. If you do not receive ~~that~~ notice within 30 days, the supplier is deemed disapproved. We do not presently charge a fee for our review of suppliers or products, but we reserve the right to do so in the future. We may condition our approval of a supplier or distributor on requirements relating to product quality, prices, consistency, warranty, reliability, financial capability, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) and/or other criteria.

We may inspect the proposed supplier's or distributor's facilities and require the proposed supplier or distributor to deliver product or other samples, at our option, either directly to us or to any independent laboratory that we designate for testing. We may periodically re-inspect the facilities, products, and services of any approved supplier or distributor and revoke our approval of any supplier, distributor, product, or service that does not continue to meet our criteria by notifying you or the supplier. We may limit the number of approved suppliers with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including if we have already designated an exclusive source (which might be us or our affiliate) for the applicable product or service or if we believe that doing so is in the best interests of the CMIT Solutions Business network.

If you fail to pay a vendor or supplier with whom we have an agreement, and we determine, in our sole judgement, that your failure to pay that debt, ~~in our sole judgment,~~ jeopardizes the Marks or System, we have the right, but not the obligation, to make the payment for you on your behalf, regardless of the reasoning behind your failure to pay the vendor or supplier, and regardless of how that payment may affect your dispute with the vendor or supplier. This right includes a situation where the payment relieves the vendor or supplier of an obligation to cure an alleged defect owed to you under your reseller agreement with the vendor or supplier. If we make a payment on your behalf, we will charge you for the amount, and after 90 days of nonpayment, we will notify your customer and either terminate service or move that service to another franchisee. Your non-payment or any act or omission that jeopardizes or harms our relationship with our partners may also serve as a basis for termination.

At all times during the Franchise Agreement's term, you must maintain in force at your sole expense the insurance coverage for the Business in the amounts, covering the risks, and containing only the exceptions and exclusions that we periodically specify for similarly situated CMIT Solutions Businesses. At a minimum, you must carry (i) comprehensive general liability insurance, including bodily injury and property damage, in the amount of \$1,000,000, combined single limit per occurrence and \$2,000,000 general aggregate; (ii) automobile liability insurance; (iii) employers liability insurance; (iv) workers' compensation; statutory amount or it's equivalent under applicable law; and (ii) cyber liability, general liability and errors and omissions insurance in the amount of \$1,000,000 (each error) and \$1,000,000 in the aggregate. All of your insurance carriers must be rated A or higher by A.M Best and Company, Inc. (or any similar criteria that we periodically specify). You must have these insurance policies in effect on

or before the deadlines we specify in the Manual. All coverage must be on an “occurrence” basis, except for employment practices liability insurance coverage, which is on a “claims made” basis. We may, upon at least 60 days’ notice to you, periodically increase the amounts of coverage required and/or require different or additional insurance coverage at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All insurance policies must name us and any affiliates we designate as ~~an~~ additional insured and provide for 30 days’ prior written notice to us of a policy’s material modification or cancellation. You must periodically send us a valid certificate of insurance or duplicate insurance policy evidencing that you have maintained the required coverage and paid the applicable premiums. If you fail to obtain and maintain (or to prove that you have obtained or maintained) the insurance we specify before or within five (5) days of your policy end date, in addition to our other remedies, we may (but need not) obtain such insurance for you and the Business on your behalf, and in that case you must cooperate with us and reimburse us for all premiums, costs, administrative fees, late reporting and non-compliance fees and expenses we incur in obtaining and maintaining the insurance.

You must conduct all your advertising, marketing and promotion for your Business in a professional manner, and your advertising, marketing and promotion must conform to our standards and requirements as set forth in the Manual or otherwise. You must send to us, for our approval, samples of all proposed marketing, advertising and other materials that we have not prepared or previously approved within the preceding 6 months. If you do not receive written notice of approval from us within 15 business days after we receive the materials, they are deemed disapproved. You may not conduct or use any local marketing that we have not approved or have disapproved. You also may not use the name of a public figure together with the Marks or the Business without our prior written consent. We retain the sole and exclusive right to use the name, services or likeness of any public figure or character in advertising, endorsing or recommending the System. However, with our prior written approval, you may use the name of a public figure in a bona fide endorsement or recommendation of the Business, but in that case you are solely responsible for the cost of that use and for ensuring compliance with all laws governing endorsements.

We estimate that your purchase of supplies, materials, equipment (including the Technology System) and other products and services from approved suppliers or according to our specifications will represent approximately 90% of your overall purchases in establishing and operating your Business. We may negotiate purchase arrangements (including price terms) with approved suppliers for your benefit. We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers. There currently are no purchasing or distribution cooperatives in the CMIT Solutions Business network that you are required to join.

ITEM 9

FRANCHISEE’S OBLIGATIONS

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

Obligation	Article or Section in Franchise Agreement (FA)/Multi-Unit Agreement (MA)	Disclosure document item
a. Site selection and acquisition/lease	FA Sections 1.5 and 2.1 / MA Section 6	Items 7, 11 and 12

Obligation	Article or Section in Franchise Agreement (FA)/Multi-Unit Agreement (MA)	Disclosure document item
b. Pre-opening purchases & leases	FA Sections 2.2 and 2.3	Items 7, 8 and 11
c. Site development and other pre-opening requirements	FA Sections 1.5, 2.1 and 2.5 / MA Section 6	Items 7, 8 and 11
d. Initial and ongoing training	FA Sections 2.5, 3.1, 3.2, and 3.3	Items 5, 6, 7, and 11
e. Opening	FA Section 2.5	Item 11
f. Fees	FA Sections 4.1, 4.2, 4.3, 4.5, 4.6, 4.7, 4.8, 4.10 , 11.2, 12, Exhibits 1 and 2 / MA Sections 4, 5 and Exhibit C	Items 5, 6, 7, and 11
g. Compliance with standards and policies/Operating Manuals	FA Sections 3.4 and 8.1	Items 8 and 11
h. Trademarks and proprietary information	FA Sections 5 and 6 / MA Sections 7 and 8	Items 13 and 14
i. Restrictions on products/services offered	FA Section 8.2	Items 8 and 16
j. Warranty and client service requirements	FA Section 8.7	Item 16
k. Territorial development and sales quotas	FA Section 1.5 / MA Sections 2, 3, Exhibits A and B	Items 5, 7, and 12
l. Ongoing product/service purchases	FA Section 8.6	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	FA Section 2.2	Item 8
n. Insurance	FA Section 8.8	Items 6, 8, and 11
o. Advertising	FA Sections 8.3, 8.4, 9.1, 9.2, 9.3	Items 7 and 11
p. Indemnification	FA Section 7.2 / MA Section 12	Item 6
q. Owner's participation/management/staffing	FA Sections 1.4, 3.1, and 3.2	Items 11 and 15
r. Records and reports	FA Sections 10.1, 10.2, and 10.3	Items 6 and 11
s. Inspections and audits	FA Sections 8.11 and 10.4	Item 6
t. Transfer	FA Sections 11.2, 11.4, and 11.5 / MA Section 11	Items 6, 15, and 17
u. Renewal	FA Section 12	Items 6 and 17
v. Post-termination obligations	FA Sections 8.10 and 13.5 / MA Section 8	Item 17
w. Non-competition covenants	FA Sections 8.10 and 13.5 / MA Section 8	Item 17
x. Dispute resolution	FA Sections 15.6, 15.7, and 15.8 / MA Section 12	Item 17

ITEM 10

FINANCING

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

ITEM 11

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

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

Pre-Opening Obligations

Before you open your Business, we (or one of our Area Representatives on our behalf) will:

1. Identify your Territory or your Multi-Unit Territory. The Multi-Unit Territory is the combination of the proposed Territories under all Franchise Agreements that the Multi-Unit Agreement covers. We determine the Multi-Unit Territory using the same criteria described above that we use for determining Territories under the Franchise Agreement. (Franchise Agreement, Section 1.5) (Multi-Unit Agreement, Section 2)

2. Allow you to establish a Business office in your Territory, or, if you sign a Multi-Unit Agreement, in your Multi-Unit Territory. We do not require you to establish a separate Business office outside your home. If you choose to establish a separate Business office outside your home, we provide you no assistance in locating a site or negotiating the purchase or lease of the site, on conforming the office to local ordinances and building codes or obtaining required permits, or on constructing, remodeling or decorating the Business premises. (Franchise Agreement, Section 2.1)

3. Provide you with standards and specifications for the Operating Assets and other equipment for your Business. You must purchase, lease or otherwise acquire all Operating Assets and other items necessary to operate your Business. We do not provide these items directly, but provide the names of approved suppliers and written specifications for certain items. We do not deliver or install any items. You also must conform your Business office to all local ordinances and codes, and otherwise comply with all laws and permit requirements. (Franchise Agreement, Section 2.2)

4. Lend to you our confidential Manual and other written materials that we may develop. These contain mandatory and suggested System Standards. The Manual is confidential and remains our property. The Table of Contents of the Manual is attached as Exhibit C. The total number of pages in the Manual is currently ~~127~~136. (Franchise Agreement, Section 3.4)

5. Specify the Technology System you will use. (Franchise Agreement, Section 2.3)

6. Provide you and your personnel with a Training Program (comprised of ~~pre-training, virtual and~~ in-person ~~training or virtual~~ training) and other training programs. (Franchise Agreement, Sections 3.1, 3.2 and 3.3) We describe training later in this Item 11.

Your Business is considered "open," and you may begin operating your Business, on the day you graduate from the Training Program, if by that date you have properly equipped your Business office, paid us and our affiliates all amounts due, ~~and~~ obtained all required insurance, and satisfied all other pre-opening requirements. The typical length of time between signing the Franchise Agreement (which is when you first pay us consideration for the franchise) and opening the CMIT Solutions Business is ~~about~~approximately 45 to 90 days. The precise timing depends on the time it takes you to acquire any necessary equipment, obtain licenses and permits, obtain insurance, and attend our next scheduled Training Program. You must begin marketing for, providing services for, and operating your Business under the Franchise Agreement within 30 days after successfully completing the Training Program, and you must complete the Training Program to our satisfaction within 90 days after signing the Franchise

Agreement. Otherwise, we may terminate the Franchise Agreement. (Franchise Agreement – Section 2.5)

Post-Opening Obligations

During the operation of your Business, we (or one of our Area Representatives on our behalf) will:

1. Administer a Marketing Development Fund for the advertising, marketing, promotional, customer relationship management, public relations, and other brand-related programs and materials for all or a group CMIT Solutions Businesses that we periodically deem appropriate (the “Fund”). We describe the Fund below. (Franchise Agreement, Section 9.1)

2. Provide updates to the Manual, which may reflect updates to the System and System Standards and to the products and services that your Business offers and sells. You must comply with any updates and amendments to the Manual that we send you (or of which we provide notice to you) through your CMIT Solutions email address. However, no revision, amendment, restatement or supplementation of the Manual will alter your fundamental status under the Franchise Agreement. At our option, we may post the Manual on a restricted website to which you will have access. Any passwords or other digital identifications necessary to access the Manual on such a website will be deemed to be a part of the Proprietary Information (defined in Item 14). If there is a dispute regarding the contents of the Manual, the master copy we maintain at our principal office controls. (Franchise Agreement, Section 3.4)

3. Coordinate an annual regional and/or national convention ~~which~~that you must attend. We may also require attendance at other education/training programs on a regional or national basis and provide other training programs. (Franchise Agreement, Section 3.3) We describe our current training programs below.

Advertising and Marketing

Marketing and Development Fund

We administer the Fund through our affiliate, CMIT Marketing. You must pay us the MDF Contribution of 2% of GPS Revenue, subject to a Minimum MDF Contribution and potentially some deductions to GPS Revenue, as described in Item 6. Each of our company-owned or affiliated CMIT Solutions Businesses, if any, will contribute to the Fund on the same basis as our franchisees. Other franchisees contribute to the Fund at different rates due to the form of agreement that they signed.

We, or the person we designate, will direct all marketing programs that the Fund undertakes. We will have sole discretion over all creative concepts, materials and media used in these programs and the placement and allocation of the programs. The Fund may pay for preparing, producing and placing video, audio and written materials, electronic media and social media; developing, maintaining and administering the CMIT Website (defined below), including online sales, mobile applications, and other technologies used to reach clients and potential clients; administering national, regional, multi-regional and local marketing, advertising, promotional and client relationship management programs, including purchasing trade journal, direct mail, Internet and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public and client relations, market research, and other advertising, promotion, marketing and brand-related activities. The Fund may place advertising or other programs in any media, including print, radio, television and electronic, on a local, regional or national basis. The purpose of the Fund is to promote the CMIT Brand. We have no obligation to spend any amount on advertising in your area or territory. Our in-house staff, national or regional agencies, and/or other contractors may produce Fund programs and materials. The Fund also may reimburse CMIT Solutions Business operators (including us and/or our affiliates) for expenditures consistent with the Fund’s purposes that we periodically specify. We also may implement

programs that the Fund could finance, but we choose to have them financed through other means, such as direct payments from you (subject to the local advertising requirement) and other participating CMIT Solutions Business operators.

We have established an elected Franchise Advisory Council (FAC) to advise us in the formulation, development, and production of marketing, advertising, and promotion programs. The FAC functions to enhance communications between individual franchisees and our corporate office. Franchisees elect the FAC's members. The FAC serves in an advisory capacity only and has no operational or decision-making power. We may form, change or dissolve the FAC.

We will account for the Fund separately from our other funds and not use the Fund to pay any of our general operating expenses, except to compensate us and our affiliates for the reasonable salaries, administrative costs, travel expenses, overhead and other costs we and they incur in activities performed for the Fund and its programs, including conducting market research, preparing advertising and marketing materials, maintaining and administering the CMIT Website and/or social media, developing technologies that the Fund or its programs use, collecting and accounting for MDF Contributions, and paying taxes on contributions. The Fund is not a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Fund or any other reason. The Fund may spend in any fiscal year more or less than the total MDF Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on MDF Contributions to pay costs before using the Fund's other assets. We will prepare an annual statement of Fund collections and expenses and give you the statement upon written request. The Fund is currently audited, although we may elect to prepare unaudited statements.

The Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all CMIT Solutions Businesses. In administering the Fund, we have no obligation to make expenditures for you or in your area or Territory that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from the Fund's expenditures or the placement of advertising or other Fund programs.

During the ~~2023~~2024 fiscal year, the Fund spent ~~36~~51% of all MDF Contributions on customer lead generation activities (including production and media placement), ~~37~~31% on marketing support, ~~7~~12% on marketing platforms, ~~5~~and 6% on fund administrative expenses ~~and 5% on public relations~~.

Although the Fund is intended to be permanent, we may terminate the Fund. We will not terminate the Fund until the Fund has expended all of its assets for purposes consistent with the Franchise Agreement or returned those assets to the then-operating contributors, without interest, on the basis of their respective contributions. (Franchise Agreement, Section 9.1)

Cooperative

We may designate local advertising markets and, if we do, you must participate in and contribute to the cooperative or local marketing group responsible for coordinating advertising and marketing programs in your designated local advertising market (the “Cooperative”). Each CMIT Solutions Business operating in the Cooperative’s area, including those that we or our affiliate own, will participate in the Cooperative. Cooperative members will decide on the contribution amount, but it will not be more than \$1,000 per month. The Cooperative’s members are responsible for the Cooperative’s administration, will determine whether the Cooperative operates from written governing documents, and will determine whether the Cooperative prepares annual or periodic financial statements for its members’ review. Each Cooperative must obtain our written approval of all promotional and advertising materials, creative execution and media schedules before implementing them. We may form, change, dissolve and merge Cooperatives. (Franchise Agreement – Section 9.2)

Local Advertising and Marketing

Throughout the term of the Franchise Agreement, we require you to make minimum periodic expenditures at the times and in the amounts we specify on local advertising. ~~Currently, you~~You must spend at least \$2,500 per month on local advertising, ~~, or the equivalent of \$30,000 per year promoting your Business through our approved marketing programs,~~ but we have the right to change our minimum local advertising requirements due to economic or other factors. We will provide at least 60 days’ notice of any increase. We have the right to periodically review your spending and direct how your spending is allocated. If you fail to spend this amount, we reserve the right to collect, invoice, and manage the funds for you.

You must conduct all your advertising, marketing and promotion for your Business in a professional manner, and your advertising, marketing and promotion must conform to our standards and requirements. ~~For the first 3 years, you must spend at least \$30,000 per year promoting your Business through our approved marketing programs,~~In addition to online marketing, your marketing efforts may include hosting and attending local events and joining associations, ~~and you must~~ maintain a marketing plan that runs in 12-month increments. ~~After 3 years in operation you~~You must continue your marketing efforts and expenditures of a minimum of \$2,500 per month or in accordance with the required minimum amount or percentage in the Manual throughout the Term. The minimum requirements and specifications for local advertising are as of the date of this disclosure document and are subject to change. You must send to us, for our approval, samples of all proposed marketing, advertising, and other materials that we have not prepared or previously approved within the previous 6 months. If you do not receive written notice of approval from us within 15 business days after we receive the materials, they are deemed disapproved. You may not conduct or use any local marketing that we have not approved or have disapproved.

You may not use the name of a public figure together with the Marks or the Business without our prior written consent. We retain the sole and exclusive right to use the name, services or likeness of any public figure or character in advertising, endorsing, or recommending the System. However, with our prior written approval, you may use the name of a public figure in a bona fide endorsement or recommendation of the Business, but you are solely responsible for all associated costs and have sole responsibility for

ensuring compliance with all laws governing those endorsements. (Franchise Agreement, Section 9.2)

CMIT Website and Social Media

We have established a website (the “CMIT Website”) listed on the Internet. We will determine the content and use of the CMIT Website or other listing and will establish the rules under which you and other franchisees will participate. We retain all rights to the CMIT Website or other listing and may periodically alter or terminate the CMIT Website at our sole option. Certain information obtained through your participation in the CMIT Website is our Proprietary Information, including access codes and identification codes. You may use only the email addresses we assign to you in operating your Business. You may use only the CMIT Website in marketing your Business.

You may not develop, maintain or authorize any other website, other online presence or other electronic medium (such as mobile applications, kiosks and other interactive properties or technology-based programs) that mentions or describes you, the Business or its products or services or that displays any of the Marks. Except for the CMIT Website, you may not conduct commerce or offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet or using any other technology-based program without our approval.

As we continue to develop strategies for taking advantage of the benefits the Internet may offer, you must participate in those activities. Upon 60 days’ prior notice, you must participate in, and contribute a proportionate share of, any future Internet activities that we may establish for the System.

We have the right to approve all social media postings (including Facebook, LinkedIn, Twitter, Yelp, etc.) related to your Business. Upon our request, you must immediately take down a social media posting, no matter the reason. (Franchise Agreement - Section 9.3)

Technology System

You must obtain and use the Technology System that we periodically specify. The estimated cost for purchasing the Technology System is \$1500. The Technology System includes a laptop computer and computer system that runs the current professional version of the Microsoft Windows or Mac Operating system equipped with the current version of Microsoft Office 365, QuickBooks Online, and Adobe Acrobat Standard. You also must subscribe to and use the Autotask web-based back office software program in operating your Business. The program is specially designed to manage the work of IT services businesses. You ~~currently~~ will pay a one-time \$65 setup fee and \$84 per month for 2 named users for the Autotask program; please note that these amounts are subject to change. You also must initiate and maintain all marketing and sales activity, leads, and opportunities through the Technology System platforms we periodically specify in the Manual ~~(currently Pardot, Salesforce, and Zomentum)~~. You may not use any other platforms without our written approval.

At our option, you must enter into service contracts for the maintenance, support, upgrades and updates to the Technology System. ~~Optional support from our Network Operations Center is currently up to \$2.89 per month per workstation and up to \$30 per server~~ Current pricing for platforms and support are specified in the Manual and may be updated periodically. Except for these services and the Autotask updates, neither we, our affiliate, nor any third party has any obligation to provide ongoing maintenance, repairs, upgrades, or updates for the Technology System.

You must maintain 2 separate business telephone lines for your Business’ exclusive use. You must use 1 phone line to operate a live-answering service during regular business hours (9:00 a.m. to 5:00 p.m. on weekdays, except for holidays). You also must maintain a high-speed broadband internet connection that complies with our specifications and permits us direct access to the information in your Technology

System. We may specify the use of an Internet-based telephone system (known as VoIP for “Voice Over Internet Protocol”, and also known as IP Telephony, Internet telephony, and Digital Phone) during the Franchise Agreement’s term.

The Technology System generates and stores Client Data (defined in Item 14) and other records relating to the services that your Business provides. We have independent, unlimited access to all information and data in your Technology System. The Technology System must permit 24 hours per day, 7 days per week electronic communications between us and you.

We may periodically modify specifications for and components of and/or the technologies and functions for, the Technology System, and these modifications and/or other technological developments or events may require you to purchase, lease and/or license new or modified equipment, hardware, software and other components and technologies and to obtain service and support for the Technology System. No contract limits the frequency or cost of this obligation. Although we cannot estimate the future costs of the Technology System or required service or support, you must incur the costs of obtaining and updating the Technology System (and additions and modifications) and required service or support. Within 60 days after we deliver notice to you, you must obtain the Technology System components that we designate and ensure that your Technology System, as modified, is functioning properly.

We and our affiliates may condition any license of required or recommended proprietary software to you, and/or your use of technology developed, administered or maintained by or for us, on your signing or consenting to a license agreement or similar document that we and our affiliates periodically specify to regulate your use of, and our (or our affiliate’s) and your respective rights and responsibilities for, the software or technology. We and our affiliates may charge you upfront and ongoing fees for any required or recommended proprietary software or technology that we or our affiliates license to you and for other Technology System maintenance and support services provided during the franchise term.

Despite your obligation to buy, use, and maintain the Technology System under our standards and specifications, you have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Technology System; (2) the manner in which your Technology System interfaces with our and any third party’s computer system; and (3) all consequences if the Technology System is not properly operated, maintained, and upgraded. (Franchise Agreement, Section 2.3)

Training

We will provide up to 3 people associated with your Business with an initial training program, which may include ~~an both in-person and~~ online ~~component~~(virtual) components, designed to inform the participants as to the fundamentals of operating a CMIT Solutions Business (the “Training Program”). If you are an individual, you must attend and complete, to our satisfaction, all components of our Training Program. If you are an entity, the Managing Owner (defined in Item 15) and Operating Principal (defined in Item 15) must attend and complete to our satisfaction all components of our Training Program. We provide the Training Program to 3 individuals at no charge, but if you have more than 3 people attend the Training Program, you must pay us an additional training fee of \$2,000 for each additional person. You also must pay all wages, travel, lodging and other living expenses that you and your personnel incur during training.

Our Training Program ~~has 3 components. The first component begins~~consists of 2 weeks of online training sessions and a week of in-person training and instruction at our headquarters in Austin, Texas. Virtual sessions are designed to prepare you for the final, in-person, training week. You will be granted access to our online training resources and instruction after you and we sign the Franchise Agreement and after you ~~have paid the initial franchise fee. This first component is a franchise pre-training (“Pre-Training”) that includes establishing your Business, completing remote/online~~pay the Initial Fee.

You are required to complete all training sessions, and scheduled virtual training sessions. This first component must begin no less than 3 weeks before you begin the second component. The second component is an intense week long can operate and/or manage the Business.

For purposes of this disclosure document, the two weeks of virtual training are referred to as “Virtual Week 1” and “Virtual Week 2”. Virtual Week 1 walks you through business setup, explains the fundamentals of our core systems, introduces our products and solutions, and demonstrates the value of our tools for operational excellence. Virtual Week 2 takes a deeper dive into best practices surrounding marketing, sales, and service delivery. These sessions are designed to provide a foundational level of familiarity with the core services to be offered by your Business. It is essential that you complete all virtual training sessions before completing the In-Person Training at our headquarters, or an appointed location. These weeks provide you with knowledge and information that you will then apply during the live, in-person training week.

~~-training program (“Training”). This training covers marketing and sales processes for your Business. The third, and last component is the “Continuing Education Program.” The Continuing Education Program covers service delivery processes and expectations, and includes additional sales and marketing training and a peer group component to reinforce best practices, provide peer collaboration, and promote business growth. You must complete franchise pre training and the intense training week to our satisfaction before you begin operating your Business and within 90 days after signing the Franchise Agreement. We will determine, in our sole judgment, whether you or any of your employees attending the program have successfully completed the first 2 components of our training program and can begin the Continuing Education Program.~~Our live, in person training week or “In-Person Training” is an intense, scenario-based week of knowledge application and instruction on operations, sales, and marketing. Our In-Person Training gives you an opportunity to apply the tools and skills that you learned during Virtual Training, along with real-time feedback and guidance. After the Virtual Training weeks and the In-Person Training week, we will have weekly check-ins to continue to educate and support you at the start of your journey.

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TRAINING PROGRAM

Subject	Hours of Classroom- Training	Location*
<p>Introduction & Pre-Training Virtual</p> <p>Week 1:</p> <p>Introduction</p> <ul style="list-style-type: none"> • Welcome to Training CMIT Connect Tour • Insurance Vendor- Introduction and Expectations • Accounting Vendor- Introduction and Expectations Resources • Beginning Marketing Modules - Business Addresses Address - ZoomInfo - Camptum Technologies- Printing - Public Relations • Service Delivery- Implementation- Options Marketing - All Points PR - Inter-Franchise- Print Portal Marketing - - Hire a Technician- ZoomInfo Marketing - - CMIT Corporate Store - Outsourced IT • Compliance Marketing - HubSpot Introduction - The Big 3! - Salesforce Fundamentals - Documentation Fundamentals - Autotask Fundamentals - Product Training - Solutions Building - CMIT Compliance - Operational Excellence - CMIT Scorecard - Operational Excellence – VTO 	<p>Pre-Training 12-13 hours, but this may differ for each individual</p> <ul style="list-style-type: none"> • System-Fundamentals - The Big 3! - Salesforce Basic- Training - Quoting Tool Basic Training • Operational-Excellence - Operational-Maturity-Evaluation - Scorecard Analysis - Business Planning - Metric Tracking • Solutions-Fundamentals • Service Lines and Solutions • Solutions Sales-Sheets • Service Portfolio-Management • Solutions Building <p style="text-align: center;">6</p>	<p>Virtual</p> <p>(Self-paced and Virtual Calls)</p>

<ul style="list-style-type: none"> - Technology Provisioning Checkpoint - Hear From Some of Our Best – Testimonial 		
<p>Training Virtual Week 2:</p> <p>Marketing</p> <ul style="list-style-type: none"> • Branding <ul style="list-style-type: none"> • CMIT Marketing: <ul style="list-style-type: none"> Meet the Team Marketing Strategy Digital Content CMIT Brand Guidelines CMIT Messaging Ideal Customer Profile Marketing Playbook Monthly Campaign Assets Marketing Planner • Marketing Support • Playbook Sales: <ul style="list-style-type: none"> Setting Smart Goals • Monthly Campaigns • Email Campaigns • SDR Program <ul style="list-style-type: none"> • Effective Networking 20-Minute Meeting Maximizing Down Time Successful Cold Calling Lead Qualification How and When to Nurture Leads Database Integrity Discovery Meeting Prep Effective Discovery Meetings Post SDR Discovery Meetings Customer Lifetime Value • Printing Service Delivery: <ul style="list-style-type: none"> Strategy Management for IT Services and Demand Management Financial Management Service Portfolio Management Business Relationship Management The 90-Day Plan 	<p>714-16 hours, but this may differ for each individual</p>	<p>Austin, Texas, Other Designated Location Or Virtually</p>

Cyberhoot Security Awareness Training CMIT Security Program <ul style="list-style-type: none"> • Public Relations Technology Provisioning Checkpoint • Franchise Location Pages • Marketing Coordinator Program Hear from Some of Our New Franchisees 		
In-Person Training-Week (Continued): Scenario Based Activities Role Play Activities Practical Knowledge Application Marketing: Virtual Training Recap Business Cards CMIT Messaging Pipeline is King Marketing Event Kit Cybersecurity Speeches Social Media Salesforce Marketing Account Based Marketing On-Going Support Sales: Virtual Training Recap Smart Goals and Fundamentals <ul style="list-style-type: none"> • The Sales Process • Success Criteria • Leads • Ideal Customer • Lead Generation • Lead Qualification Discovery Meetings • Lead Nurture • Sales Pipeline • Opportunities MEDDIC, Pain Funnel, Discovery Meeting (ANOT) Review Estimating Pricing Networking SOI List and ZoomInfo	2337	Austin, Texas, Other Designated Location Or Virtually

<p>SDR Program</p> <ul style="list-style-type: none"> • Post SDR Discovery Meetings • Tech Assessments • Customer Lifetime Value Solutions • Sales Methodology • Solutions Building: Solutions Building Template Walkthrough • Scenario #1 Walkthrough • Scenario #2 Walkthrough • Scenario #3 Walkthrough • Proposal Writing Building MSAs/PSAs • Creating Value • Up-sell and Cross-Sell • Post-Purchase Activities • Documentation Tool Review • Scenario Roleplay <p>Next Steps</p> <p>Headshots</p> <p>Support</p> <p>Assignments</p> <p>Town Hall</p> <ul style="list-style-type: none"> • Scenario Solutions-Presentation • Graduation Celebration 		
<p>Continuing Support/Education</p> <ul style="list-style-type: none"> • Business Planning • Vision/Traction Organizer • Action Items • A Week in the Life • Financial Fundamentals • QuickBooks Online/PSA-Integration • Support Email Test • Post-Training Service Delivery-Series • ITIL • Strategy Management for IT-Services • Demand Management • Financial Management 	5 Hours/Week	Virtual Virtual

<ul style="list-style-type: none"> • Business Relationship Management • Service Portfolio <p>Continuing Education</p> <ul style="list-style-type: none"> • Office Hours • Marketing • Cybersecurity • Sales • Service Delivery • Deal Desk <p>12</p>		
<p>Continuing Support/Education</p> <ul style="list-style-type: none"> • System Wide Education • Best Practices • Special Topics • Current Events <p>Peer Group</p> <ul style="list-style-type: none"> • Metrics Tracking • Problem Solving • Best Practice Sharing • Group Support • Deal Review • Joint Strategies • Accountability <p>Business Growth</p>	<p>4 Hours/Quarter3 Hours/Month</p>	<p>Virtual Virtual</p>
<p>Additional Support</p> <ul style="list-style-type: none"> • Check-Ins • Franchise Success Program- Adoption • Masterminds 	<p>Hours Will Vary</p>	<p>Virtual</p>

*Training may be conducted at our headquarters, another location we designate or virtually, at our discretion. Please note that the content above, the delivery method, and the time commitment are subject to change based on the needs of the system and each Franchisee.

Caitlin Huber, supervises our Training Program. She has worked with us since June 2022 and has over 10 years of experience working in adult education ~~and~~. She specializes in creating, curating, and delivering content for a variety of audiences and organizations to formalize programs that improve efficiency and profitability.

Training materials include the printed Manual, visual representations used during training presentations, online tools and modules, assets and modules located on CMIT Connect, and other printed and recorded instruction materials, all of which are proprietary and confidential. (Franchise Agreement, Section 3.1)

Within 90 days of operation, you must obtain the services of an individual who satisfactorily completes any training and other requirements we periodically specify to become certified as a technician. As you

hire new employees, you must ensure that they attend and successfully complete all required training programs and receive the necessary certification. We may assess a reasonable certification fee to cover our costs of providing the certification training. (Franchise Agreement, Section 3.3)

We may require you and your personnel (including the Managing Owner and Operating Principal) to participate in mandatory training programs or other programs that we periodically specify to learn about new products or services that CMIT Solutions Businesses provide and other appropriate subjects. These programs may include Internet-based conferences, interactive and other computer-based programs, local and regional meetings, and mandatory training programs. We may vary the training requirements based upon our assessment of your competence and abilities (and those of your technicians). We may charge you a ~~nominal~~ fee to attend these programs. This includes our requirement for you to attend and pay for our annual convention. You must pay the then-current fee. We will hold these programs, including our annual convention, at locations within the United States that we periodically specify. You must pay attendance fees, the cost of transportation, food, lodging, and other personal expenses of your attendance and those of your personnel at any of these additional programs or at the annual convention. (Franchise Agreement, Section 3.4)

ITEM 12

TERRITORY

Franchise Agreement

You will operate your Business within a Territory that we and you identify when signing the Franchise Agreement. We typically define Territories using U.S. Postal Service zip codes and reserve the right to establish other criteria such as counties, maps, or rivers and roads to establish the boundaries of your Territory. Within your Territory, you and we will agree that there are a specified number of eligible businesses and/or commercial offices that meet our then current demographic formulation. Territories will contain between 3,000 and 4,500 eligible small business establishments (SBEs), and the typical Territory includes approximately 3,500 SBEs.

You must locate your Business office within the Territory and may relocate your CMIT Solutions Business office to another place within your Territory only with our consent and according to our standards. Your Business may only provide products and services to clients and customers located in the Territory, and may only advertise, market, and promote the Business to clients and customers located in the Territory, according to our System Standards and other requirements in the Manual. We may (at our option) develop policies in the Manual or elsewhere relating to providing products and services to, and advertising, marketing, and promoting the Business to, clients and customers that are located outside of your Territory and within the Business' general market area, and if we do you must comply with those policies, as we periodically modify them.

Under the Franchise Agreement, we grant you an "exclusive" Territory. "Exclusive" means that, if you are complying with the Franchise Agreement, then neither we nor our affiliates will operate, or authorize any other party to operate, a CMIT Solutions Business, the physical premises of which are located within the Territory. We (and any affiliates that we might have periodically) may engage in any activities we or they deem appropriate that the Franchise Agreement does not expressly prohibit, whenever and wherever we or they desire, including:

- (a) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions we deem appropriate, CMIT Solutions Businesses at any locations

outside the Territory, and permitting those other CMIT Solutions Businesses located outside the Territory to provide products and services to clients and customers in the Territory;

(b) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions we deem appropriate, IT services businesses or any similar or dissimilar businesses that either are not primarily identified by the Marks or do not use the System, at any locations, whether within or outside the Territory, and these businesses may provide products and services to clients and customers within or outside the Territory;

(c) all rights relating to the Marks, and all products and services associated with any of the Marks, relating to any methods of distribution, except as specifically set forth above. This includes providing, and granting rights to others to provide (except as specifically set forth above), products and services that are similar or dissimilar to, or competitive with, any products and services that CMIT Solutions Businesses provide, whether identified by the Marks or other trademarks or service marks, regardless of the method of distribution, and at any locations; and

(d) acquiring the assets or ownership interests of, or being acquired (regardless of the form of transaction) by, one or more businesses providing products and services similar or dissimilar to those that CMIT Solutions Businesses provide, and franchising, licensing or creating other arrangements for these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, whether within or outside the Territory.

You may not use other channels of distribution, such as the Internet, catalog sales, telemarketing, and other direct marketing, to solicit or accept orders from clients and customers outside of your Territory. We and our affiliates may use other channels of distribution, such as the Internet, catalog sales, telemarketing, and other direct marketing, to solicit and make sales to clients and customers in your Territory using the Marks and other trademarks without compensating you.

Under the Franchise Agreement, you have no options, rights of first refusal, or similar rights to acquire additional franchises within your Territory or contiguous territories. We may not alter your Territory or modify your territorial rights before your Franchise Agreement expires or is terminated. Continuation of your territorial rights does not depend on your achieving a certain sales volume, market penetration, or other contingency. Neither we nor our affiliates operate, franchise, or have present plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those that CMIT Solutions Businesses offer, although we and they have the right to do so.

Multi-Unit Agreement

If you sign a Multi-Unit Agreement, we and you will identify the Multi-Unit Territory when signing the Multi-Unit Agreement. The Multi-Unit Territory is the combination of the proposed Territories under all Franchise Agreements that the Multi-Unit Agreement covers. We determine the Multi-Unit Territory using the same criteria described above that we use for determining ~~for~~ Territories under the Franchise Agreement.

You may operate all of the Businesses that the Multi-Unit Agreement covers from one office located within the Multi-Unit Territory. The Multi-Unit Agreement does not grant you any right to provide products and services to clients or customers, or to advertise, market, and promote the CMIT Solutions Business to clients and customers. You must sign Franchise Agreements for, and begin operating, the CMIT Solutions Businesses that the Multi-Unit Agreement covers on or before the deadlines listed in the Schedule. If you fail to comply with the Schedule or commit any other default under the Multi-Unit

Agreement, and fail to cure that default in 30 days, then we may terminate the Multi-Unit Agreement. We also may, at our option, reduce the size of the Multi-Unit Territory and eliminate a portion of the Multi-Unit Territory for which you have not signed a franchise agreement (the “Removed Area”). If we do, then: (i) your territorial rights in the Removed Area will terminate, and we and our affiliates may operate, or authorize any other party to operate, a CMIT Solutions Business, the physical premises of which are located within the Removed Area; and (ii) we will modify the remaining Territory or Territories under the franchise agreement(s) you have not yet signed, and/or eliminate from the Schedule one or more of the Multi-Unit Businesses for which you have not yet signed a franchise agreement, and we will not refund or apply any of the Multi-Unit Fee. Your breach of or default under the Multi-Unit Agreement is also a breach or default under the previously-signed Franchise Agreement(s) that the Multi-Unit Agreement covers. Otherwise, continuation of your territorial rights under the Multi-Unit Agreement does not depend on your achieving a certain sales volume, market penetration, or other contingency, and we may not alter your Multi-Unit Territory or modify your territorial rights before your Multi-Unit Agreement expires or is terminated.


Under the Multi-Unit Agreement, we grant you an “exclusive” Multi-Unit Territory. “Exclusive” means that, if you are complying with the Multi-Unit Agreement, then neither we nor our affiliates will operate, or authorize any other party to operate, a CMIT Solutions Business the physical premises of which are located within the Multi-Unit Territory. We (and any affiliates that we might have periodically) may engage in any activities we or they deem appropriate that the Multi-Unit Agreement does not expressly prohibit, whenever and wherever we or they desire, including the activities described in paragraphs (a) through (d) above.

ITEM 13

TRADEMARKS

We (or our affiliate) own the Marks. We grant ~~to~~ you the non-exclusive right to use the Marks, as we periodically modify them, in operating your Business according to the Franchise Agreement.

We or our assignor registered certain of the following principal Marks on the Principal Register of the United States Patent and Trademark Office (the “USPTO”):

Mark	Registration Number	Registration Date
CMIT SOLUTIONS YOUR TECHNOLOGY TEAM	4414624	October 8, 2013
CMIT SOLUTIONS (logo) (Add) 	4414620	October 8, 2013
CMIT SOLUTIONS	5669518	February 5, 2019

We have filed all required affidavits. No registration renewal filings are due.

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

You may not contest or aid in contesting the validity of the Marks or our ownership of the Marks, nor take any action that might impair or prejudice our ownership of the Marks. The Franchise Agreement authorizes you to use the Marks solely in operating the Business in compliance with the Franchise Agreement and for no other purpose. You must operate and advertise your Business only under the Marks that we periodically authorize and specify, maintain and display any required signs reflecting the current image of the System, and adopt and use the Marks solely in the manner we periodically specify. Any unauthorized use of the Marks is an infringement of our rights in the Marks and an event of default under the Franchise Agreement. At our request, you must sign any assignments, affidavits, and other documents to convey to us all rights to the Marks. Any goodwill from your use of the Marks and the System will inure solely to our benefit.

We may periodically change or modify the System, including modifying existing Marks or adopting new Marks. You must, at your own expense, adopt, use and display any new or modified Marks.

You must notify us immediately of any apparent infringement of, or challenge to your use of, any of the Marks, or any person's claim of any rights in any of the Marks. You may not communicate with any person other than us and our legal counsel concerning any infringement, challenge or claim. We may take whatever action we deem appropriate (including no action) to protect the Marks and have the exclusive right to control any litigation, USPTO proceeding, or other proceeding arising from any infringement, challenge or claim or otherwise relating to any Mark. You must sign the instruments and documents, render the assistance, and do other things as our counsel believes are necessary or advisable to protect and maintain our interests in any litigation or proceeding, or otherwise to protect and maintain our interests in the Marks.

We will indemnify, defend, and hold harmless you and your related parties from and against any claims arising from any claim of infringement or unfair competition involving your use of the Marks, if that use complied with the Franchise Agreement. We may defend and control the defense of any litigation or proceeding relating to any Mark.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or patent applications are material to the franchise. We claim copyright protection and proprietary rights in the original materials used in the System, including our Manual, software, bulletins, correspondence and communications with our franchisees, training, training guides, playbooks, advertising and promotional materials, and other written and electronic materials regarding the System and the operation of CMIT Solutions Businesses. We have not registered these copyrights with the U.S. Registrar of Copyrights but need not do so at this time to protect them. You may use these materials only as we specify while operating your Business and must modify or discontinue using them as we direct.

There currently are no effective determinations of the USPTO, United States Copyright Office or any court regarding any of the copyrighted materials. No agreement limits our right to use or license the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your using the copyrighted materials. We need not protect or defend copyrights or take any action if notified of infringement, and you have no obligation to notify us of any infringement. We may take the action we deem appropriate (including no action) and exclusively control any proceeding involving the copyrights. No agreement requires us to participate in your defense or indemnify you for damages or expenses in a proceeding involving a copyright or claims arising from your use of copyrighted items.

You, your Operating Principal and any of your owners owning less than a 20% interest in you (the “Covenanting Personnel”) must keep confidential (except as reasonably necessary to operate the Business) and not use for your or their own purposes (except to operate the Business), nor supply or divulge to any person, any of our trade secrets or Proprietary Information. “Proprietary Information” includes, among other things, (a) System Standards and other information in any version of the Manual and other materials; (b) information that relates in any manner to our business or the System, that is not generally known to or readily ascertainable by others; (c) marketing research and promotional, marketing, advertising, public relations, client relationship management and other brand-related materials and programs for CMIT Solutions Businesses; (d) knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets and other products that CMIT Solutions Businesses use and/or sell; (e) knowledge of the operating results and financial performance of CMIT Solutions Businesses other than your Business; (f) client communication and retention programs, along with data used or generated in those programs, including Client Data (defined below); and (g) any other information we periodically reasonably designate as confidential or proprietary.

“Client Data” means all names, contact information, financial information, service history and other personal information of or relating to your Business’s clients, prospective clients, and vendors. During and after the Franchise Agreement term, we and our affiliates may make all disclosures and use the Client Data in our and their business activities and in any manner that we or they deem necessary or appropriate. You must secure from your vendors, clients, prospective clients and others all consents and authorizations and provide them all disclosures that applicable law requires to transmit the Client Data to us and our affiliates and for us and our affiliates to use that Client Data in the manner that the Franchise Agreement contemplates.

You must promptly disclose to us all ideas, concepts, techniques, or materials relating to a CMIT Solutions Business (collectively, “Innovations”), whether or not protectable intellectual property and whether created by or for you or your owners, employees or contractors. Innovations are our sole and exclusive property, part of the System, and works made-for-hire for us. If any Innovation does not qualify as a work made-for-hire for us, you assign ownership of that Innovation, and all related rights to that Innovation, to us and must sign (and cause your owners, employees and contractors to sign) whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the Innovation. You may not use any Innovation in operating your Business or otherwise without our prior approval.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Only you are authorized to operate the Business. You must operate the Business for the entire Franchise Agreement term and at all times faithfully, honestly, and diligently perform your obligations and fully exploit the rights granted under the Franchise Agreement. Only you, your employees and your hired representatives may conduct client interaction personally.

If you are an individual, you must participate personally in the direct operation of the Business. If you are an entity, an individual whom we approve (the “Managing Owner”) must at all times during the Franchise Agreement term: (1) own more than 50% of the ownership interests in you; (2) have the authority under your governing documents to authorize a merger, liquidation, dissolution or transfer of substantially all of your assets and otherwise to direct and control your management and policies without the vote or consent of any other person or entity; and (3) devote sufficient time and attention to the operation of, and to promote and enhance, your Business.

You ~~also~~ must also designate an individual whom we approve (the “Operating Principal”) to serve as the Business’s manager who will devote all of his or her business time and attention to, and participate personally in, the management and operation of the Business. The Operating Principal need not have any ownership interest in the Business or in you, but must have the authority over all day-to-day business decisions for you and the Business. The Managing Owner and Operating Principal must complete our Training Program. Your Managing Owner may also be the Operating Principal. If the Operating Principal no longer serves in that capacity for any reason, then you must designate a replacement Operating Principal whom we approve, and ensure that the new Operating Principal satisfactorily completes the training that we then require, within 60 days; the replacement Managing Owner and/or Operating Principal are not permitted to operate the business, sell on behalf of the entity, or perform in any official capacity until they have completed our Training Program.

The Managing Owner and each owner who owns 20% or more of the ownership interests in you must sign a guaranty promising to be personally bound, jointly and severally, by all of Franchise Agreement’s provisions and any ancillary agreements between you and us, including the confidentiality and non-compete restrictions. The Operating Principal and each owner who owns less than 20% of the ownership interests in you must sign the Covenanting Personnel Joinder Agreement promising to be personally bound by the confidentiality, non-compete, and transfer restrictions in the Franchise Agreement.

All of your employees, officers, agents, directors and owners who may obtain, or are likely to obtain, knowledge concerning the Proprietary Information (and who are not Covenanting Personnel) must sign an agreement in a form we provide binding that person to preserve the confidentiality of the Proprietary Information. You must file a duplicate original of each confidentiality agreement with us.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Your Business must offer for sale all onsite information technology solutions, customized training and computer support services, and other services that we periodically specify (collectively, the “Services”) and products that we periodically specify, and you must do so only in the manner and style that we periodically specify, including the method and location of delivery. You must offer all products and

Services that we periodically specify as being mandatory. You may not offer, sell, or otherwise provide any products or services that we have not authorized. You must discontinue offering, selling, or otherwise providing any products or Services that we disapprove. We may periodically change the types of goods and services for your Business and there are no limits on our right to make changes.

Your Business may only provide products and services to clients and customers located in the Territory, and may only advertise, market and promote the Business to clients and customers located in the Territory. We may (at our option) develop policies in the Manual or elsewhere relating to providing products and services to, and advertising, marketing and promoting the Business to, clients and customers that are located outside of your Territory and within the Business' general market area, and if we do you must comply with those policies, as we periodically modify them.

We may require you and your employees to be certified or re-certified to offer some Services. We will base our certification and re-certification upon our assessment of your and their competence and abilities regarding these services. We may require you and your employees to successfully complete our training programs or seminars in order to become certified or re-certified.

Our System Standards may regulate, and periodically specify, maximum, minimum, or other pricing requirements for products and services that the Business offers, including requirements for promotions, special offers and discounts in which some or all CMIT Solutions Businesses participate, to the maximum extent the law allows.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Article or Section in Franchise Agreement (FA)/Multi-Unit Agreement (MA)	Summary
(a) Length of the franchise term	FA Section 1.2 / MA Section 9	Franchise Agreement expires 10 years after the Effective Date, unless this date is modified by a Multi-Unit Agreement covers that Franchise Agreement, in which case it expires when the first Franchise Agreement under that Multi Unit Agreement expires. Multi Unit Agreement expires upon the expiration or termination, of the Franchise Agreement for the last remaining unit identified in the Schedule (applicable to new Franchisees) or a Multi-Unit Addendum (applicable to existing Franchisees)
(b) Renewal or extension of the	FA Section 12	Under the Franchise Agreement, if you are not in default and you satisfy

Provision	Article or Section in Franchise Agreement (FA)/Multi-Unit Agreement (MA)	Summary
term		certain conditions, you may have the right to renew for an additional 10 year term after the expiration of the initial term.
(c) Requirements for franchisee to renew or extend	FA Section 12	<p>“Renewal” under the Franchise Agreement means signing our then-current<u>then-current</u> franchise agreement, which could contain materially different terms and conditions than your previous agreement.</p> <p>Under the Franchise Agreement, you must sign the then current franchise agreement, which may contain materially different terms and conditions than your previous agreement; be in compliance with your existing agreement; have substantially complied with the Franchise Agreement throughout the term; pay a renewal fee; sign a release; not owe any outstanding debts to any suppliers, vendors, or government entities; not be under investigation for illegal activity by any government entity; have the existing right to maintain possession of the premises of your Business for a term co-extensive with the renewal term, or secure and develop suitable substitute premises approved by us; possess equipment, supplies, and materials that meet our then existing standards or replace or refurbish such items to comply with our standards; and comply with our then current qualification, training, and re-certification requirements.</p>
(d) Termination by franchisee	Not applicable	You have no right to terminate the Franchise Agreement except as applicable law allows.
(e) Termination by franchisor without cause	Not applicable	We may not terminate the Franchise Agreement or Multi-Unit Agreement without cause.
(f) Termination by franchisor with	FA Sections 13.1, 13.2, 13.3, and 13.4 / MA Sections 9 and 10	We can terminate only if you default. If we terminate any franchise

Provision	Article or Section in Franchise Agreement (FA)/Multi-Unit Agreement (MA)	Summary
cause		agreement, we may terminate the Multi-Unit Agreement and vice versa.
(g) “Cause” defined – curable defaults	FA Section 13.3 / MA Section 10	Under the Franchise Agreement, you have 30 days to cure non-payment of fees and any other default not listed in Sections 13.1 and 13.2. The Multi-Unit Agreement gives you 30 days to cure a failure to comply with the obligations under the Schedule or any other obligation under the Multi-Unit Agreement.
(h) “Cause” defined – non-curable defaults	FA Sections 13.1, 13.2 and 13.4 / MA Section 10	<p>Non-curable defaults under the Franchise Agreement include bankruptcy, insolvency, and similar events; conviction of felony or crime involving moral turpitude; engaging in conduct that adversely affects the Business’s reputation, our reputation, or the goodwill associated with the Marks; repeated defaults, even if cured; abandonment; misuse of any Mark; breach of confidentiality or non-competition covenants; breach of the Multi-Unit Agreement; material misrepresentation by you or your Owners; failure to complete the Training Program; failure to maintain insurance; interference with our right to inspect or audit your Business; termination of any other franchise agreement or other agreement between us and you before its term expires; violation of any law, ordinance, or regulation in the operation of your Business or operation of your Business in an unsafe manner; failure to pay taxes; and unapproved transfers.</p> <p>Non-curable defaults under the Multi-Unit Agreement include default under any franchise agreements signed pursuant to the Multi-Unit Agreement.</p>
(i) Franchisee’s obligations on termination/non-re	FA Section 13.5	Obligations include complete de-identification and payment of amounts owed under the Franchise

Provision	Article or Section in Franchise Agreement (FA)/Multi-Unit Agreement (MA)	Summary
newal		Agreement; cessation of Mark use; cessation of advertising; cessation of use of any benefits of the System or any methods associated with the Marks or the System (including the Manual); transfer telephone numbers; transfer clients; cancel all fictitious or assumed names relating to your use of any Mark; maintain records; return all Client Data, Manual, and other Proprietary Information to us; cease using any Client Data and other Proprietary Information; and provide us with evidence of compliance with these obligations within 30 days (also refer to paragraph r, below).
(j) Assignment of Agreement by franchisor	FA Section 11.1 / MA Section 11	We may assign agreements and change our ownership or form without restriction.
(k) "Transfer" by franchisee – defined	FA Section 11.2	Includes transfer of any direct or indirect interest in the Franchise Agreement, your Business, the Operating Assets, or any ownership interest in you (if you are Entity).
(l) Franchisor approval of transfer by franchisee	FA Section 11.2 / MA Section 11	No transfers under the Franchise Agreement or Multi-Unit Agreement without our approval, but we will not unreasonably withhold approval.
(m) Conditions for franchisor approval of transfer	FA Section 11.2	New franchisee qualifies; no existing defaults; pay transfer fee; new franchisee completes the Training Program; sign release; sign then-current franchise agreement or agree to be bound by original franchise agreement; terms and conditions of proposed transfer will not adversely affect operations of the Business; complete the re-sale checklist and provide us with all information and/or materials required for transfer; you and your officers, directors, agents, employees, and Owners affirm covenant not to compete, transferee's obligations to your Business are subordinated to the transferee's obligations to us.
(n) Franchisor's right	FA Section 11.3	We have the right to match any offer

Provision	Article or Section in Franchise Agreement (FA)/Multi-Unit Agreement (MA)	Summary
of first refusal to acquire franchisee's business		for your CMIT Solutions Business.
(o) Franchisor's option to purchase franchisee's business	N/A	N/A
(p) Death or disability of franchisee	FA Section 11.5	Franchise must be assigned to an approved buyer within 180 days
(q) Non-competition covenants during the term of the franchise	FA Section 8.10	No owning interest in, providing services for, loaning or leasing to, or diverting business or clients to a competitive business.
(r) Non-competition covenants after the franchise is terminated or expires	FA Section 13.5	For 2 years, neither you, nor your Operating Principal, nor any Owner holding (directly or indirectly) 20% or more of the Ownership Interests in you may: (i) have any direct or indirect, Ownership Interest in a Competitive Business located or operating, or otherwise providing products or services to clients located in (a) the Territory; (b) any area that is within 10 miles of the border of the Territory, or (c) the territory in which any other CMIT Solutions Business is then located or operating (collectively, the "Restricted Area"), provided that this restriction will not apply to the ownership of shares of a class of securities which are publicly traded on a United States stock exchange representing less than 3% of the number of shares of that class issued and outstanding; or (ii) perform services as a director, officer, manager, teacher, employee, consultant, representative or agent for a Competitive Business located or operating, or otherwise providing products or services to clients located in, any Restricted Area
(s) Modification of the agreement	FA Sections 15.2 and 15.11 / MA Section 12	The Manual, System, and System Standards are subject to change. Otherwise no modifications unless in writing and signed by both parties.

Provision	Article or Section in Franchise Agreement (FA)/Multi-Unit Agreement (MA)	Summary
(t) Integration/merger clause	FA Section 15.13 / MA Section 12	Only the terms of the agreements are binding (subject to state law). Any representations or promises made outside of this Franchise Disclosure Document and the agreements may not be enforceable. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim representations made in this Franchise Disclosure Document.
(u) Dispute resolution by arbitration or mediation	FA Section 15.6 / MA Section 12	We and you must arbitrate all disputes within 10 miles of our then current principal business address (currently Austin, Texas) (subject to state law).
(v) Choice of forum	FA Section 15.7 / MA Section 12	Subject to arbitration obligations, litigation must be in the state and in (or closest to) the city of our then current principal business address (currently Austin, Texas) (subject to state law).
(w) Choice of law	FA Section 15.1 / MA Section 12	Except for Federal Arbitration Act and other federal law, Texas law applies to all claims (subject to state law).

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or ~~franchisor-owned~~ 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.

Part I: Gross Revenues for Company-Owned and Certain Franchised Outlets

Part I of this financial performance representation includes gross revenues for certain outlets for the

year ending December 31, 2023. Tables 1(a) – 1(b) of this financial performance representation include gross revenues for outlets owned and operated by our affiliate and certain franchised outlets open for 24 months or more for the year ending December 31, ~~2023~~2024. Outlets of our affiliate are referred to as “company-owned” outlets and the affiliate is referred to as the “Company Outlets” within this Item 19. The Company Outlets were acquired from franchisees and are subject to the same fee structure and payment terms as franchisees. These outlets operate in multiple, non-contiguous markets and generate higher revenues due to their size, operational maturity, and other efficiencies. Tables 1(c) – 1(~~ed~~) include gross revenues for franchised outlets only. All information in Part I is broken out by the number of outlets owned by the reporting franchisee. The Company ~~operates three~~Outlets operate two or more company-owned outlets.

Table 1 – ~~2023~~2024 Gross Revenues

Table 1(a) – Gross Revenues of Company Outlets and Franchisees with ~~Three or More~~Multiple Outlets in ~~2023~~2024

Number of Franchisees included with Company	Average Gross Revenue	Median Gross Revenue	#/% Exceeding Average Gross Revenue	Highest Gross Revenue	Lowest Gross Revenue
25 57	\$2,328,725 1,754,848	\$1,587,818 1,063,373	621/24 37%	\$15,328,601 18,224,009	\$237,087 82,298

Table 1(b) – Gross Revenues of Company Outlets in ~~2023~~2024

Gross Revenue	\$15,328,601 18,224,009
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Table 1(c) – Gross Revenues for Franchisees with ~~Three or More~~Multiple Outlets in ~~2023~~2024

Number of Franchisees	Average Gross Revenue	Median Gross Revenue	#/% Exceeding Average Gross Revenue	Highest Gross Revenue	Lowest Gross Revenue
24 56	\$1,787,064 1,460,756	\$1,560,829 1,060,911	919/38 34 %	\$7,332,218 8,735,505	\$237,807 82,298

~~Table 1(d) – Gross Revenues of Franchisees with Two Outlets in 2023~~

Number of Franchisees	Average Gross Revenue	Median Gross Revenue	#/% Exceeding Average Gross Revenue	Highest Gross Revenue	Lowest Gross Revenue
26	\$927,858	\$746,831	12/46%	\$2,612,450	\$71,945

Table 1(~~ed~~) – Gross Revenues for Franchisees with One Outlet in ~~2023~~2024

Number of Franchisees	Average Gross Revenue	Median Gross Revenue	#/% Exceeding Average Gross	Highest Gross	Lowest Gross Revenue
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			Revenue	Revenue	
80 79	\$ 444,973 487,310	\$ 245,217 288,773	25 21/31 26 %	\$ 2,687,931 2,968,258	\$ 7,860 17,400

Notes to Table 1

1. “Gross Revenue” is defined as all revenue from all services that a Franchisee (and the Company as applicable) derives from operating all of its CMIT Solutions Businesses, and includes consulting services, project work, managed services, cloud services, technical support, break/fix services, training, and other technical services whether one-time or recurring, and commissions paid by alliance partners and revenue from hardware or software sales. Gross Revenue is broader than GPS Revenue. Prospective franchisees and sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his or her opinion concerning their contents or form.

Part II: Gross Margins for Company-Owned and Certain Franchised Outlets

Part II of this financial performance representation includes gross margins for the year ending December 31, ~~2023~~2024. Tables 2(a) – 2(b) of this financial performance representation include gross margins of company-owned outlets and certain franchised outlets open for 24 months or more for the year ending December 31, ~~2023~~2024. Tables 2(c) – 2(~~ed~~) include gross margins ~~of~~for franchised outlets only. All information in Part II is broken out by the number of outlets owned by the reporting franchisee. The Company ~~operates three~~Outlets operate two or more company-owned outlets.

Table 2 – Gross Margin

Table 2(a) – Gross Margins of Company Outlets and Franchisees with ~~Three or More~~Multiple Outlets in ~~2023~~2024

Category	Number of Franchisees included with Company	Average Gross Margin as a %	Median Gross Margin as a %	#/% Exceeding Median
Gross Margin (Managed Service)	25 57	74%	72 73%	12 30/48 65 %
Gross Margin (Hardware/Software Sales)	25 57	23 27%	26 24%	12 25/48 44 %

Table 2(b) – Gross Margins of Company Outlets in ~~2023~~2024

Category	Gross Margin as a %
Gross Margin (Managed Service)	72 80%
Gross Margin (Hardware/Software)	24 18%

Sales)	
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Table 2(c) – Gross Margins for Franchisees with ~~Three or More~~ Multiple Outlets in ~~2023~~ 2024

Category	Number of Franchisees	Average Gross Margin as a %	Median Gross Margin as a %	#/% Exceeding Median
Gross Margin (Managed Service)	24 <u>56</u>	75 <u>73</u> %	71 <u>73</u> %	12 <u>29</u> / 50 <u>52</u> %
Gross Margin (Hardware/Software Sales)	24 <u>56</u>	23 <u>29</u> %	27 <u>25</u> %	12 <u>25</u> / 50 <u>45</u> %

Table 2(d) – Gross Margins for Franchisees with ~~Two Outlets in 2023~~

Category	Number of Franchisees	Average Gross Margin as a %	Median Gross Margin as a %	#/% Exceeding Median
Gross Margin (Managed Service)	26	70 %	70 %	12 / 46 %
Gross Margin (Hardware/Software Sales)	26	27 %	29 %	13 / 50 %

~~Table 2(e) – Gross Margins for Franchisees with One Outlet in~~ 20232024

Category	Number of Franchisees	Average Gross Margin as a % of Gross Revenue	Median Gross Margin as a % of Gross Revenue	#/% Exceeding Median
Gross Margin (Managed Service)	80 <u>79</u>	77 <u>75</u> %	73 <u>72</u> %	39 <u>46</u> / 49 <u>58</u> %
Gross Margin (Hardware/Software Sales)	80 <u>79</u>	29 <u>26</u> %	20 <u>24</u> %	39 <u>29</u> / 49 <u>36</u> %

Notes to Table 2

1. Gross Margin = (Total Sales - Cost of Goods Sold) / Total Sales.
2. Gross Margin (Managed Service) = (Total Managed Service Revenue - Total Managed Cost of Goods Sold) / Total Managed Service Revenue.
3. Gross Margin (Hardware/Software Sales) = (Total Hardware and Software Sales - Total Cost of Goods Sold for Both Hardware and Software acquired for resale) / Total Hardware and Software Sales.

Table 3 – Technician Costs

Table 3(a) – Technician Cost for Company Outlets and Franchisees with ~~Three or More~~ Multiple Outlets in ~~2023~~ 2024

Number of Franchisees included with Company	Average Technician Cost as % of Managed/Professional Services Revenue	Median Technician Cost as % of Managed/Professional Services Revenue	#/% Exceeding Median
25 <u>57</u>	37 <u>34</u> %	34 <u>28</u> %	12 <u>28</u> / 48 <u>49</u> %

Table 3(b) – Technician Cost for Company ~~for~~ Outlets in ~~2023~~ 2024

Technician Cost as a % of Managed/Professional Services Revenue	28 <u>29</u> %
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Table 3(c) – Technician Cost for Franchisees with ~~Three or More~~ Multiple Outlets in ~~2023~~ 2024

Number of Franchisees	Average Technician Cost as % of Managed/Professional Services Revenue	Median Technician Cost as a %	#/% Exceeding Median
24 <u>56</u>	41 <u>35</u> %	34 <u>28</u> %	11 <u>28</u> / 46 <u>50</u> %

Table 3(~~e~~) – Technician Cost for Franchisees with ~~Two Outlets in 2023~~ One Outlet in 2024

Number of Franchisees	Average Technician Cost as % of Managed/Professional Services Revenue	Median Technician Cost as a %	#/% Exceeding Median
26	31 %	28 %	13 / 50 %

~~Table 3(e) – Technician Cost for Franchisees with One Outlet in 2023~~

Number of Franchisees	Average Technician Cost as % of Managed/Professional Services Revenue	Median Technician Cost as a % of Managed/Professional Services Revenue	#/% Exceeding Median
80 <u>79</u>	28%	22%	40 <u>39</u> / 50 <u>49</u> %

Notes to Table 3

1. Technician Cost = Cost of Technician Labor / (Total Revenue for Managed Services Sales + Professional Service Sales).

Additional Notes:

1. As of December 31, ~~2023~~ 2024, we had ~~166~~ 168 franchisees who operated ~~263~~ 272 CMIT Solutions Businesses (including one unit operating in Canada, which is not included in this financial performance representation). Of those franchisees and businesses, ~~130~~ 136 franchisees, ~~who~~ operated

a total of ~~210~~232 outlets, ~~had operated~~ for at least 24 months as of December 31, ~~2023~~2024.

2. For purposes of this Item, an “outlet” is defined as one territory, and the definition of “Franchisees with Multiple Outlets” includes any Franchisee operating in two or more outlets; a Single-Unit Franchisee refers to Franchisees operating a single outlet. The number of SBEs within a single outlet may vary depending on the territory size awarded to the Franchisee, and the number of qualifying SBEs in each territory.
23. This financial performance representation covers the Gross Revenue and certain Gross Margins for the period of January 1, ~~2023~~2024 – December 31, ~~2023~~2024, for the ~~130~~136 franchisees who operated their outlets, and who reported their Gross Revenue to us for at least 10 months in ~~2023~~2024.
34. These franchisees operated a total of ~~210~~232 outlets. This financial performance representation does not include the results of the ~~35~~30 franchisees (operating a total of ~~45~~40 outlets) that were operating for less than 24 months as of December 31, ~~2023~~2024, ~~or who did not report at least 10 months of Gross Revenue to us. It also does not include the 5 franchisees (operating a total of 8 outlets) that closed in 2023 (none of which closed after being open less than 12 months), or who were not operating their franchised business full-time because of health or other personal reasons.~~
- ~~4. This financial performance representation does include 27 franchisees, operating a total of 47 outlets, who reported Gross Revenue for at least 10 months, but less than 12 months. We only reflect in this financial performance representation the Gross Revenue that these franchisees actually reported to us, and did not impute or assume any revenue for the missing months, even though we believe that these franchisees actually did generate revenue during those missing months.~~
5. We did not have any franchisees who reported Gross Revenue for at last 10 months but less than 12 months.
56. The franchisees included in this financial performance representation operate in various markets across the country. The average length of time that these franchisees had operated under the System as of December 31, ~~2023~~2024, was ~~8.6~~9.3 years.

Part III: Gross Revenue Breakdown Examples

To provide further detail on and substantiation of this financial performance representation, we’ve provided a breakdown of the sources of Gross Revenue of three ~~franchisee’s~~franchisees during the relevant year. The following table shows the sources of Gross Revenue figures for the franchisees. Other franchisees have different breakdowns of Gross Revenue sources. This detail is intended ~~simply~~solely to illustrate the sources of Gross Revenue in ~~three~~ different franchisees based on units owned.

20232024 Gross Revenue Breakdown Examples

Examples	# of <u>Businesses</u><u>Outlets</u> / Territories Operated	Managed Services	Professional Services	Hardware and Software	Other	Total <u>2023</u><u>2024</u> Gross Revenue
Three or More Units	3	\$1,094,330 <u>1,684,646</u>	\$439,852 <u>438,663</u>	\$554,101 <u>995,178</u>	\$47,934 <u>33,662</u>	\$2,136,217 <u>3,152,149</u>
		51 <u>53.4</u> %	21 <u>13.9</u> %	26 <u>31.6</u> %	21.1 <u>1.1</u> %	100 <u>100.0</u> %
Two Units	2	\$1,074,962 <u>1,314,105</u>	\$314,105 <u>333,554</u>	\$520,093 <u>554,339</u>	\$26,433 <u>39,320</u>	\$1,935,593 <u>2,081,220</u>

		<u>149,541</u>	<u>,019</u>	<u>,819</u>	<u>58</u>	<u>76,737</u>
		56 <u>55.4</u> %	16 <u>16.0</u> %	27 <u>26.7</u> %	1 <u>1.9</u> %	100 <u>100.0</u> %
One Unit	1	\$ 342,183 <u>589</u>	\$ 77,981 <u>126,623</u>	\$ 321,713 <u>435,273</u>	\$ 95,696 <u>41,481</u>	\$ 837,573 <u>1,193,093</u>
		41 <u>49.44</u> 1%	9 <u>10.6</u> %	39 <u>36.5</u> %	11 <u>3.5</u> %	100 <u>100.0</u> %

Upon your reasonable request, we will provide written substantiation for these financial performance representations.

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make these 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 our management by contacting Lisa Montanio at 9433 Bee Caves Rd, Bldg. 3, Ste. 210, Austin, TX 78733, telephone number (800) 710-2648, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

All numbers appearing in Tables 1 through 5 below are as of December 31 in each year. References to "outlets" in this Item mean individual CMIT Solutions Businesses, as represented by separate territories. Several franchisees have more than one CMIT Solutions Business or territory. As of December 31, ~~2023~~2024 there were ~~164~~168 individual franchisees operating ~~255~~272 CMIT Solutions Businesses/territories.

Table No. 1
System-wide Outlet Summary
For Years ~~2021~~2022 to ~~2023~~2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2021	241	251	+10
<u>Franchised Outlets</u>	2022	251	252	+1
	2023	252	255	+3
Company-Owned	2021 <u>2024</u>	0 <u>255</u>	0 <u>272</u>	0 <u>+17</u>
<u>Company-Owned</u>	2022	0	0	0
	2023	0	6	+6
Total Outlets	2021 <u>2024</u>	241 <u>6</u>	251 <u>6</u>	+10
<u>Total Outlets</u>	2022	251	252	+1
	2023	252	261	+9
	<u>2024</u>	<u>261</u>	<u>278</u>	<u>+17</u>

Table No. 2
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)

For Years ~~2021~~2022 to ~~2023~~2024

State	Year	Number of Transfers
California <u>Arizona</u>	2021 <u>2022</u>	+0
	<u>2023</u>	<u>0</u>
	<u>2024</u>	<u>1</u>
<u>California</u>	2022	0
	2023	0
Georgia	2021 <u>2024</u>	0
<u>Georgia</u>	2022	3
	2023	0
Illinois	2021 <u>2024</u>	0 <u>2</u>
<u>Illinois</u>	2022	3
	<u>2023</u>	<u>0</u>
	2023 <u>2024</u>	0
<u>Maryland</u>	<u>2022</u>	<u>0</u>
Minnesota	2021 <u>2023</u>	0
	<u>2024</u>	<u>1</u>
<u>Minnesota</u>	2022	1
	2023	0
Missouri	2021 <u>2024</u>	0
<u>Missouri</u>	2022	2
	2023	0
New Jersey	2021 <u>2024</u>	+0
<u>New Jersey</u>	2022	2
	2023	0
New York	2021 <u>2024</u>	+0
<u>New York</u>	2022	2
	2023	0
North Carolina	2021 <u>2024</u>	0 <u>1</u>
<u>North Carolina</u>	2022	0
	2023	1
Ohio	2021 <u>2024</u>	0
<u>Ohio</u>	2022	0
	2023	1
Oregon	2021 <u>2024</u>	0 <u>2</u>
<u>Oregon</u>	2022	1
	2023	0
Pennsylvania	2021 <u>2024</u>	+0
<u>Pennsylvania</u>	2022	0
	2023	0
Texas	2021 <u>2024</u>	2 <u>1</u>
<u>Texas</u>	2022	1
	2023	0
TOTALS	2021 <u>2024</u>	6 <u>3</u>
<u>TOTALS</u>	2022	15
	2023	2
	<u>2024</u>	<u>11</u>

Table No. 3
Status of Franchised Outlets
For Years ~~2021~~2022 to ~~2023~~2024 (1) (2)

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Alabama	2021	0	2	0	0	0	0	2
Alabama	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Arizona	2021 2024	6 2	0	0	0	0	0	6 2
Arizona	2022	6	2	0	0	0	0	8
	2023	8	0	0	0	0	0	8
California	2021 2024	1 28	5 0	0	0	0	0	1 78
California	2022	17	0	0	0	0	0	17
	2023	17	4	2	1	1	0	17
Colorado	2021 2024	5 17	1 4	0	0	0	0	6 21
Colorado	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Connecticut	2021 2024	5 6	0	0	0	0	0	5 6
Connecticut	2022	5	0	0	0	0	0	5
	2023	5	0	0	1	0	0	4
Florida	2021 2024	8 4	1 0	0	0	0	0	9 4
Florida	2022	9	0	0	1	0	0	8
	2023	8	0	0	0	0	0	8
Georgia	2021 2024	1 58	0 4	0	0	0	0	1 512
Georgia	2022	15	0	0	0	0	0	15
	2023	15	0	0	0	0	0	15
Idaho	2021 2024	2 15	0 1	0	0	0	0	2 16
Idaho	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Illinois	2021 2024	1 12	0 1	0	0	0	0	1 13
Illinois	2022	11	1	0	0	0	0	12
	2023	12	0	0	0	0	0	12
Indiana	2021 2024	1 12	0 1	0 2	0	0	0	1 11
Indiana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Iowa	2021 2024	1	0	0	0	0	0	1
Iowa	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kansas	2021 2024	1	0	0	0	0	0	1
Kansas	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kentucky	2021 2024	1	0	0	0	0	0	1
Kentucky	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Louisiana	2021 2024	1	0	0	0	0	0	1
Louisiana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Maryland	2021 2024	7 1	0	0	0	0	0	7 1
Maryland	2022	7	0	0	0	0	0	7
	2023	7	3	0	0	0	0	10
Massachusetts	2021 2024	7 10	0 1	1 0	0	0	0	6 11
Massachusetts	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Michigan	2021 2024	7 6	0	0	0	0	0	7 6
Michigan	2022	7	0	0	0	0	2	5
	2023	5	0	0	0	0	0	5

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Minnesota	2021 2024	5	0	0	0	0 2	0	5 3
Minnesota	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Missouri	2021 2024	6 5	0	0	0	0	0	6 5
Missouri	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Nebraska	2021 2024	1 6	0	0	0	0	0	1 6
Nebraska	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nevada	2021 2024	2 1	0	0	0	0	0	2 1
Nevada	2022	2	0	2	0	0	0	0
	2023	0	0	0	0	0	0	0
New Jersey	2021 2024	14 0	0 3	0	0	0	0	14 3
New Jersey	2022	14	0	0	0	0	0	14
	2023	14	1	0	2	0	0	13
New York	2021 2024	22 13	1 0	2 0	0	0	0	21 13
New York	2022	21	1	0	2	0	0	20
	2023	20	0	0	1	0	0	19
North Carolina	2021 2024	11 19	0 1	0	0	0	0	11 20
North Carolina	2022	11	0	0	0	0	0	11
	2023	11	0	0	0	0	0	11
Ohio	2021 2024	15 11	2 1	0	0	0	0	15 12
Ohio	2022	15	2	0	0	0	0	17
	2023	17	0	0	0	0	0	17
Oklahoma	2021 2024	1 17	0	0	0	0	0	1 17
Oklahoma	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Oregon	2021 2024	3 1	0	0	0	0	0	3 1
Oregon	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	3	0	0
Pennsylvania	2021 2024	13 0	0	1 0	0	0	0	13 0
Pennsylvania	2022	13	0	0	0	0	0	13
	2023	13	0	0	0	0	0	13
Rhode Island	2021 2024	2 13	0 3	0	0	0	0	2 16
Rhode Island	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	2	0	0
South Carolina	2021 2024	4 0	0	0	0	0	0	4 0
South Carolina	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
South Dakota	2021 2024	1 4	0	0	0	0	0	1 4
South Dakota	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Tennessee	2021 2024	1 1	0	2 0	0	0	0	1 1
Tennessee	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021 2024	25 1	1 0	0	0	0	0	26 1
Texas	2022	26	2	0	0	0	0	28
	2023	28	6 7	0	0	0	0	34 35
Utah	2021 2024	0 35	1 4	0	0	0 2	0	1 37
Utah	2022	1	2	0	0	0	0	3
	2023	3	1	0	0	0	0	4
Virginia	2021 2024	6 4	0	0 1	0	0	0	6 3
Virginia	2022	6	1	0	0	0	1	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2023	6	2	0	0	0	0	8
Washington	2021 2024	11 8	0	0	0	0	0	11 8
<u>Washington</u>	2022	11	0	1	0	0	0	10
	2023	10	0	0	0	0	0	10
Washington, D.C.	2021 2024	3 10	0	0	0	0	0	3 10
<u>Washington, D.C.</u>	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Wisconsin	2021 2024	2 3	1 0	0	0	0	0	3
<u>Wisconsin</u>	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	1	2
Wyoming	2021 2024	1 2	0	0	0	0	0	1 2
<u>Wyoming</u>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
USA Total	2021 2024	24 01	1 60	6 0	0	0	0	25 01
<u>USA Total</u>	2022	250	10	3	3	0	3	251
	2023	251	17	2	5	6	1	254 255
Canada	2021 2024	1 255	0 24	0 3	0	0 4	0	1 271
<u>Canada</u>	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Total	2021 2024	24 11	1 60	6 0	0	0	0	25 11
<u>Total</u>	2022	251	10	3	3	0	3	252
	2023	252	17	2	5	6	1	255 256
	2024	256	24	3	0	4	0	273

Notes:

(1) In 2022, a franchisee operating a franchised business consisting of one territory, relocated his franchised business from Virginia to Utah. This relocation was counted as an outlet that ceased operations in Virginia in 2022 and a new outlet opened in Utah in 2022.

(2) Six territories were acquired by our affiliate from two franchisees in 2023. We refer to these as “company-owned” outlets in this Item 20.

Table No. 4
Status of Company-Owned Outlets
For Years ~~2021~~2022 to ~~2023~~2024

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
All States	2021	0	0	0	0	0	0
<u>All States</u>	2022	0	0	0	0	0	0
	2023	0	0	6	0	0	6
Totals	2021 2024	0 6	0	0	0	0	0 6
<u>Totals</u>	2022	0	0	0	0	0	0
	2023	0	0	6	0	0	6
	2024	6	0	0	0	0	6

Table No. 5
Projected Openings as of December 31, ~~2023~~2024

State	Franchise Agreements Signed But Outlet Not	Projected New Franchised Outlets in the	Projected New Company-Owned Outlets
-------	--	---	-------------------------------------

	Opened	Next Fiscal Year (2024 2025)	in the Next Fiscal Year (2024 2025)
California	0	2	0
Florida	4 0	2	0
Illinois Georgia	0	4 2	0
Maryland Illinois	0	4 2	0
New York	0	2	0
North Carolina Oregon	0	2 0	0 1
Tennessee	0	2	0
Texas	0	2 1	0
Virginia	0	1	0
Totals Washington	4 0	4 51	0
Totals	0	15	1

Exhibit D lists the names of all of our franchisees and the addresses and telephone numbers of their CMIT Solutions Businesses as of December 31, ~~2023~~2024. Exhibit D also lists the name, city and state, and business telephone number (or, if unknown, the last known home telephone number) of the franchisees who had an outlet terminated, cancelled, not renewed, transferred, or otherwise voluntarily or involuntary ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. We have signed confidentiality clauses with franchisees in the past 3 years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the CMIT Solutions Business network. 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.

There are no trademark-specific franchisee organizations associated with the CMIT Solutions Business franchise network.

ITEM 21

FINANCIAL STATEMENTS

Exhibit B contains the audited opening balance sheet of our parent company, Encore TopCo, LLC and its subsidiaries (including us), as of December 27, 2022, the consolidated financial statements of our parent company, Encore TopCo, LLC and its subsidiaries (including us) for the period of December 27, 2022 (inception) to December 31, 2022~~and~~, as of December 31, 2022, and the consolidated financial statements of our parent company, Encore TopCo, LLC and its subsidiaries (including us) for the period January 1, 2023 to December 31, 2023~~and~~, as of December 31, 2023, and the consolidated financial statements of our parent company, Encore TopCo, LLC and its subsidiaries (including us) for the period of January 1, 2024 to December 31, 2024, as of December 31, 2024.

Encore TopCo, LLC absolutely and unconditionally guarantees the performance of all of our obligations under any fully executed franchise agreement and related agreements referred to in this disclosure document. Encore TopCo, LLC's guarantee of performance is attached to this disclosure document as Exhibit B-1.

ITEM 22

CONTRACTS

The following agreements are Exhibits to this disclosure document:

1. Multi-Unit Agreement (Exhibit E)
2. Franchise Agreement (Exhibit F)
3. General Release Form (Exhibit G)

ITEM 23

RECEIPTS

Our and your copies of the Franchise Disclosure Document Receipt are the last pages of this disclosure document.



EXHIBIT A

LISTS OF STATE AGENCIES AND ADMINISTRATORS, AND AGENTS FOR SERVICE OF PROCESS

**STATE AGENCIES/AGENTS
FOR SERVICE OF PROCESS**

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

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

CALIFORNIA

Commissioner of the Department
of Financial Protection and Innovation
Toll Free: 1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

1201 Arena Blvd.
Sacramento, CA 95834
(916) 445-7205

San Diego

1350 Front Street, Rm. 2034
San Diego, California 92101-3697
(619) 525-4233

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94105-2980
(415) 972-8559

HAWAII

(for service of process)

Commissioner of Securities
Department of Commerce

and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(for service of process)

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

(state agency)

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

MARYLAND

(for service of process)

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

(state agency)

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

MICHIGAN

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 373-7117

MINNESOTA

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

NEW YORK

(for service of process)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

(Administrator)

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

NORTH DAKOTA

(for service of process)

Securities Commissioner
North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-4712

(state agency)

North Dakota Securities Department
600 East Boulevard Avenue, Suite 414
Bismarck, North Dakota 58505
(701) 328-2910

OREGON

Oregon Division of Financial Regulation
350 Winter Street NE, Suite 410
Salem, Oregon 97301
(503) 378-4140

RHODE ISLAND

Securities Division
Department of Business Regulations
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, Rhode Island 02920
(401) 462-9500

SOUTH DAKOTA

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

VIRGINIA

(for service of process)

Clerk, State Corporation Commission
1300 East Main Street
First Floor
Richmond, Virginia 23219
(804) 371-9733

(for other matters)

State Corporation Commission

Division of Securities and Retail Franchising
Tyler Building, 9th Floor
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

WASHINGTON

(for service of process)

Director Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501
(360) 902-8760

(for other matters)

Department of Financial Institutions
Securities Division
P. O. Box ~~9033~~[41200](mailto:41200@dcyf.wa.gov)
Olympia, Washington ~~98501-9033~~[98504-1200](mailto:98504-1200@dcyf.wa.gov)
(360) 902-8760

WISCONSIN

(for service of process)

Administrator, Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-2139

(state administrator)

Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 266-9555



EXHIBIT B

FINANCIAL STATEMENTS

Encore TopCo, LLC and Subsidiaries

Consolidated Financial Statement,
Independent Auditor's Report,
and Supplemental Schedule

December 27, 2022



Calvetti Ferguson

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Independent Auditor's Report

To the Members and Board of Directors
Encore TopCo, LLC and Subsidiaries
Indianapolis, Indiana

Opinion

We have audited the consolidated financial statement of Encore TopCo, LLC and Subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheet as of December 27, 2022, and the related notes to the consolidated financial statement.

In our opinion, the accompanying consolidated financial statement presents fairly, in all material respects, the financial position of the Company as of December 27, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statement* section of our report. We are required to be independent of the Company and to meet our 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.

Management's Responsibilities for the Consolidated Financial Statement

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

In preparing the consolidated financial statement, 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 that the consolidated financial statement is issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statement

Our objectives are to obtain reasonable assurance about whether the consolidated financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not absolute assurance; therefore, it is not guaranteed that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statement, 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 statement.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. Accordingly, we express no such opinion.
- 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 statement.
- 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.

Supplemental Information

The accompanying supplemental schedule is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statement. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statement. The supplemental information has been subjected to the audit procedures applied in our audit of the basic consolidated financial statement. We are not aware of any material modifications that should be made to the supplemental information. We have not audited the supplemental information and do not express an opinion on such information.



Dallas, Texas
March 3, 2023

Encore TopCo, LLC and Subsidiaries

Consolidated Balance Sheet As of December 27, 2022

Assets	
Current assets:	
Cash and cash equivalents	\$ 544,403
Accounts receivable, net	1,545,341
Notes receivable, net	16,935
Prepaid expenses and other current assets	133,150
Total current assets	<u>2,239,829</u>
Non-current assets:	
Property and equipment, net	75,044
Right of use asset, office leases, net	837,116
Intangible assets	80,787,376
Total non-current assets	<u>81,699,536</u>
Total Assets	<u>\$ 83,939,365</u>
Liabilities and Members' Equity	
Current liabilities:	
Accounts payable	\$ 711,966
Accrued liabilities	723,562
Deferred revenue	74,925
Operating lease liability, current portion	392,231
Long-term debt, current portion	273,000
Total current liabilities	<u>2,175,684</u>
Long-term liabilities:	
Operating lease liability, less current portion	444,885
Long-term debt, less current portion	27,027,000
Total long-term liabilities	<u>27,471,885</u>
Total liabilities	29,647,569
Members' equity:	
Preferred units	19,000,000
Common units	35,291,796
Total members' equity	<u>54,291,796</u>
Total Liabilities and Members' Equity	<u>\$ 83,939,365</u>

The accompanying notes are an integral part of this consolidated financial statement.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statement December 27, 2022

Note 1 – Organization

Encore TopCo, LLC is a Delaware Limited Liability Company formed on December 7, 2022. It is the parent company to subsidiaries that provide franchise services for business-to-business information and technology support. The franchise system and related franchise material were specifically designed to allow franchisees to deliver managed services, as well as break/fix, project, and professional services in client offices.

Encore Acquisition Corp. and Encore Acquisition II Corp., wholly owned subsidiaries of the Company, are both Indiana corporations formed on December 7, 2022.

On December 27, 2022, Encore Acquisition Corp. acquired all issued and outstanding membership interests of CMIT Solutions, LLC and CMIT Marketing Fund, LLC. See Note 3.

On December 27, 2022, Encore Acquisition II Corp. acquired substantially all assets and liabilities of HTW, Inc. See Note 3.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The summary of significant accounting policies of the Company is presented to assist in understanding the Company's consolidated financial statement. The consolidated statement and notes are representation of the Company's management, which is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statement includes the accounts of Encore TopCo, LLC ("Parent") and its wholly owned subsidiaries: Encore Acquisition Corp. ("Affiliate"), CMIT Solutions, LLC ("Franchisor"), CMIT Marketing Fund ("Affiliate"), LLC, and Encore Acquisition II Corp ("Franchisee"). Collectively, these entities are referred to herein as the "Company." Significant intercompany transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of the consolidated financial statement in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statement. Significant estimates include management's assessment of determining the net realizable value of accounts receivable, the useful lives of property and equipment, and value of acquired intangible assets. The Company believes its estimates and the assumptions utilized are reasonable; however, actual results may differ materially from these estimates.

Fair Value of Financial Instruments

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 825, *Disclosures about Fair Value of Financial Instruments*, the Company calculates the fair value of its assets and liabilities that qualify as financial instruments under this standard and includes the information in the notes to the consolidated financial statement when the fair value of those financial instruments is different from the carrying value.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statement December 27, 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The Company's financial instruments consist primarily of cash, accounts receivable, deferred development and franchise fees, accounts payable, and long-term debt. The carrying amounts of these instruments approximate their respective fair values because of their short-term maturities or the underlying terms of these instruments. The estimated fair value of the Company's credit agreement also approximates the carrying value because the terms are comparable to similar lending arrangements.

Cash and Cash Equivalents

Cash represents cash deposits held at financial institutions. Cash equivalents include short-term, highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash equivalents are carried at cost, plus accrued interest, which approximates fair value. Cash and cash equivalents are held at major financial institutions and are subject to credit risk to the extent those balances exceed applicable Federal Deposit Insurance Corporation ("FDIC") or Securities Investor Protection Corporation ("SIPC") limitations.

As of December 27, 2022, the Company had approximately \$544,000 in cash and cash equivalents, and amounts on deposit in excess of federally insured limits were approximately \$294,000. The Company monitors the financial health of the financial institutions with which it does business, has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk to cash and cash equivalents.

Accounts Receivable, net

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings as bad debt expense and an increase in the allowance for doubtful accounts based on its assessment of the status of the individual franchisee's account. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a reduction of accounts receivable. As of December 27, 2022, the allowance for doubtful accounts was approximately \$162,000.

Notes Receivable, net

The Company discounts notes receivable that do not have a stated interest rate based on a nominal effective interest rate. Interest income is recorded as earned. Notes receivable that are in default and deemed uncollectible are charged to earnings as an impairment of notes receivable and an increase in the allowance for uncollectible notes receivable. There was no impairment of notes receivable at December 27, 2022.

Property and Equipment, net

Property and equipment, including leasehold improvements, are stated at cost, net of accumulated depreciation. Property and equipment are depreciated using the straight-line method over the following estimated useful lives of the related assets:

Equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	3-7 years

Note 2 – Summary of Significant Accounting Policies (continued)

Property and Equipment, net (continued)

Leasehold improvements are amortized over the terms of the respective leases or service lives of the improvements, whichever is shorter, using the straight-line method. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized.

Expenditures for maintenance and repairs are expensed as incurred. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in earnings.

Impairment of Long-Lived Assets

The Company has implemented FASB ASC 360, *Property, Plant, and Equipment*, which requires the Company, under certain circumstances, to review long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds cash flows, the recorded amounts of the assets will be reduced to their fair value. At December 27, 2022, there was no impairment to long-lived assets.

Revenue Recognition

The Company recognizes revenue when control of a good or service promised in a contract (i.e., a performance obligation) is transferred to a franchisee. Control is obtained when a franchisee has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service.

The Company recognizes initial franchise fees when all the material obligations have been performed, conditions have been satisfied, and collectability is reasonably assured. Typically, this occurs when contracts are executed, training is completed, and franchise fees have been received. Franchise fees are generally deferred until training is completed.

Consistent with FASB ASC 606, *Revenue from Contracts with Customers*, the Company recognizes the entire initial franchise fee upon satisfaction of these material performance obligations, which typically occurs when training is completed. No portion of the franchise fee is required to be allocated to the remaining performance obligations over the life of the contract because the value of the training and purchase pricing power performance obligations exceeds the initial franchise fee.

The estimated stand-alone value of franchisee training and the estimated value of distinct purchase pricing power accessible to franchisees as part of the franchise contract exceeds the initial franchise fees received by the Company. Continuing fees such as royalties are recognized at a point-in-time in the period in which the related sales occur, and only if collectability is reasonably assured.

The Company arranges for access to goods and services for franchisees through contracts with third parties. Revenues from these goods and services are recognized at a point-in-time upon delivery of the good or service. When the Company is not in control of those goods and services, the revenue is recorded net of the cost of the goods and services consumed by the franchisees. A corresponding cost of such goods and services is recorded in the same period in which revenue was recognized.

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Nature of Goods and Services and Performance Obligations

A performance obligation is a distinct good, service, or bundle of goods and/or services promised in a contract. The Company identifies performance obligations at the inception of a contract and allocates the transaction price to individual performance obligations to faithfully depict the Company's performance in transferring control of the promised goods or services to the franchisee.

Transaction Prices

The transaction price allocated to a performance obligation reflects the Company's expectations about the consideration it will be entitled to receive from a franchisee related to that performance obligation. To determine the transaction price, variable consideration is assessed as well as whether a significant financing component exists. The Company's contracts typically do not include a significant financing component as most contracts require payment prior to delivery.

Allocating Transaction Prices to Performance Obligations

The Company enters into certain contracts with franchisees that contain multiple services. For these contracts, each service is evaluated to determine whether it represents a distinct performance obligation. The total transaction price is then allocated to the distinct performance obligations based on their relative standalone selling prices at the inception of the contract. For services that are sold separately to similar customers in similar circumstances, the Company utilizes the directly observable prices to determine the relative standalone selling prices of such goods or services. For services with relative standalone selling prices that are not directly observable, the Company estimates their relative standalone selling prices using the adjusted market assessment approach. In utilizing this approach, the Company maximizes the use of observable inputs. The significant observable inputs utilized by the Company in this approach are similar services sold by its competitors adjusted as necessary to reflect the Company's costs and margins.

Income Taxes

Encore TopCo, LLC, CMIT Solutions, LLC, and CMIT Marketing Fund, LLC are limited liability companies and thus not tax paying entities for federal income tax purposes. As a result, no federal income tax expense is recorded. The annual tax income or loss for these companies is allocated to the members for reporting on federal tax returns. These companies are also subject to certain state and local taxes.

Encore Acquisition Corp. and Encore Acquisition II Corp. are taxed as a C-corporation for federal income tax purposes. These companies file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. Income taxes are accounted for under the liability method as set forth in FASB ASC 740. Deferred tax assets net of valuation allowance and liabilities are recognized for the estimated future tax consequences attributable to the difference between the consolidated financial statement carrying amounts of the existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Company evaluates any uncertain tax positions using the provisions of FASB ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and the management's judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The Company does not believe that it has engaged in any situation that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist; therefore, no loss contingency has been recognized in the consolidated financial statement at December 27, 2022. The Company's policy is to record any income tax related penalties and interest incurred as operating expenses. There were no income tax related penalties or interest at December 27, 2022.

Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to potential examination by relevant oversight agencies. Currently, the Company has no active examinations with either the Internal Revenue Service or state taxing authorities.

Concentrations

The Company maintains deposits with major financial institutions which may occasionally exceed federally insured limits. Management periodically assesses the financial condition of the institutions and believes that any possible credit risk is minimal. The Company has not experienced losses from any such risk.

At December 27, 2022, purchases from three vendors accounted for approximately 74.0% of total accounts payable. No other concentrations existed at December 27, 2022.

Recent Accounting Pronouncements

Recent accounting pronouncements issued by the FASB or other authoritative standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's consolidated financial statement.

Note 3 – Acquisitions

CMIT Acquisition

As stated in Note 1, on December 27, 2022, the Company acquired 100% of the outstanding membership units in CMIT Solutions, LLC and CMIT Marketing Fund, LLC ("CMIT acquisition"), franchisor and affiliate, respectively, of business-to-business information technology support. The fair value of the consideration paid for the CMIT acquisition consisted of a cash payment of approximately \$56,152,000. Under the acquisition method of accounting, Encore Acquisition Corp. was treated as the accounting acquirer and CMIT acquisition was treated as the acquired company for financial reporting purposes. The acquisition was recorded as a business combination under FASB ASC 805, *Business Combinations*, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. The intangible assets of approximately \$55,904,000, consists of trademarks. See Note 5.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statement December 27, 2022

Note 3 – Acquisitions (continued)

HTW Acquisition

As stated in Note 1, on December 27, 2022, the Company acquired substantially all assets and liabilities of HTW, Inc., (“HTW acquisition”), a franchisee of business-to-business information technology support. The fair value of the consideration paid for the HTW acquisition consisted of a cash payment of approximately \$25,440,000. Under the acquisition method of accounting, Encore Acquisition II Corp. was treated as the accounting acquirer and HTW acquisition was treated as the acquired company for financial reporting purposes. The acquisition was recorded as a business combination under FASB ASC 805, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. The intangible assets of approximately \$24,884,000, consists of trademarks. See Note 5.

The fair value measures of assets acquired, and liabilities assumed under FASB ASC 805 are based on inputs that are not observable in the market and therefore represent level 3 inputs. The fair values of fixed assets and intangible assets are measured using valuation techniques that convert future cash flows to a single discounted amount. Significant inputs to the valuation of fixed assets and intangibles include estimates of: (i) margins; (ii) future operating and development costs; (iii) future prices; (iv) estimated future cash flows; and (v) a market-based weighted average cost of capital rate. These inputs require significant judgments and estimates by the Company’s management at the time of the valuation and are the most sensitive and subjective to change. The Company believes the acquisitions will produce significant benefits, including a compelling platform for growth, strong free cash flow characteristics, attractive acquisition opportunities, and improved efficiencies. The acquisition was accounted for in accordance with FASB ASC 805, with consideration, assets acquired, and liabilities assumed measured at fair value.

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed from the acquisitions:

	<u>CMIT Acquisition</u>	<u>HTW Acquisition</u>
Cash	\$ 544,403	\$ -
Accounts receivable	339,255	1,243,291
Other assets	137,565	12,520
Right of use assets	370,450	466,666
Property and equipment	51,348	23,696
Accounts payable	(615,660)	(133,511)
Accrued expenses	(134,004)	(589,558)
Other liabilities	(74,925)	-
Operating lease liability	(370,450)	(466,666)
Intangible assets	55,903,568	24,883,808
	<u>\$ 56,151,550</u>	<u>\$ 25,440,246</u>

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statement December 27, 2022

Note 4 – Property and Equipment

Property and equipment consisted of the following at December 27, 2022:

Equipment	\$	33,023
Furniture and fixtures		39,686
Leasehold improvements		2,335
	\$	<u>75,044</u>

Note 5 – Intangible Assets

At December 27, 2022, the Company has approximately \$80,787,000 in trademarks related to acquisitions occurring on December 27, 2022. See Note 3. Trademarks are initially measured based on their fair value and are accounted for in accordance with FASB ASC 350, *Intangibles – Goodwill and Other*. Trademarks are not amortized and are reviewed and tested for impairment upon the occurrence of a triggering event. At December 27, 2022, there was no impairment of intangible assets.

Note 6 – Long-term Debt

Term Loan

On December 27, 2022, the Company entered into a credit agreement allowing for a term loan in the amount of \$27,300,000. The term loan was used to fund part of the purchase price associated with the acquisitions discussed above. See Note 3. The term loan matures on December 27, 2027, and payments commence on April 1, 2023. Payments will continue on the first business day of each fiscal quarter, with each payment due in an amount equal to 0.25% of the original funded amount. The final installment amount due on the maturity date will be a sum equal to the remaining outstanding principal amount. The term loan also contains mandatory prepayments which are due in the following amounts and times:

Excess Cash Flow (“ECF”)

No later than 130 days following the last day of the fiscal year, commencing on December 31, 2023. An amount equal to the ECF percentage for annual excess cash flow, less optional principal prepayments made during the year. The ECF percentage is defined as the debt to earnings before interest, taxes, depreciation, and amortization (“EBITDA”) ratio measured as of the last day of any fiscal year. If the debt to EBITDA ratio is less than 3.5 to 1.0, but greater than 2.5 to 1.0, then the ECF percentage is 25.0%. If the debt to EBITDA ratio is less than 2.5 to 1.0, then ECF percentage is 0.0%

Casualty and Other Insurance Proceeds

An amount equal to 100% of net major casualty cash proceeds if the Company does not intend to reinvest the proceeds.

Debt and Equity Proceeds

Upon receipt of net cash proceeds arising from the issuance of debt or equity securities.

Asset Disposition Proceeds

Upon receipt of net cash proceeds arising from the disposition of assets that are prohibited under the agreement.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statement December 27, 2022

Note 6 – Long-term Debt (continued)

Term Loan (continued)

Curative Equity

Upon receipt of any proceeds related to curative equity under the agreement.

The term loan accrues interest, per annum, based on the one month secured overnight financing rate ("SOFR") and applicable margin related to the total debt to EBITDA ratio levels. The levels for total debt to EBITDA ratio is as follows:

- (i) Total debt to EBITDA ratio of greater than 3.25 to 1.00 accrues interest per annum at 6.5%.
- (ii) Total debt to EBITDA ratio of less than 3.25 to 1.00 accrues interest per annum at 6.0%.

During the first year, level (i) is to be used and the rate may be adjusted considering the results of the ratio thereafter.

The term loan is collateralized by the assets of the Company, and the balance outstanding at December 27, 2022, was \$27,300,000.

The future minimum debt payments at December 27, 2022 are as follows:

Period and Year Ending December 31,

Period ending:

2022	\$ -
------	------

Year ending:

2023	273,000
2024	273,000
2025	273,000
2026	273,000
Thereafter	26,208,000
	<u>\$ 27,300,000</u>

Revolving Commitment

On December 27, 2022, the Company entered into a credit agreement allowing for delayed draw term loans with advances up to \$5,000,000. The delayed draw term loans mature on December 27, 2027, and payments commence on the first business day of each fiscal quarter, commencing with the first day of the second full quarter following the funding of each delayed draw term loan. Each payment is equal to 0.25% of the original funded amount. The final installment amount due on the maturity date will be a sum equal to the remaining outstanding principal amount. The term loan also contains mandatory prepayments, which are the same as the term loan disclosed above.

The delayed draw term loans accrue interest at the same rate used for the term loan and are disclosed above. The delayed draw term loans are collateralized by the assets of the Company and there was no balance outstanding at December 27, 2022.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statement December 27, 2022

Note 7 – Leases

The Company leases operating and office facilities for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2025 and provide for renewal options ranging up to 5 years. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other properties. As noted in the lease agreements, the leases provide for increases in future minimum annual rental payments and generally requires the Company to pay its proportional share of real estate taxes and operating expenses.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 27, 2022:

<u>Period and Year Ending December 31,</u>	
Period ending:	
2022	\$ 22,050
Year ending:	
2023	370,181
2024	282,066
2025	162,819
	<u>\$ 837,116</u>

Note 8 – Members' Equity

The Company is authorized to issue two classes of units, which may be divided into multiple series of the same class, consisting of 16,000,000 authorized Common Units Series One, 35,850,000 authorized Common Units Series Two, and 19,000,000 authorized Preferred Units Series One. All Units are issued and outstanding as of December 27, 2022.

Voting

Common unitholders are entitled to four votes per Series One Unit held and one vote per Series Two Unit held. Preferred unitholders have no voting rights.

Priority Returns

Preferred Units receive a preferred yield which accrues at the preferred rate, compounded quarterly in arrears, on the sum of (a) the unreturned preferred capital (b) the unpaid preferred yield for all prior quarterly compounding periods. Preferred rate means a rate of interest equal to 14.0% per annum, provided that the preferred rate used to calculate the preferred yield of any Preferred Unit shall increase by an additional 1.0% per annum on the seventh anniversary date on which the Company issued such Preferred Unit and by an additional 1.0% on each subsequent anniversary thereafter for as long as the Unit is outstanding.

The Company first shall distribute available cash to the members, pro-rata in proportion to their respective sharing percentages of unpaid preferred yield, until the unpaid amount is reduced to zero. Second, to the members, pro-rata in proportion to their respective sharing percentages of unreturned preferred capital, until the unpaid amount is reduced to zero. Third, to the members, pro-rata in proportion to their respective holdings of common units, until the unpaid amount is reduced to zero.

Note 9 – Equity Incentive Plan

During December 2022, the Company adopted the Equity Incentive Plan (the “Plan”). Incentive Units are awarded to or for the benefit of service providers. The purpose of the Plan is to provide such persons with incentives and rewards for superior performance and to assist the Company in attracting and retaining officers, managers, and other key employees.

The Incentive Units are not shares of the Company’s Common or Preferred Units and a recipient does not receive any ownership interest in the Company, member voting rights, dividends or distributions, or other incidents of ownership. Incentive Units are granted to participants upon the approval of the Board of Directors. The Board of Directors shall establish the amount of profit interest determination and vesting criteria for the Incentive Units within each fully executed award agreement. There are no Incentive Units issued and outstanding at December 27, 2022.

Note 10 – Subsequent Events

The Company has evaluated subsequent events through March 3, 2023, the date on which the consolidated financial statement presented herein were available to be issued at December 27, 2022.

* * * * *

Supplemental Schedule

Encore TopCo, LLC and Subsidiaries

Consolidating Balance Sheet As of December 27, 2022

	Encore Acquisition II, Corp.	CMIT Solutions Marketing Fund, LLC	CMIT Solutions, LLC	Encore Acquisition, Corp.	Encore TopCo, LLC	Eliminations	Total
Assets							
Current assets:							
Cash	\$ -	\$ 174,447	\$ 369,956	\$ -	\$ -	\$ -	\$ 544,403
Accounts receivable, net	1,243,291	9,006	330,249	-	-	(37,205)	1,545,341
Notes receivable, net	150	-	16,785	-	-	-	16,935
Prepaid expenses and other current assets	12,370	1,989	118,791	-	-	-	133,150
Total current assets	<u>1,255,811</u>	<u>185,442</u>	<u>835,781</u>	<u>-</u>	<u>-</u>	<u>(37,205)</u>	<u>2,239,829</u>
Non-current assets:							
Property and equipment, net	23,696	1,623	49,725	-	-	-	75,044
Right of use asset, office leases, net	466,666	-	370,450	-	-	-	837,116
Investment in subsidiaries	-	-	-	81,591,796	-	(81,591,796)	-
Intangible assets	24,883,808	(130,904)	56,034,472	-	-	-	80,787,376
Total non-current assets	<u>25,374,170</u>	<u>(129,281)</u>	<u>56,454,647</u>	<u>81,591,796</u>	<u>-</u>	<u>(81,591,796)</u>	<u>81,699,536</u>
Total Assets	<u>\$ 26,629,981</u>	<u>\$ 56,161</u>	<u>\$ 57,290,428</u>	<u>\$ 81,591,796</u>	<u>\$ -</u>	<u>\$ (81,629,001)</u>	<u>\$ 83,939,365</u>

(Continued on following page)

See independent auditor's report.

Encore TopCo, LLC and Subsidiaries

Consolidating Balance Sheet As of December 27, 2022

(Continued from previous page)

	Encore Acquisition II, Corp.	CMIT Solutions Marketing Fund, LLC	CMIT Solutions, LLC	Encore Acquisition, Corp.	Encore TopCo, LLC	Eliminations	Total
Liabilities and Members' Equity (Deficit)							
Current liabilities:							
Accounts payable	\$ 133,511	\$ 208,959	\$ 406,701	\$ -	\$ -	\$ (37,205)	\$ 711,966
Accrued liabilities	589,558	29,374	104,630	-	-	-	723,562
Deferred revenue	-	-	74,925	-	-	-	74,925
Operating lease liability, current portion	242,180	-	150,051	-	-	-	392,231
Long-term debt, current portion	-	-	-	273,000	-	-	273,000
Total current liabilities	<u>965,249</u>	<u>238,333</u>	<u>736,307</u>	<u>273,000</u>	<u>-</u>	<u>(37,205)</u>	<u>2,175,684</u>
Long-term liabilities:							
Operating lease liability, less current portion	224,486	-	220,399	-	-	-	444,885
Long-term debt, less current portion	-	-	-	27,027,000	-	-	27,027,000
Total long-term liabilities	<u>224,486</u>	<u>-</u>	<u>220,399</u>	<u>27,027,000</u>	<u>-</u>	<u>-</u>	<u>27,471,885</u>
Total liabilities	1,189,735	238,333	956,706	27,300,000	-	(37,205)	29,647,569
Members' equity (deficit):							
Preferred units	-	-	56,333,722	19,000,000	-	(56,333,722)	19,000,000
Common units	25,440,246	-	-	35,291,796	-	(25,440,246)	35,291,796
Retained earnings (deficit)	-	(182,172)	-	-	-	182,172	-
Total members' equity (deficit)	<u>25,440,246</u>	<u>(182,172)</u>	<u>56,333,722</u>	<u>54,291,796</u>	<u>-</u>	<u>(81,591,796)</u>	<u>54,291,796</u>
Total Liabilities and Members' Equity	<u>\$ 26,629,981</u>	<u>\$ 56,161</u>	<u>\$ 57,290,428</u>	<u>\$ 81,591,796</u>	<u>\$ -</u>	<u>\$ (81,629,001)</u>	<u>\$ 83,939,365</u>

See independent auditor's report.

ENCORE TOPCO, LLC AND SUBSIDIARIES

Consolidated Financial Statements,
Independent Auditor's Report, and
Supplemental Schedule

December 31, 2023



Calvetti Ferguson

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Independent Auditor's Report

To the Members and Board of Directors
Encore TopCo, LLC and Subsidiaries
Indianapolis, Indiana

Opinion

We have audited the consolidated financial statements of Encore TopCo, LLC and Subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheet at December 31, 2023, and the related consolidated statements of operations, changes in members' equity, and cash flows for the year then ended and the related notes to 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 the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, beginning members' equity has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Management's Responsibilities 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 controls 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 that the consolidated financial statements are issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not absolute assurance; therefore, it is not guaranteed that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. Accordingly, we express no such opinion.
- 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.



Dallas, Texas
April 26, 2024

Encore TopCo, LLC and Subsidiaries

Consolidated Balance Sheet As of December 31, 2023

Assets	
Current assets:	
Cash and cash equivalents	\$ 3,781,771
Accounts receivable, net	3,525,144
Notes receivable, net	2,594
Prepaid expenses and other current assets	314,936
Total current assets	<u>7,624,445</u>
Noncurrent assets:	
Property and equipment, net	68,202
Right-of-use asset, office leases, net	750,451
Deferred tax asset, net	1,782,516
Intangible assets, net	88,438,663
Total noncurrent assets	<u>91,039,832</u>
Total Assets	<u>\$ 98,664,277</u>
Liabilities and Members' Equity	
Current liabilities:	
Accounts payable	\$ 3,400,668
Accrued liabilities	1,864,242
Operating lease liability, current portion	330,225
Long-term debt, net debt discount, current portion	283,000
Total current liabilities	<u>5,878,135</u>
Long-term liabilities:	
Deferred revenue	20,144
Operating lease liability, less current portion	406,226
Long-term debt, net debt discount, less current portion	27,094,749
Total long-term liabilities	<u>27,521,119</u>
Total liabilities	33,399,254
Members' equity	<u>65,265,023</u>
Total Liabilities and Members' Equity	<u>\$ 98,664,277</u>

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

Encore TopCo, LLC and Subsidiaries

Consolidated Statement of Operations As of December 31, 2023

Revenues:	
Royalty fees	\$ 4,734,988
Franchise services	3,022,034
Franchise sales	972,141
Alliance and other fees	36,631
Convention revenue	638,119
Marketing fund revenues	1,616,751
CMIT national revenues	16,645,755
Total revenues	<u>27,666,419</u>
Cost of revenues	<u>10,662,559</u>
Gross profit	17,003,860
Operating expenses:	
General and administrative	10,273,563
Advertising and marketing	726,215
Depreciation and amortization	6,210,219
Total operating expenses	<u>17,209,997</u>
Loss from operations	(206,137)
Other income (expense):	
Interest income	41
Interest expense	(3,603,092)
Other income	1,725,047
Total other expense	<u>(1,878,004)</u>
Net loss before provision for income tax benefit	(2,084,141)
Provision for income tax benefit	<u>1,644,151</u>
Net Loss	<u><u>\$ (439,990)</u></u>

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

Encore TopCo, LLC and Subsidiaries

Consolidated Statement of Changes in Members' Equity As of December 31, 2023

	Total Members' Equity
Balance, January 1, 2023, as previously reported	<u>\$ 55,334,156</u>
Prior period adjustment, see Note 2	<u>10,370,857</u>
Balance, January 1, 2023, as restated	65,705,013
Net loss	<u>(439,990)</u>
Balance, December 31, 2023	<u>\$ 65,265,023</u>

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

Encore TopCo, LLC and Subsidiaries

Consolidated Statement of Cash Flows As of December 31, 2023

Cash flows from operating activities:	
Net loss	\$ (439,990)
Adjustments to reconcile net loss to net cash from operating activities:	
Depreciation and amortization	6,210,219
Credit losses	67,277
Debt discount amortization	162,422
Changes in operating assets and liabilities:	
Accounts receivable, net	(624,599)
Prepaid expenses and other current assets	(17,858)
Accounts payable	2,521,765
Accrued liabilities	929,711
Deferred revenue	(77,088)
Deferred taxes	(1,858,520)
Operating lease assets, net of liabilities	(759,190)
Net cash provided by operating activities	<u>6,114,149</u>
Cash flows from investing activities:	
Purchase of property and equipment	(37,344)
Payments received from notes receivables	539
Acquisition of subsidiary, net of cash acquired	(3,641,412)
Net cash used by investing activities	<u>(3,678,217)</u>
Cash flows from financing activities:	
Proceeds from long-term debt	1,000,000
Payments on long-term debt	(275,500)
Net cash provided by financing activities	<u>724,500</u>
Net change in cash	3,160,432
Cash, beginning of period	<u>621,339</u>
Cash, End of Period	<u><u>\$ 3,781,771</u></u>
Supplemental cash flow information:	
Cash paid for interest	\$ 3,603,092
Cash paid for federal income taxes	\$ 750
Cash paid for state income taxes	\$ 8,102

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

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2023

Note 1 – Organization

Encore TopCo, LLC is a Delaware Limited Liability Company formed on December 7, 2022. The Company is the parent to subsidiaries that provide franchise services for business-to-business information and technology support. The franchise system and related franchise material were specifically designed to allow franchisees to deliver managed services, as well as break/fix, project, and professional services in client offices.

On July 28, 2023, CMIT Solutions, LLC, acquired all issued and outstanding membership interest of Committed Computing, LLC, see Note 3.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The summary of significant accounting policies of the Company is presented to assist in understanding the Company's consolidated financial statements. The consolidated statements and notes are representation of the Company's management, which is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of Encore TopCo, LLC ("Parent") and its wholly owned subsidiaries: Encore Acquisition, Corp. ("Affiliate"), CMIT Solutions, LLC ("Franchisor"), CMIT Marketing Fund, LLC ("Affiliate"), Encore Acquisition II, Corp. ("Franchisee"), and Committed Computing, LLC ("Franchisee") (collectively, the "Company"). Significant intercompany transactions and balances have been eliminated upon consolidation.

Correction of Error in Previously Issued Consolidated Financial Statements

Members' equity was corrected at January 1, 2023, to conform with generally accepted accounting principles. Total impact to members' equity was approximately \$10,371,000, whereby a purchase transaction occurring during the previous period ended December 31, 2022, incorrectly understated the fair market value of assets acquired and goodwill recognized. Additionally, transaction fees incurred were not recognized during the period ended December 31, 2022. The error reduced earnings on the previously issued consolidated statement of operations by approximately \$5,134,000.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant estimates include management's assessment of determining the net realizable value of accounts receivable, the useful lives of property and equipment, and value of acquired intangible assets. The Company believes its estimates and the assumptions utilized are reasonable; however, actual results may differ materially from these estimates.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash represents cash deposits held at financial institutions. Cash equivalents include short-term, highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash equivalents are carried at cost, plus accrued interest, which approximates fair value. Cash and cash equivalents are held at major financial institutions and are subject to credit risk to the extent those balances exceed applicable Federal Deposit Insurance Corporation ("FDIC") or Securities Investor Protection Corporation ("SIPC") limitations.

As of December 31, 2023, the Company had approximately \$3,782,000 in cash and cash equivalents and amounts on deposit in excess of federally insured limits were approximately \$3,532,000. The Company monitors the financial health of the financial institutions with which it does business, has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk to cash and cash equivalents.

Accounts Receivable, net

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings as credit losses expense and an increase in the allowance for credit losses based on its assessment of the status of the individual franchisee's account. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for credit losses and a reduction of accounts receivable. As of December 31, 2023, the allowance for credit losses was approximately \$91,000 and the Company incurred approximately \$67,000 in credit losses expense during the year then ended.

The carrying amounts of these instruments approximate their respective fair values because of their short-term maturities or the underlying terms of these instruments. The estimated fair value of the Company's credit agreement also approximates the carrying value because the terms are comparable to similar lending arrangements.

Notes Receivable, net

The Company discounts notes receivable that do not have a stated interest rate based on a nominal effective interest rate. Interest income is recorded as earned. Notes receivable that are in default and deemed uncollectible are charged to earnings as an impairment of notes receivable and an increase in the allowance for uncollectible notes receivable. There was no impairment of notes receivable for the year ended December 31, 2023.

Property and Equipment, net

Property and equipment, including leasehold improvements, are stated at cost, net of accumulated depreciation. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets, which are generally five years. Leasehold improvements are amortized over the terms of the respective leases or service lives of the improvements, whichever is shorter, using the straight-line method. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized.

Equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	3-7 years

Note 2 – Summary of Significant Accounting Policies (continued)

Property and Equipment, net (continued)

Expenditures for maintenance and repairs are expensed as incurred. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated statement of operations.

Intangible Assets, net

Intangible assets are recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the identifiable net tangible and intangible assets acquired. Intangible assets are evaluated for impairment annually, or more frequently if indicators of impairment are present or changes in circumstances suggest that impairment may exist. The first step of the intangible asset impairment test compares the fair value of the reporting unit with its carrying amount, including intangible assets. If the fair value of the Company's reporting unit exceeds its carrying amount, the intangible assets of the reporting unit is not considered impaired. If the carrying amount of the Company's reporting unit exceeds its fair value, the second step of the intangible asset impairment test is performed to measure the amount of impairment loss, if any. The second step of the intangible asset impairment test compares the implied fair value of the affected reporting unit's intangible assets with the carrying value of that intangible asset. No impairment was recorded during the year ended December 31, 2023. The Company amortizes intangible assets over fifteen years.

Impairment of Long-Lived Assets

The Company has implemented Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, *Property, Plant, and Equipment*, which requires the Company, under certain circumstances, to review long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds cash flows, the recorded amounts of the assets will be reduced to their fair value. For the year ended December 31, 2023, there was no impairment to long-lived assets.

Revenue Recognition

The Company recognizes revenue when control of a good or service promised in a contract (i.e., a performance obligation) is transferred to a franchisee. Control is obtained when a franchisee has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service.

The Company recognizes initial franchise fees when all the material obligations have been performed, conditions have been satisfied, and collectability is reasonably assured. Typically, this occurs when contracts are executed, training is completed, and franchise fees have been received. Franchise fees are generally deferred until training is completed.

Consistent with FASB ASC 606, *Revenue from Contracts with Customers*, the Company recognizes the entire initial franchise fee upon satisfaction of these material performance obligations, which typically occurs when training is completed. No portion of the franchise fee is required to be allocated to the remaining performance obligations over the life of the contract because the value of the training and purchase pricing power performance obligations exceeds the initial franchise fee.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2023

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The estimated stand-alone value of franchisee training and the estimated value of distinct purchase pricing power accessible to franchisees as part of the franchise contract exceeds the initial franchise fees received by the Company. Continuing fees such as royalties are recognized at a point-in-time in the year in which the related sales occur, and only if collectability is reasonably assured.

The Company arranges for access to goods and services for franchisees through contracts with third parties. Revenues from these goods and services are recognized at a point-in-time upon delivery of the good or service.

When the Company is not in control of those goods and services, the revenue is recorded net of the cost of the goods and services consumed by the franchisees. A corresponding cost of such goods and services is recorded in the same year in which revenue was recognized.

Nature of Goods and Services and Performance Obligations

A performance obligation is a distinct good, service, or bundle of goods and/or services promised in a contract. The Company identifies performance obligations at the inception of a contract and allocates the transaction price to individual performance obligations to faithfully depict the Company's performance in transferring control of the promised goods or services to the franchisee.

Transaction Prices

The transaction price allocated to a performance obligation reflects the Company's expectations about the consideration it will be entitled to receive from a franchisee related to that performance obligation. To determine the transaction price, variable consideration is assessed as well as whether a significant financing component exists. The Company's contracts typically do not include a significant financing component as most contracts require payment prior to delivery.

Allocating Transaction Prices to Performance Obligations

The Company enters into certain contracts with franchisees that contain multiple services. For these contracts, each service is evaluated to determine whether it represents a distinct performance obligation. The total transaction price is then allocated to the distinct performance obligations based on their relative standalone selling prices at the inception of the contract. For services that are sold separately to similar customers in similar circumstances, the Company utilizes the directly observable prices to determine the relative standalone selling prices of such goods or services. For services with relative standalone selling prices that are not directly observable, the Company estimates their relative standalone selling prices using the adjusted market assessment approach.

In utilizing this approach, the Company maximizes the use of observable inputs. The significant observable inputs utilized by the Company in this approach are similar services sold by its competitors, adjusted as necessary, to reflect the Company's costs and margins.

Income Taxes

Encore TopCo, LLC, CMIT Solutions, LLC, CMIT Marketing Fund, LLC, and Committed Computing, LLC, are limited liability companies and thus not tax paying entities for federal income tax purposes. As a result, no federal income tax expense is recorded. The annual tax income or loss for these companies is allocated to the members for reporting on federal tax returns. These companies are also subject to certain state and local taxes.

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

Encore Acquisition Corp. and Encore Acquisition II Corp. are taxed as a C-corporation for federal income tax purposes. These companies file income tax returns in the United States federal jurisdiction and various state jurisdictions. Income taxes are accounted for under the liability method as set forth in FASB ASC 740, *Income Taxes*. Deferred tax assets net of valuation allowance and liabilities are recognized for the estimated future tax consequences attributable to the difference between the consolidated financial statements carrying amounts of the existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The Company evaluates any uncertain tax positions using the provisions of FASB ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated.

The amount recognized is subject to estimate and the management's judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

The Company does not believe that it has engaged in any situation that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist; therefore, no loss contingency has been recognized in the consolidated financial statements at December 31, 2023. The Company's policy is to record any income tax related penalties and interest incurred as operating expenses. There were no income tax related penalties or interest for the year ended December 31, 2023. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting years remain open to potential examination by relevant oversight agencies. Currently, the Company has no active examinations with either the Internal Revenue Service or state taxing authorities.

Leases

The Company leases its office space under noncancellable operating leases. Per FASB ASC 842, *Leases*, the Company determines if an arrangement is a lease at inception. Operating leases are included on the balance sheet as operating lease right-of-use ("ROU") assets and operating lease liabilities. The Company did not have any finance leases during the year ended December 31, 2023. ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term.

As the lease agreement does not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. The operating lease ROU asset also includes any lease payments made and exclude lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such option. Lease expense for the lease payments is recognized on a straight-line basis over the lease term. The Company's lease agreements do not contain any material or residual value guarantees or material restrictive covenants.

Note 2 – Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments-Credit Losses* (“ASU 2016-13”), which provides new authoritative guidance with respect to the measurement of credit losses on financial instruments. This update changes the impairment model for most financial assets and certain other instruments by introducing a current expected credit loss (“CECL”) model. The CECL model is a more forward-looking approach based on expected losses rather than incurred losses, requiring entities to estimate and record losses expected over the remaining contractual life of an asset.

ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years for smaller reporting companies. The Company adopted ASU 2016-13 on January 1, 2023, and the adoption did not have an impact on the consolidated financial statements.

Other recent accounting pronouncements issued by the FASB or other authoritative standards groups with future effective dates are either not applicable or are not expected to be significant to the Company’s consolidated financial statements.

Note 3 – Acquisition

As stated in Note 1, on July 28, 2023, CMIT Solutions, LLC (“Purchaser”) (wholly owned subsidiary of Encore TopCo, LLC) purchased all issued and outstanding membership interest of Committed Computing, LLC (the “Acquisition”) from Ian Miller, a resident of the State of Oregon (the “Seller”). The Seller exchanged all of the rollover membership interests for equity securities of the Purchaser. The fair value of consideration paid was approximately \$3,700,000, which consisted of \$2,000,000 in cash and \$1,700,000 in rollover equity. Under the acquisition method of accounting, CMIT Solutions, LLC, was treated as the accounting acquirer and Committed Computing, LLC, was treated as the acquired company for financial reporting purposes. The acquisition was recorded as a business combination under FASB ASC 805, *Business Combinations*, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. The intangible assets of approximately \$3,500,000, consists primarily of trademarks. See Note 5.

The fair value measures of assets acquired, and liabilities assumed under FASB ASC 805 are based on inputs that are not observable in the market and therefore represent level 3 inputs. The fair values of fixed assets and intangible assets are measured using valuation techniques that convert future cash flows to a single discounted amount. Significant inputs to the valuation of fixed assets and intangibles include estimates of: (i) margins; (ii) future operating and development costs; (iii) future prices; (iv) estimated future cash flows; and (v) a market-based weighted-average cost of capital rate.

These inputs require significant judgments and estimates by the Company’s management at the time of the valuation and are the most sensitive and subject to change. The Company believes the acquisition will produce significant benefits, including a compelling platform for growth, strong free cash flow characteristics, attractive acquisition opportunities, and improved efficiencies. The acquisition was accounted for in accordance with FASB ASC 805, with consideration, assets acquired, and liabilities assumed measured at fair value.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2023

Note 3 – Acquisition (continued)

The following table summarizes the recognized amounts of identifiable assets acquired and liabilities assumed from the acquisition:

Cash	\$ 48,023
Accounts receivable	204,971
Other assets	40,649
Right-of-use assets	290,672
Property and equipment	16,736
Accrued expenses	(144,688)
Other liabilities	(16,903)
Operating lease liability	(290,672)
Intangible assets	3,540,647
	<u>\$ 3,689,435</u>

Note 4 – Property and Equipment, net

Property and equipment at December 31, 2023, consisted of the following:

Equipment	\$ 66,508
Furniture and fixtures	51,531
Leasehold improvements	11,085
	<u>129,124</u>
Less: accumulated depreciation	(60,922)
	<u>\$ 68,202</u>

During the year ended December 31, 2023, the Company incurred approximately \$41,000 of depreciation expense.

Note 5 – Intangible Assets

At December 31, 2023, the Company has intangible assets consisting of trademarks related to acquisitions. Intangible assets as of December 31, 2023, is summarized as follows:

Trademarks	\$ 94,608,183
Less: accumulated amortization	(6,169,520)
	<u>\$ 88,438,663</u>

The Company incurred approximately \$6,210,000 in amortization expense during the year ended December 31, 2023.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2023

Note 5 – Intangible Assets (continued)

The future amortization expense for each of the next five years and thereafter as of December 31, 2023, is as follows:

<u>Year Ending December 31,</u>	
2024	\$ 6,307,212
2025	6,307,212
2026	6,307,212
2027	6,307,212
2028	6,307,212
Thereafter	56,902,602
	<u>\$ 88,438,662</u>

Note 6 – Long-term Debt

Term Loan

During December 2022, the Company entered into a credit agreement allowing for a term loan in the amount of \$27,300,000. The term loan matures during December 2027, and payments commenced on April 1, 2023. Payments are due on the first business day of each fiscal quarter, with each payment due in an amount equal to 0.25% of the original funded amount. The final installment amount due on the maturity date will be a sum equal to the remaining outstanding principal amount. In connection with the term loan, the Company incurred approximately \$809,000 of issuance costs that will be amortized to interest expense over the remaining life of the term loan. During the year ended December 31, 2023, the Company amortized approximately \$162,000 of debt issuance costs to interest expense.

The term loan also contains mandatory prepayments which are due in the following amounts and times:

Excess Cash Flow ("ECF")

No later than 130 days following the last day of the fiscal year, commencing on December 31, 2023. An amount equal to the ECF percentage for annual excess cash flow, less optional principal prepayments made during the year. The ECF percentage is defined as the debt to earnings before interest, taxes, depreciation, and amortization ("EBITDA") ratio measured as of the last day of any fiscal year. If the debt to EBITDA ratio is less than 3.5 to 1.0, but greater than 2.5 to 1.0, then the ECF percentage is 25.0%. If the debt to EBITDA ratio is less than 2.5 to 1.0, then ECF percentage is 0.0%.

Casualty and Other Insurance Proceeds

An amount equal to 100% of net major casualty cash proceeds if the Company does not intend to reinvest the proceeds.

Debt and Equity Proceeds

Upon receipt of net cash proceeds arising from the issuance of debt or equity securities.

Asset Disposition Proceeds

Upon receipt of net cash proceeds arising from the disposition of assets that are prohibited under the agreement.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2023

Note 6 – Long-term Debt (continued)

Term Loan (continued)

Curative Equity

Upon receipt of any proceeds related to curative equity under the agreement.

The term loan accrues interest, per annum, based on the one month secured overnight financing rate ("SOFR") and applicable margin related to the total debt to EBITDA ratio levels. The levels for total debt to EBITDA ratio is as follows:

- (i) Total debt to EBITDA ratio of greater than 3.25 to 1.00 accrues interest per annum at 6.5%.
- (ii) Total debt to EBITDA ratio of less than 3.25 to 1.00 accrues interest per annum at 6.0%.

For the year ended December 31, 2023, level (i) is to be used and the rate may be adjusted considering the results of the ratio thereafter.

The term loan is collateralized by the assets of the Company.

The future minimum debt payments on the term loan at December 31, 2023, are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 273,000
2025	273,000
2026	273,000
2027	26,208,000
	<hr/> 27,027,000
Less: debt issuance costs	(646,751)
	<hr/> <u>\$ 26,380,249</u>

Revolving Commitment

During December 2022, the Company entered into a credit agreement allowing for delayed draw term loans with advances up to \$10,000,000. The delayed draw term loans mature during December 2027, and payments are due on the first business day of each fiscal quarter, commencing with the first day of the second full quarter following the funding of each delayed draw term loan. Each payment is equal to 0.25% of the original funded amount. The final installment amount due on the maturity date will be a sum equal to the remaining outstanding principal amount. The term loan also contains mandatory prepayments, which are the same as the term loan disclosed above.

The delayed draw term loans accrue interest at the same rate used for the term loan and are disclosed above. The delayed draw term loans are collateralized by the assets of the Company. The delayed draw term loan had approximately \$997,000 outstanding as of December 31, 2023.

The future minimum debt payments on the delayed draw term loan at December 31, 2023, are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 10,000
2025	10,000
2026	10,000
2027	967,500
	<hr/> \$ 997,500

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2023

Note 7 – Leases

The Company determines whether a contract is a lease, or contains a lease, at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. The Company discounts lease payments based on the risk-free rate as the Company's leases do not provide a readily determinable implicit rate.

The Company leases operating and office facilities for various terms under long-term, noncancelable operating lease agreements. The leases expire at various dates through 2028 and provide for renewal options ranging up to 5 years. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other properties. As noted in the lease agreements, the leases provide for increases in future minimum annual rental payments and generally requires the Company to pay its proportional share of real estate taxes and operating expenses. Rent expense for the year ended December 31, 2023, was approximately \$478,000, which is included in general and administrative expenses on the accompanying consolidated statement of operations.

The table below presents the lease related assets and liabilities recorded on the Company's consolidated balance sheet as of December 31, 2023:

Assets:	
Operating lease right-of-use assets	\$ 1,229,577
Accumulated amortization	(479,126)
Operating lease right-of-use assets, net	<u>\$ 750,451</u>
Liabilities:	
Current operating lease liabilities	\$ (330,225)
Noncurrent liabilities	(406,226)
Operating lease liabilities	<u>\$ (736,451)</u>

At December 31, 2023, the weighted-average remaining lease terms and the weighted-average discount rates were:

Weighted-average remaining lease terms (years)	
Operating leases	2.6
Weighted-average discount rate	
Operating leases	3.97%

Future minimum lease payments under the noncancelable operating lease are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 353,618
2025	276,255
2026	75,906
2027	50,370
2028	20,746
Total future undiscounted lease payments	<u>776,895</u>
Less: effects of discounting	(40,444)
Present value of lease payments	<u>\$ 736,451</u>

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2023

Note 8 – Members’ Equity

The Company is authorized to issue two classes of units, which may be divided into multiple series of the same class. At December 31, 2023, units issued and outstanding consisted of 16,000,000 authorized Common Units Series One, 37,450,000 authorized Common Units Series Two, and 21,802,937 authorized Preferred Units Series One.

Voting

Common unitholders are entitled to four votes per Series One Unit held and one vote per Series Two Unit held. Preferred unitholders have no voting rights.

Priority Returns

Preferred Units receive a preferred yield which accrues at the preferred rate, compounded quarterly in arrears, on the sum of (a) the unreturned preferred capital (b) the unpaid preferred yield for all prior quarterly compounding periods. Preferred rate means a rate of interest equal to 14.0% per annum, provided that the preferred rate used to calculate the preferred yield of any Preferred Unit shall increase by an additional 1.0% per annum on the seventh anniversary date on which the Company issued such Preferred Unit and by an additional 1.0% on each subsequent anniversary thereafter for as long as the Unit is outstanding. The preferred yield is treated as a cumulative, paid-in-kind (“PIK”) dividend. For the year ended December 31, 2023, the Company issued 2,802,937 Preferred Units Series One related to the PIK dividend.

The Company first shall distribute available cash to the members, pro-rata in proportion to their respective sharing percentages of unpaid preferred yield, until the unpaid amount is reduced to zero. Second, to the members, pro-rata in proportion to their respective sharing percentages of unreturned preferred capital, until the unpaid amount is reduced to zero. Third, to the members, pro-rata in proportion to their respective holdings of common units, until the unpaid amount is reduced to zero.

Note 9 – Equity Incentive Plan

During December 2022, the Company adopted the Equity Incentive Plan (the “Plan”). Incentive Units are awarded to or for the benefit of service providers. The purpose of the Plan is to provide such persons with incentives and rewards for superior performance and to assist the Company in attracting and retaining officers, managers, and other key employees. The Incentive Units are not shares of the Company’s Common or Preferred Units and a recipient does not receive any ownership interest in the Company, member voting rights, dividends or distributions, or other incidents of ownership. Incentive Units are granted to participants upon the approval of the Board of Directors. The Board of Directors shall establish the amount of profit interest determination and vesting criteria for the Incentive Units within each fully executed award agreement.

As of December 31, 2023, 5,761,111 Incentive Units have been authorized, 2,736,529 Incentive Units have been issued, 259,250 have vested, and none have forfeited. The issued and outstanding Incentive Units vest 10% on each of the first, second, third, fourth, and fifth anniversaries of the date of grant and then all remaining unvested incentive units will vest upon the consummation of a liquidity event. The fair value of the issued Incentive Units on the grant date was \$1.00. The Company elects to recognize the award based on its intrinsic value and subsequently remeasure upon each reporting period until settled. The fair value of the Incentive Units at December 31, 2023, was \$1.16. During the year ended December 31, 2023, the Company recognized approximately \$301,000 in compensation expense. The accrued compensation expense is reflected in accrued liabilities on the consolidated balance sheet at December 31, 2023.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2023

Note 10 – Income Taxes

Deferred income tax assets and liabilities for the Company are computed for temporary differences between the financial statement basis and the tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based upon enacted tax laws and rates applicable to the years in which the differences are expected to be realized. Income tax expenses are the taxes payable or refundable for the year plus or minus the change in deferred tax assets and liabilities during the year.

For the year ended December 31, 2023, income tax expense consisted of the following:

Current:		
Federal	\$	157,990
State		56,378
Deferred:		
Federal		(1,576,089)
State		<u>(282,430)</u>
Total income tax benefit	\$	<u><u>(1,644,151)</u></u>

As of December 31, 2023, the Company had a net deferred tax asset of approximately \$1,783,000 that comprised the following significant temporary differences: fixed asset, leased right-of-use assets, interest expense, bonus accruals, and intangible asset differences due to accelerated or different depreciation and amortization methods for tax purposes. Management determined that a valuation allowance for deferred tax liabilities was not necessary as of December 31, 2023. The effective tax benefit rate for the year ended December 31, 2023, was approximately 75.5% and the enacted statutory federal income tax rate is 21.0%. Any difference is attributable to nondeductible expenses.

Note 11 – Subsequent Events

The Company has evaluated subsequent events through April 26, 2024, the date on which the consolidated financial statements presented herein were available to be issued for the year ended December 31, 2023.

* * * * *

Supplemental Schedule

Encore TopCo, LLC and Subsidiaries

Consolidating Balance Sheet As of December 31, 2023

	Encore Acquisition II, Corp.	CMIT Marketing Fund, LLC	CMIT Solutions, LLC	Encore Acquisition, Corp.	Encore TopCo, LLC	Committed Computing, LLC	Eliminations	Total
Assets								
Current assets:								
Cash and cash equivalents	\$ 812,080	\$ 481,268	\$ 2,324,768	\$ -	\$ -	\$ 163,655	\$ -	\$ 3,781,771
Accounts receivable, net	1,583,917	130,796	1,540,900	-	-	269,531	-	3,525,144
Notes receivable, net	1,076,190	-	3,070,777	-	-	-	(4,144,373)	2,594
Prepaid expenses and other current assets	99,980	18,457	189,992	-	-	6,507	-	314,936
Total current assets	3,572,167	630,521	7,126,437	-	-	439,693	(4,144,373)	7,624,445
Noncurrent assets:								
Property and equipment, net	(5,164)	1,269	55,361	-	-	16,736	-	68,202
Right-of-use asset, office leases, net	238,486	-	234,316	-	-	277,649	-	750,451
Deferred tax asset, net	-	-	-	1,782,516	-	-	-	1,782,516
Intangible assets, net	24,584,349	(122,177)	60,534,194	-	-	3,442,297	-	88,438,663
Total noncurrent assets	24,817,671	(120,908)	60,823,871	1,782,516	-	3,736,682	-	91,039,832
Total Assets	\$ 28,389,838	\$ 509,613	\$ 67,950,308	\$ 1,782,516	\$ -	\$ 4,176,375	\$ (4,144,373)	\$ 98,664,277

(continued)

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

Encore TopCo, LLC and Subsidiaries

Consolidating Balance Sheet

As of December 31, 2023

(continued from previous page)

	Encore Acquisition II, Corp.	CMIT Marketing Fund, LLC	CMIT Solutions, LLC	Encore Acquisition, Corp.	Encore TopCo, LLC	Committed Computing, LLC	Eliminations	Total
Liabilities and Members' Equity (Deficit)								
Current liabilities:								
Accounts payable	\$ 661,266	\$ 251,228	\$ 2,467,986	\$ -	\$ -	\$ 20,188	\$ -	\$ 3,400,668
Accrued liabilities	678,480	26,621	440,913	347,412	300,730	70,086	-	1,864,242
Operating lease liability, current portion	112,837	-	155,395	-	-	61,993	-	330,225
Long-term debt, net debt discounts, current portion	-	-	-	283,000	-	-	-	283,000
Total current liabilities	1,452,583	277,849	3,064,294	630,412	300,730	152,267	-	5,878,135
Long-term liabilities:								
Deferred revenue	4,617	-	15,527	-	-	-	-	20,144
Operating lease liability, less current portion	111,649	-	78,921	-	-	215,656	-	406,226
Long-term debt, net debt discount, less current portion	1,430,874	-	-	29,808,248	-	-	(4,144,373)	27,094,749
Total long-term liabilities	1,547,140	-	94,448	29,808,248	-	215,656	(4,144,373)	27,521,119
Total liabilities	2,999,723	277,849	3,158,742	30,438,660	300,730	367,923	(4,144,373)	33,399,254
Total members' equity (deficit)	25,390,115	231,764	64,791,566	(28,656,144)	(300,730)	3,808,452	-	65,265,023
Total Liabilities and Members' Equity	\$ 28,389,838	\$ 509,613	\$ 67,950,308	\$ 1,782,516	\$ -	\$ 4,176,375	\$ (4,144,373)	\$ 98,664,277

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

ENCORE TOPCO, LLC AND SUBSIDIARIES

Consolidated Financial Statements,
Independent Auditor's Report,
and Supplemental Schedule

December 31, 2024



Calvetti Ferguson

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Independent Auditor's Report

To the Members of
Encore TopCo, LLC and Subsidiaries
Indianapolis, Indiana

Opinion

We have audited the consolidated financial statements of Encore TopCo, LLC and Subsidiaries (collectively, the "Company"), which comprise the balance sheet as of December 31, 2024, the related consolidated statements of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the Company's financial position as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditor's 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.

Management's Responsibilities 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 that, considered in the aggregate, 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 issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance; as such, it is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, misrepresentations, intentional omissions, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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, we express no such opinion.
- 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 that, considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are also 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information in Schedule I is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements, as well as certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Dallas, Texas
March 19, 2025

Encore TopCo, LLC and Subsidiaries

Consolidated Balance Sheet As of December 31, 2024

Assets

Current assets:

Cash and cash equivalents	\$ 4,747,895
Accounts receivable, net	3,856,711
Prepaid expenses and other current assets	723,286
Total current assets	<u>9,327,892</u>

Non-current assets:

Property and equipment, net	67,059
Right-of-use asset, net	750,551
Deferred tax asset, net	2,538,222
Intangible assets, net	82,131,452
Total non-current assets	<u>85,487,284</u>

Total Assets	<u>\$ 94,815,176</u>
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Liabilities and Members' Equity

Current liabilities:

Accounts payable	\$ 2,356,972
Accrued liabilities	2,146,417
Operating lease liability, current portion	763,999
Long-term debt, net of debt discount, current portion	283,000
Deferred revenue	206,478
Total current liabilities	<u>5,756,866</u>

Long-term liabilities:

Operating lease liability, less current portion	40,473
Long-term debt, net of debt discount and current portion	26,293,823
Total long-term liabilities	<u>26,334,296</u>

Total liabilities	32,091,162
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Members' equity	<u>62,724,014</u>
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Total Liabilities and Members' Equity	<u>\$ 94,815,176</u>
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The accompanying notes are an integral part of these consolidated financial statements.

Encore TopCo, LLC and Subsidiaries

Consolidated Statement of Operations For the Year Ended December 31, 2024

Revenue:

Franchise royalty fees	\$ 5,286,610
Franchise services	3,471,924
Managed recurring product revenue	13,152,928
Product Maintenance revenue	2,944,876
Non-recurring product revenue	2,101,666
Franchise sales	1,093,064
Convention revenue	590,892
Marketing fund revenues	1,804,044
Total revenue	<u>30,446,004</u>

Cost of revenue	<u>9,509,580</u>
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Gross profit	20,936,424
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Operating expenses:

General and administrative	12,934,990
Advertising and marketing	1,589,661
Depreciation and amortization	6,338,060
Total operating expenses	<u>20,862,711</u>

Income from operations	73,713
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Other income (expense):

Interest expense	(3,542,227)
Other income	33,231
Total other expense	<u>(3,508,996)</u>

Net loss before income taxes	(3,435,283)
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Income tax benefit	<u>894,275</u>
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Net Loss	<u><u>\$ (2,541,008)</u></u>
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The accompanying notes are an integral part of these consolidated financial statements.

Encore TopCo, LLC and Subsidiaries

Consolidated Statement of Changes in Members' Equity For the Year Ended December 31, 2024

Balance, January 1, 2024	\$ 65,265,023
Net loss	<u>(2,541,008)</u>
Balance, December 31, 2024	<u><u>\$ 62,724,014</u></u>

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

Encore TopCo, LLC and Subsidiaries

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

Cash flows from operating activities:

Net loss	\$ (2,541,008)
Adjustments to reconcile net loss to net cash from operating activities:	
Depreciation and amortization	6,338,060
Credit losses	79,563
Debt discount amortization	60,788
Changes in operating assets and liabilities:	
Accounts receivable, net	(411,130)
Prepaid expenses and other current assets	(405,756)
Right-of-use asset, net of operating lease liabilities	67,921
Deferred tax asset, net	(755,707)
Accounts payable	(1,043,696)
Accrued liabilities	282,175
Deferred revenue	186,334
Net cash provided by operating activities	<u>1,857,544</u>

Cash flows from investing activities:

Purchase of property and equipment	<u>(29,706)</u>
Net cash used in investing activities	<u>(29,706)</u>

Cash flows from financing activities:

Payments on long-term debt	<u>(861,714)</u>
Net cash used in financing activities	<u>(861,714)</u>

Net change in cash 966,124

Cash, beginning of period 3,781,771

Cash, End of Period \$ 4,747,895

Supplemental cash flow information:

Cash paid for interest	\$ 3,542,227
Cash paid for federal income taxes	\$ 299,136
Cash paid for state income taxes	\$ 245,091

Non-cash financing and investing activity:

Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 727,372
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The accompanying notes are an integral part of these consolidated financial statements.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2024

Note 1 – Organization

Encore TopCo, LLC (“Parent”) is a Delaware limited liability company formed on December 7, 2022, and is the parent to subsidiaries that provide franchise services for business-to-business information and technology support. The franchise system and related franchise material were specifically designed to allow franchisees to deliver managed services, as well as break/fix, project, and professional services in client offices. Collectively, the Parent and subsidiaries are referred to herein as the “Company.”

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Company maintains its accounts on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The consolidated financial statements and related notes are representation of the Company’s management, which is responsible for their integrity and objectivity. Accounting principles followed and the methods of applying those principles which materially affect the determination of financial positions, results of operations, and cash flows are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of Encore TopCo, LLC and its wholly owned subsidiaries: Encore Acquisition, Corp. (“Affiliate”), CMIT Solutions, LLC (“Franchisor”), CMIT Marketing Fund, LLC (“Affiliate”) and CMIT Solutions National, Corp. (“Franchisee”). Significant intercompany transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant estimates include management’s assessment of determining the net realizable value of accounts receivable, the useful lives of property and equipment, and value of acquired intangible assets. The Company believes its estimates and the assumptions utilized are reasonable; however, actual results may differ materially from these estimates.

Cash and Cash Equivalents

Cash represents cash deposits held at financial institutions. Cash equivalents include short-term, highly liquid investments of sufficient credit quality that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash equivalents are carried at cost, plus accrued interest, which approximates fair value. Cash and cash equivalents are held at major financial institutions and are subject to credit risk to the extent those balances exceed applicable Federal Deposit Insurance Corporation (“FDIC”) or Securities Investor Protection Corporation (“SIPC”) limitations.

As of December 31, 2024, the Company had \$4,747,895 in cash and cash equivalents and amounts on deposit in excess of federally insured limits were approximately \$4,498,000. The Company monitors the financial health of the financial institutions with which it does business, has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk to cash and cash equivalents.

Note 2 – Summary of Significant Accounting Policies (continued)

Accounts Receivable, net

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings as credit losses expense and an increase in the allowance for credit losses based on its assessment of the status of the individual franchisee's account. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for credit losses and a reduction of accounts receivable. As of December 31, 2024, the allowance for credit losses was approximately \$165,000 and the Company incurred approximately \$80,000 in credit losses expense during the year then ended.

The carrying amounts of these instruments approximate their respective fair values because of their short-term maturities or the underlying terms of these instruments. The estimated fair value of the Company's credit agreement also approximates the carrying value because the terms are comparable to similar lending arrangements.

Property and Equipment, net

Property and equipment, including leasehold improvements, are stated at cost, net of accumulated depreciation. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets, which are generally five years. Leasehold improvements are amortized over the terms of the respective leases or service lives of the improvements, whichever is shorter, using the straight-line method. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized.

Equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	3-7 years

Expenditures for maintenance and repairs are expensed as incurred. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the consolidated statement of operations.

Impairment of Long-Lived Assets

The Company has implemented Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, *Property, Plant, and Equipment*, which requires the Company, under certain circumstances, to review long-lived assets to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds cash flows, the recorded amounts of the assets will be reduced to their fair value. For the year ended December 31, 2024, there was no impairment to long-lived assets.

Note 2 – Summary of Significant Accounting Policies (continued)

Intangible Assets, net

Intangible assets are recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the identifiable net tangible and intangible assets acquired. Intangible assets are evaluated for impairment annually, or more frequently if indicators of impairment are present or changes in circumstances suggest that impairment may exist. The first step of the intangible asset impairment test compares the fair value of the reporting unit with its carrying amount, including intangible assets. If the fair value of the Company's reporting unit exceeds its carrying amount, the intangible assets of the reporting unit is not considered impaired. If the carrying amount of the Company's reporting unit exceeds its fair value, the second step of the intangible asset impairment test is performed to measure the amount of impairment loss, if any. The second step of the intangible asset impairment test compares the implied fair value of the affected reporting unit's intangible assets with the carrying value of that intangible asset. No impairment was recorded during the year ended December 31, 2024. The Company amortizes intangible assets over fifteen years.

Revenue Recognition

The Company recognizes revenue when control of a good or service promised in a contract (i.e., a performance obligation) is transferred to a franchisee. Control is obtained when a franchisee has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service.

The Company recognizes initial franchise fees when all the material obligations have been performed, conditions have been satisfied, and collectability is reasonably assured. Typically, this occurs when contracts are executed, training is completed, and franchise fees have been received. Franchise fees are generally deferred until training is completed.

Consistent with FASB ASC 606, *Revenue from Contracts with Customers*, the Company recognizes the entire initial franchise fee upon satisfaction of these material performance obligations, which typically occurs when training is completed. No portion of the franchise fee is required to be allocated to the remaining performance obligations over the life of the contract because the value of the training and purchase pricing power performance obligations exceeds the initial franchise fee.

The estimated stand-alone value of franchisee training and the estimated value of distinct purchase pricing power accessible to franchisees as part of the franchise contract exceeds the initial franchise fees received by the Company. Continuing fees such as royalties are recognized at a point-in-time in the year in which the related sales occur, and only if collectability is reasonably assured.

The Company arranges for access to goods and services for franchisees through contracts with third parties. Revenues from these goods and services are recognized at a point-in-time upon delivery of the good or service.

When the Company is not in control of those goods and services, the revenue is recorded net of the cost of the goods and services consumed by the franchisees. A corresponding cost of such goods and services is recorded in the same year in which revenue was recognized.

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Nature of Goods and Services and Performance Obligations

A performance obligation is a distinct good, service, or bundle of goods and/or services promised in a contract. The Company identifies performance obligations at the inception of a contract and allocates the transaction price to individual performance obligations to faithfully depict the Company's performance in transferring control of the promised goods or services to the franchisee.

Transaction Prices

The transaction price allocated to a performance obligation reflects the Company's expectations about the consideration it will be entitled to receive from a franchisee related to that performance obligation. To determine the transaction price, variable consideration is assessed as well as whether a significant financing component exists. The Company's contracts typically do not include a significant financing component as most contracts require payment prior to delivery.

Allocating Transaction Prices to Performance Obligations

The Company enters into certain contracts with franchisees that contain multiple services. For these contracts, each service is evaluated to determine whether it represents a distinct performance obligation. The total transaction price is then allocated to the distinct performance obligations based on their relative standalone selling prices at the inception of the contract. For services that are sold separately to similar customers in similar circumstances, the Company utilizes the directly observable prices to determine the relative standalone selling prices of such goods or services. For services with relative standalone selling prices that are not directly observable, the Company estimates their relative standalone selling prices using the adjusted market assessment approach.

In utilizing this approach, the Company maximizes the use of observable inputs. The significant observable inputs utilized by the Company in this approach are similar services sold by its competitors, adjusted as necessary, to reflect the Company's costs and margins.

Income Taxes

Encore TopCo, LLC, CMIT Solutions LLC and CMIT Marketing Fund, LLC, are limited liability companies and thus not tax paying entities for federal income tax purposes. As a result, no federal income tax expense is recorded. The annual tax income or loss for these companies is allocated to the members for reporting on federal tax returns. These companies are also subject to certain state and local taxes.

Encore Acquisition Corp. and CMIT Solutions National Corp. are taxed as a C-corporation for federal income tax purposes. These companies file income tax returns in the United States federal jurisdiction and various state jurisdictions. Income taxes are accounted for under the liability method as set forth in FASB ASC 740, *Income Taxes*. Deferred tax assets net of valuation allowance and liabilities are recognized for the estimated future tax consequences attributable to the difference between the consolidated financial statements carrying amounts of the existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Company evaluates any uncertain tax positions using the provisions of FASB ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and the management's judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

The Company does not believe that it has engaged in any situation that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist; therefore, no loss contingency has been recognized in the consolidated financial statements at December 31, 2024. The Company's policy is to record any income tax related penalties and interest incurred as operating expenses. There were no income tax related penalties or interest for the year ended December 31, 2024. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting years remain open to potential examination by relevant oversight agencies. Currently, the Company has no active examinations with either the Internal Revenue Service or state taxing authorities.

Leases

The Company leases its office space under noncancellable operating leases. Per FASB ASC 842, *Leases*, the Company determines if an arrangement is a lease at inception. Operating leases are included on the balance sheet as operating lease right-of-use ("ROU") assets and operating lease liabilities. The Company did not have any finance leases during the year ended December 31, 2024. ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term.

As the lease agreement does not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. The operating lease ROU asset also includes any lease payments made and exclude lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such option. Lease expense for the lease payments is recognized on a straight-line basis over the lease term. The Company's lease agreements do not contain any material or residual value guarantees or material restrictive covenants.

Recent Accounting Pronouncements

Recent accounting pronouncements issued by the FASB or other authoritative standards groups with future effective dates are either not applicable or are not expected to be significant to the Company's consolidated financial statements.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2024

Note 4 – Property and Equipment, net

Property and equipment at December 31, 2024, consisted of the following:

Equipment	\$	80,167
Furniture and fixtures		46,228
Leasehold improvements		11,085
		<u>137,480</u>
Less: accumulated depreciation		<u>(70,421)</u>
	\$	<u>67,059</u>

During the year ended December 31, 2024, the Company incurred approximately \$31,000 of depreciation expense which is included in operating expenses on the statement of operations.

Note 5 – Intangible Assets

At December 31, 2024, the Company has intangible assets consisting of trademarks related to acquisitions. Intangible assets as of December 31, 2024, is summarized as follows:

Other intangible assets	\$	94,608,183
Less: accumulated amortization		<u>(12,476,731)</u>
	\$	<u>82,131,452</u>

During the year ended December 31, 2024, the Company incurred approximately \$6,307,000 in amortization expense which is included in operating expenses on the statement of operations.

The future amortization expense for each of the next five years and thereafter as of December 31, 2024, is as follows:

<u>Year Ending December 31,</u>		
2025	\$	6,352,626
2026		6,352,626
2027		6,352,626
2028		6,352,626
2029		6,352,626
Thereafter		<u>50,368,325</u>
	\$	<u>82,131,452</u>

Note 6 – Long-term Debt

Term Loan

During December 2022, the Company entered into a credit agreement allowing for a term loan in the amount of \$27,300,000. The term loan is collateralized by the assets of the Company and matures in December 2027. Payments commenced on April 1, 2023, and are due on the first business day of each fiscal quarter, with each payment due in an amount equal to 0.25% of the original funded amount.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2024

Note 6 – Long-term Debt (continued)

Term Loan (continued)

The final installment amount due on the maturity date will be a sum equal to the remaining outstanding principal amount. In connection with the term loan, the Company incurred approximately \$809,000 of issuance costs that will be amortized to interest expense over the remaining life of the term loan. During the year ended December 31, 2024, the Company amortized approximately \$61,000 of debt issuance costs to interest expense.

The term loan also contains mandatory prepayments which are due in the following amounts and times:

Excess Cash Flow ("ECF")

No later than 130 days following the last day of the fiscal year, commencing on December 31, 2024. An amount equal to the ECF percentage for annual excess cash flow, less optional principal prepayments made during the year. The ECF percentage is defined as the debt to earnings before interest, taxes, depreciation, and amortization ("EBITDA") ratio measured as of the last day of any fiscal year. If the debt to EBITDA ratio is less than 3.5 to 1.0, but greater than 2.5 to 1.0, then the ECF percentage is 25.0%. If the debt to EBITDA ratio is less than 2.5 to 1.0, then ECF percentage is 0.0%.

Casualty and Other Insurance Proceeds

An amount equal to 100% of net major casualty cash proceeds if the Company does not intend to reinvest the proceeds.

Debt and Equity Proceeds

Upon receipt of net cash proceeds arising from the issuance of debt or equity securities.

Asset Disposition Proceeds

Upon receipt of net cash proceeds arising from the disposition of assets that are prohibited under the agreement.

Curative Equity

Upon receipt of any proceeds related to curative equity under the agreement.

The term loan accrues interest, per annum, based on the one month secured overnight financing rate ("SOFR") plus applicable margin related to the total debt to EBITDA ratio levels. The levels for total debt to EBITDA ratio is as follows:

- (i) Total debt to EBITDA ratio of greater than 3.25 to 1.00 accrues interest per annum at 6.50%.
- (ii) Total debt to EBITDA ratio of less than 3.25 to 1.00 accrues interest per annum at 6.00%.

For the year ended December 31, 2024, level (i) is to be used and the rate may be adjusted considering the results of the ratio thereafter. For the year ended December 31, 2024, the term loan accrued interest at SOFR plus 6.00% (10.99% at December 31, 2024).

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2024

Note 6 – Long-term Debt (continued)

Term Loan (continued)

The future minimum debt payments on the term loan at December 31, 2024, are as follows:

<u>Year Ending December 31,</u>	
2025	\$ 273,000
2026	273,000
2027	25,660,021
	<u>26,206,021</u>
Less: debt issuance costs	(585,962)
	<u>\$ 25,620,059</u>

Revolving Commitment

During December 2022, the Company entered into a credit agreement allowing for delayed draw term loans with advances up to \$10,000,000. The delayed draw term loans mature during December 2027, and payments are due on the first business day of each fiscal quarter, commencing with the first day of the second full quarter following the funding of each delayed draw term loan. Each payment is equal to 0.25% of the original funded amount. The final installment amount due on the maturity date will be a sum equal to the remaining outstanding principal amount. The term loan also contains mandatory prepayments, which are the same as the term loan disclosed above.

During July 2023, the Company drew \$1,000,000 as a delayed draw term loan. The delayed draw term loans accrue interest at the same rate used for the term loan and are disclosed above. For the year ended December 31, 2024, the delayed draw term loan accrued interest at SOFR plus 6.50% (10.99% at December 31, 2024). The delayed draw term loans are collateralized by the assets of the Company. The delayed draw term loan had approximately \$957,000 outstanding as of December 31, 2024.

The future minimum debt payments on the delayed draw term loan at December 31, 2024, are as follows:

<u>Year Ending December 31,</u>	
2025	\$ 10,000
2026	10,000
2027	936,764
	<u>\$ 956,764</u>

Note 7 – Leases

The Company determines whether a contract is a lease, or contains a lease, at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. The Company discounts lease payments based on the risk-free rate as the Company's leases do not provide a readily determinable implicit rate.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2024

Note 7 – Leases (continued)

The Company leases operating and office facilities for various terms under long-term, noncancelable operating lease agreements. The leases expire at various dates through 2028 and provide for renewal options ranging up to 5 years. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other properties. As noted in the lease agreements, the leases provide for increases in future minimum annual rental payments and generally requires the Company to pay its proportional share of real estate taxes and operating expenses. Rent expense for the year ended December 31, 2024, was approximately \$610,000, which is included in general and administrative expenses on the accompanying consolidated statement of operations.

The table below presents the lease related assets and liabilities recorded on the Company's consolidated balance sheet as of December 31, 2024:

Assets:	
Operating lease right-of-use assets	\$ 1,230,820
Accumulated amortization	<u>(480,269)</u>
Operating lease right-of-use assets, net	<u>\$ 750,551</u>
Liabilities:	
Operating lease liabilities, current portion	\$ (763,999)
Non-current liabilities	<u>(40,473)</u>
Operating lease liabilities	<u>\$ (804,472)</u>

At December 31, 2024, the weighted-average remaining lease terms for operating leases was 2.03 years, and the weighted-average discount rate was 4.71%.

Future minimum lease payments under the noncancelable operating lease are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 311,878
2025	193,387
2026	45,294
2027	<u>24,549</u>
Total future undiscounted lease payments	575,108
Less: effects of discounting	<u>229,364</u>
Present value of lease payments	<u>\$ 804,472</u>

Note 8 – Members' Equity

The Company is authorized to issue two classes of units, which may be divided into multiple series of the same class. At December 31, 2024, units issued and outstanding consisted of 16,000,000 authorized Common Units Series One, 37,450,000 authorized Common Units Series Two, and 21,802,937 authorized Preferred Units Series One.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2024

Note 8 – Members' Equity (continued)

Voting

Common unitholders are entitled to four votes per Series One Unit held and one vote per Series Two Unit held. Preferred unitholders have no voting rights.

Priority Returns

Preferred Units receive a preferred yield which accrues at the preferred rate, compounded quarterly in arrears, on the sum of (a) the unreturned preferred capital (b) the unpaid preferred yield for all prior quarterly compounding periods. Preferred rate means a rate of interest equal to 14.0% per annum, provided that the preferred rate used to calculate the preferred yield of any Preferred Unit shall increase by an additional 1.0% per annum on the seventh anniversary date on which the Company issued such

Preferred Unit and by an additional 1.0% on each subsequent anniversary thereafter for as long as the Unit is outstanding. The preferred yield is treated as a cumulative, paid-in-kind ("PIK") dividend. For the year ended December 31, 2024, the Company issued 3,216,500 Preferred Units Series One related to the PIK dividend.

The Company first shall distribute available cash to the members, pro-rata in proportion to their respective sharing percentages of unpaid preferred yield, until the unpaid amount is reduced to zero. Second, to the members, pro-rata in proportion to their respective sharing percentages of unreturned preferred capital, until the unpaid amount is reduced to zero. Third, to the members, pro-rata in proportion to their respective holdings of common units, until the unpaid amount is reduced to zero.

Note 9 – Equity Incentive Plan

During December 2022, the Company adopted the Equity Incentive Plan (the "Plan"). Incentive Units are awarded to or for the benefit of service providers. The purpose of the Plan is to provide such persons with incentives and rewards for superior performance and to assist the Company in attracting and retaining officers, managers, and other key employees. The Incentive Units are not shares of the Company's Common or Preferred Units and a recipient does not receive any ownership interest in the Company, member voting rights, dividends or distributions, or other incidents of ownership. Incentive Units are granted to participants upon the approval of the Board of Directors. The Board of Directors shall establish the amount of profit interest determination and vesting criteria for the Incentive Units within each fully executed award agreement.

As of December 31, 2024, 5,761,111 Incentive Units have been authorized, 3,177,501 Incentive Units have been issued, 556,614 have vested, and none have forfeited. The issued and outstanding Incentive Units vest 10% on each of the first, second, third, fourth, and fifth anniversaries of the date of grant and then all remaining unvested incentive units will vest upon the consummation of a liquidity event. The fair value of the issued Incentive Units on the grant date was \$1.00. The Company elects to recognize the award based on its intrinsic value and subsequently remeasure upon each reporting period until settled. The fair value of the Incentive Units at December 31, 2024, was \$1.54. The accrued compensation expense is reflected in accrued liabilities on the consolidated balance sheet at December 31, 2024.

Encore TopCo, LLC and Subsidiaries

Notes to the Consolidated Financial Statements December 31, 2024

Note 10 – Income Taxes

Deferred income tax assets and liabilities for the Company are computed for temporary differences between the financial statement basis and the tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based upon enacted tax laws and rates applicable to the years in which the differences are expected to be realized. Income tax expenses are the taxes payable or refundable for the year plus or minus the change in deferred tax assets and liabilities during the year.

For the year ended December 31, 2024, income tax expense consisted of the following:

Current:	
Federal	\$ (299,136)
State	160,568
Deferred:	
Federal	(627,549)
State	(128,158)
Total income tax benefit	<u>\$ (894,275)</u>

As of December 31, 2024, the Company had a net deferred tax asset of approximately \$2,538,000 that comprised the following significant temporary differences: fixed assets, leased right-of-use assets, bonus accruals, net operating loss carryforward, and intangible asset differences due to accelerated or different depreciation and amortization methods for tax purposes. Management determined that a valuation allowance for deferred tax liabilities was not necessary as of December 31, 2024. The effective tax benefit rate for the year ended December 31, 2024, was approximately 30% and the enacted statutory federal income tax rate is 21.0%. Any difference is attributable to nondeductible expenses.

Note 11 – Subsequent Events

The Company has evaluated subsequent events through March 19, 2025, the date on which the consolidated financial statements presented herein were available to be issued for the year ended December 31, 2024.

On February 11, 2025, the Company acquired 100% interest in all the assets of Central Oregon Tech, LLC dba Velox Systems. The acquisition allows the Company to gain synergies and continue to grow its operations.

* * * * *

Supplemental Schedule

Encore TopCo, LLC and Subsidiaries

Schedule I - Consolidating Balance Sheet As of December 31, 2024

	CMIT Solutions National Corp.	CMIT Marketing Fund, LLC	CMIT Solutions, LLC	Encore Acquisition, Corp.	Encore TopCo, LLC	Eliminations	Total
Assets							
Current assets:							
Cash and cash equivalents	\$ 1,595,161	\$ 375,445	\$ 2,777,289	\$ -	\$ -	\$ -	\$ 4,747,895
Accounts receivable, net	2,060,632	144,843	1,651,236	-	-	-	3,856,711
Notes receivable, net	2,329,305	-	6,428,941	-	-	(8,758,246)	-
Prepaid expenses and other current assets	207,252	21,689	135,499	358,846	-	-	723,286
Total current assets	<u>6,192,350</u>	<u>541,977</u>	<u>10,992,965</u>	<u>358,846</u>	<u>-</u>	<u>(8,758,246)</u>	<u>9,327,892</u>
Non-current assets:							
Property and equipment, net	3,168	915	62,976	-	-	-	67,059
Right-of-use asset, office leases, net	354,285	-	396,266	-	-	-	750,551
Deferred tax asset, net	-	-	-	2,538,222	-	-	2,538,222
Intangible assets, net	26,034,578	(113,449)	56,210,323	-	-	-	82,131,452
Total non-current assets	<u>26,392,031</u>	<u>(112,534)</u>	<u>56,669,565</u>	<u>2,538,222</u>	<u>-</u>	<u>-</u>	<u>85,487,284</u>
Total Assets	<u>\$ 32,584,381</u>	<u>\$ 429,443</u>	<u>\$ 67,662,530</u>	<u>\$ 2,897,068</u>	<u>\$ -</u>	<u>\$ (8,758,246)</u>	<u>\$ 94,815,176</u>

(Continued on following page)

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

Encore TopCo, LLC and Subsidiaries

Schedule I - Consolidating Balance Sheet As of December 31, 2024

(Continued from previous page)

	CMIT Solutions National Corp.	CMIT Marketing Fund, LLC	CMIT Solutions, LLC	Encore Acquisition, Corp.	Encore TopCo, LLC	Eliminations	Total
Liabilities and Members' Equity (Deficit)							
Current liabilities:							
Accounts payable	\$ 736,608	\$ 254,816	\$ 1,365,548	\$ -	\$ -	\$ -	\$ 2,356,972
Accrued liabilities	689,382	222,209	477,642	-	757,184	-	2,146,417
Operating lease liability, current portion	316,620	-	447,379	-	-	-	763,999
Deferred revenue	196,417	-	10,061	-	-	-	206,478
Long-term debt, net of debt discounts, current portion	-	-	-	283,000	-	-	283,000
Total current liabilities	<u>1,939,027</u>	<u>477,025</u>	<u>2,300,630</u>	<u>283,000</u>	<u>757,184</u>	<u>-</u>	<u>5,756,866</u>
Long-term liabilities:							
Operating lease liability, less current portion	40,473	-	-	-	-	-	40,473
Long-term debt, net of debt discount and current portion	<u>1,959,020</u>	<u>-</u>	<u>-</u>	<u>33,093,049</u>	<u>-</u>	<u>(8,758,246)</u>	<u>26,293,823</u>
Total long-term liabilities	<u>1,999,493</u>	<u>-</u>	<u>-</u>	<u>33,093,049</u>	<u>-</u>	<u>(8,758,246)</u>	<u>26,334,296</u>
Total liabilities	3,938,520	477,025	2,300,630	33,376,049	757,184	(8,758,246)	32,091,162
Total members' equity (deficit)	<u>28,645,861</u>	<u>(47,582)</u>	<u>65,361,900</u>	<u>(30,478,981)</u>	<u>(757,184)</u>	<u>-</u>	<u>62,724,014</u>
Total Liabilities and Members' Equity	<u>\$ 32,584,381</u>	<u>\$ 429,443</u>	<u>\$ 67,662,530</u>	<u>\$ 2,897,068</u>	<u>\$ -</u>	<u>\$ (8,758,246)</u>	<u>\$ 94,815,176</u>

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



EXHIBIT B-1

GUARANTEE OF PERFORMANCE

GUARANTEE OF PERFORMANCE
GUARANTEE OF PERFORMANCE

For value received, Encore TopCo, LLC, a Delaware limited liability company, (the "Guarantor"), located at 8888 Keystone Crossing Suite 600, Indianapolis, Indiana 46240, absolutely and unconditionally guarantees to assume the duties and obligations of CMIT Solutions, LLC at 9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733 (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 Indianapolis, Indiana on 4/29/2024.
The Guarantor signs this guarantee at Indianapolis, Indiana on 4/3/2025.

Guarantor:

Guarantor:

Encore TopCo, LLC.

Encore TopCo, LLC.

DocuSigned by:
By: 

By: 
Printed Name: Daniel Kim

Printed Name: Daniel Kim
Title: Chairman

Title: Chairman



EXHIBIT C

TABLE OF CONTENTS OF THE CMIT SOLUTIONS

GENERAL OPERATING

POLICIES AND PROCEDURES MANUAL

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EXHIBIT D

LIST OF FRANCHISEES

AND

FRANCHISEES WHO LEFT THE SYSTEM

LIST OF FRANCHISEES (As of ~~12/31/23~~ 12/31/24)

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
ALABAMA				
Auburn	AL	Marty and Leslie Wood	3920 Rosemont Drive, Columbus, GA, 31904 USA	(706) 984-7222
Birmingham South	AL	Kerry Wheelers	1 Chase Corporation Center, Suite 400, Birmingham, AL 35244	(757) 287-7127
ARIZONA				
Biltmore	AZ	Stephen Paskel	2390 E. Camelback Rd., Suite 130, Phoenix, AZ 85016	(480) 359-4500
Gilbert Mesa	AZ	Alex Martinez	4140 East Baseline Rd, Suite 101, Mesa, AZ 85206	(480)- 926-6445
Glendale	AZ	Christopher Lackore	5830 W Thunderbird Rd., Ste B8, Glendale, AZ 85306 (2 territories in Arizona)	(623) 250-5100
Phoenix	AZ	Bruce Newman	10645 N. Tatum Blvd., Ste 200-218, Phoenix, AZ 85028 (2 territories in Arizona)	(480) 419-3931
Scottsdale	AZ	Marwan Al Halabi	7702 E. Doubletree Ranch Rd., #300, Scottsdale, AZ 85258	(602) 492-5976
Tempe and , North Chandler <u>and Gilbert Mesa</u>	AZ	Arvind Hariharan	64 E Broadway Rd., Suite 200, Tempe, AZ 85282 <u>(2 territories in Arizona)</u>	(602) 877-9495
CALIFORNIA				
Anaheim	CA	Navin Gupta	2400 E. Katella Avenue, Suite 800, Anaheim, CA 92806	(657) 230-7099
Calabasas and Irvine	CA	Guillermo Solano	24007 Ventura Blvd., Suite 290, Calabasas, CA 91302 (2 territories in CA)	(818) 918-6710
Campbell-San Jose	CA	Todd & Maitjian Welke	13551 La Paz Way, Saratoga, CA 95070 (3 territories in CA)	(408) 872-1577
Carlsbad	CA	Mark Cristobal	701 Palomar Airport Rd, Suite 300, Carlsbad, CA 92011	(760) 607-6722
Concord	CA	Mohammad Naqvi	3478 Buskirk Ave, Suite 1000, Pleasant Hill, CA	(925) 263-6996

Exhibit D-1

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
			94523	
Encino-Sherman Oaks-Van Nuys	CA	Andy Takieddine	16967 Knollwood Dr., Granada Hills, CA 91316	(747) 239-2122
Escondido	CA	Ken Hamilton	306-N West El Norte Pkwy, #484, Escondido, CA 91316	(760) 670-4915
Fremont	CA	Yogish Subbaiah	389899 Balentine Dr, Suite 200, Newark, CA 94560	(510) 399-4088
Hayward	CA	Sameer Pandya	2101 Marina Blvd, Suite 2 San Leandro, CA 94577	(510) 250-1688
Livermore	CA	Lisa Shah	2150 Portola Ave, Suite D Livermore, CA 94511	(408) 470-8951
Long Beach	CA	Michel Abraham	22722 29th Dr. SE, Suite #100 Bothell, WA 98021	(425) 296-0329
Newport Beach	CA	Diaa Youssef	1300 Bristol St. N., Suite 245, Newport Beach, CA 92660	(949) 653-1963
Oakland-Walnut Creek	CA	Bob Lee	1901 Harrison St, Suite 1100, Oakland, CA 94612 (2 territories in CA)	(510) 279-6328
Sacramento NW	CA	Andrew Yang	1777 Oak Ave, Suite B, Davis, CA 95616	(530) 574-9717
San Mateo	CA	Rachele Schainker	3 East Third Avenue, #200, San Mateo, CA 94401	(650) 770-0258
Santa Clarita	CA	Jas, JD and Pinki Dhillon	23610 Summit Dr Calabasas CA 91302	(818) 571-1711
San Rafael	CA	Sean Murphy	69 Bolinas Road, Fairfax, CA 94930	(415) 599-3423
COLORADO				
Brighton	CO	Paul Williams	992 S 4th St., Suite 100, Brighton, CO 80601	(720) 728-0805
Denver	CO	Scott Graflund	7936 E Arapahoe Ct., Suite 2100, Centennial, CO 80112 (3 territories in Colorado)	(303) 756-2648

Exhibit D-2

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
Denver-Englewood-Littleton	CO	John Cannata	7901 Southpark Plaza, Suite 102, Littleton, CO 80120	(720) 593-8100
Louisville	CO	Ron Bohnen	870 McCaslin St, Suite 200, Louisville, CO 80027	(720) 680-0246
CONNECTICUT				
East Hartford-Manchester-Windsor	CT	Gregory Murphy	903 Main Street, Manchester, CT 06040 (2 territories in CT)	(860) 325-2648
Norwalk-Westport	CT	Avi Davidovich	501 Westport Ave., #262, Norwalk, CT 06851	(203) 539-6321
Stamford	CT	Linda Koppersmith	1177 High Ridge Road, Stamford, CT 06905	(203) 595-9091
FLORIDA				
Fort Lauderdale	FL	Ed Duncan	1685 Se 109th Terrace Davie, FL 33325 (2 territories)	(512) 879-4556
Hollywood-Fort Lauderdale	FL	Larry Kerrigan	4000 Hollywood Blvd., Suite 555-S, Hollywood, FL 33021	(954) 857-2272
Jacksonville	FL	Dom Sanfilippo	4600 Touchton Rd, Suite 1150, Jacksonville, FL 32246 (3 territories in FL)	(904) 435-3453
Jacksonville	FL	Jennii Kosmowski	10536 Inverness Dr Jacksonville, FL 32257	(904)400-2826
Miami	FL	Anthony Menendez	601 Brickell Key Dr., Suite 700 Miami, FL 33131	(786) 564-3340
Orlando	FL	Mike Sabitov	7512 Dr. Phillips Blvd. #50-926, Orlando, FL 32819	(407) 608-5705
Palm Bay- Rockledge	FL	Charlie Reese	1215 Admiralty Blvd., Rockledge, FL 32955	(321) 608-9037
Tampa	FL	Jared Knisley	12408 N 5th St., Suite 4 Temple Terrace, FL 33617	(813) 985-7972

Exhibit D-3

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
Tampa South	FL	David Rasmussen	3225 South MacDill Ave. Ste 129-109 Tampa, FL 33629	(813) 686-3414
GEORGIA				
Alpharetta-Roswell	GA	Ken Jones	12600 Deerfield Parkway, Suite 100, Alpharetta, GA 30004 (2 territories in GA)	(678) 566-3656
Atlanta	GA	Gary Davis	5 Concourse Parkway, Suite 300, Atlanta, GA 30328	(770) 551-8857
Chamblee	GA	Missy and Burnell Pitcher	1954 Airport Rd, Suite 125, Chamblee, GA 30341	(404) 941-0340
Calhoun-Dahlonega- Jasper, Atlanta 1	GA	Mike White	3482 Keith Bridge Road, Suite 307, Cumming, GA 30041 (34 territories in GA)	(470) 239-6337
Carrollton- Hogansville-Griffin Pea chtree City	GA	Doug <u>and Angela</u> Bates and BJ Greissing	312 Crosstown Dr., Suite 354, Peachtree City, GA 30269 (42 territories in GA)	(770) 731-0824
Carrollton- Hogansville-Griffin	GA	Doug Bates and Nathan Bates	312 Crosstown Dr., Suite 354, Peachtree City, GA 30269 (2 territories in GA)	(770) 731-0824
Columbus	GA	Marty and Leslie Wood	3920 Rosemont Drive, Columbus, GA 31904	(706) 984-7222
Dacula- Lawrenceville- Snellville	GA	Tom Shirey	4281 McBrayer Rd., Suite 200, Oakwood, GA 30566 (3 territories in GA)	(678) 948-6101
IDAHO				
Boise-Meridian	ID	Scott Freund	289 SW 5th Ave., Meridian, ID 83642 (2 territories in ID)	(208) 608-5500
Idaho Falls	ID	Laurel and Richard Mueller	966 N 3000 W Rexburg, ID 83440	720-891-333 0
ILLINOIS				
Batavia-Geneva-St. Charles	IL	Deb Reiter	821 Ekman Drive, Batavia, IL 60510	(630) 444-7119

Exhibit D-4

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
Chicago	IL	Jeremy Treister	73 W. Monroe St., Chicago, IL 60603	(312) 324-0248
Elmhurst-Hinsdale-Oak Brook-Oak Park	IL	Chris Grumboski	1010 Lake Street, Suite 200, Oak Park, IL 60301	(708) 919-5132
Lake Bluff-Arlington Heights	IL	Mehul Patel	3020 N Skokie Hwy, Lake Bluff, IL 60044 (4 territories in IL)	(847) 807-7577
Naperville <u>Lombard</u>	IL	Mike Khattab <u>Glenn Hoffman</u>	1755 Park St. <u>11431 Opus Place,</u> Suite 200, Naperville, IL- 60563 <u>110</u> (2 territories in IL) <u>Downers Grove, IL 60515</u>	(630 <u>847</u>) 246-7004 <u>962-2087</u>
Shiloh	IL	Dave Roberson	4020 Green Mount Crossing Dr., Suite 410, Shiloh, IL 62269 (2 territories in IL)	(618) 239-4500
Chicago	IL	Prabir Chatterjee	1165 N. Clark St., Suite 700, Chicago, IL 60610	(833) 946-4587
INDIANA				
Indianapolis	IN	Iddo Porat	704 S. State Road 135, Ste. D352, Greenwood, IN 46143	(317) 851-1366
IOWA				
Cedar Rapids	IA	Chad Rodgers	3509 J St. SW, Cedar Rapids, IA 52404	(319) 640-2879
KANSAS				
Olathe	KS	Bill Fitzpatrick	12957 S. Widmer St, Olathe, KS 66062	(913) 267-0982
KENTUCKY				
Florence-Lawrenceburg	KY	Steve Gray	73 Cavalier Blvd, Suite 120, Florence, KY 41042	(859) 594-9169
LOUISIANA				
Hammond-Kentwood	LA	Anthony and Lynn Catalano	1801 C M Fagan Drive, Ste. 2, Hammond, LA 70403	(985) 277-1490
MARYLAND				
Aberdeen-Bel Air-Elkton	MD	Dave Warnick	9 South Hickory Ave, Bel Air, MD 21014	(410) 220-0096

Exhibit D-5

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
			(6 territories in MD)	
Bowie	MD	Charles Olagunju	8401 Corporate Drive, Suite 480, Hyattsville, MD 20785	(240) 825-6666
Gaithersburg-Frederick	MD	Lex Figueroa and Orlando Figueroa	5100 Buckeystown Pike, Suite 250, Frederick, MD 21704	(240)380-3004, ext.200
Bethesda	MD	Lex Figueroa and Bryan Bryne	5100 Buckeystown Pike, Suite 250, Frederick, MD 21704	(240)380-3004, ext.200
Owings Mills-Reistertown	MD	Greg Stewart	4300 Mt. Carmel, Upperco, MD 21155	(410) 374-3510
Silver Spring	MD	Deepesh Saxena	10770 Columbia Pike, Suite 300, Silver Spring, MD 20902	(301) 806-0011
MASSACHUSETTS				
Andover-Lawrence-Methuen	MA	Armand Buonanno	800 Turnpike St, Suite 300, North Andover, MA 01845	(978) 651-1900
Boston	MA	Larry Kerrigan	101 Federal St., Suite 1900, Boston, MA 02110 (2 territories in MA)	(781) 350-3438
Boston	MA	Scott Krentzman	275 Grove St., Suite 2-400, Newton, MA 02466 (3 territories in MA)	(617) 221-4100
MICHIGAN				
Ann Arbor	MI	John Holbel	455 E Eisenhower Pkwy, Ste. 300, Ann Arbor, MI 48108 (3 territories in MI)	(734) 274-1231
Grand Rapids	MI	Larry Deniston	8750 Portage Industrial Dr., Portage, MI 49024 (2 territories in MI)	(269) 762-5077
MINNESOTA				
Eagan	MN	Bill Zwicky	3432 Denmark Ave, #218, Eagan, MN 55123	(651) 256-4123
Plymouth	MN	Kevin Remde	3340 Annapolis Lane, Suite B, Plymouth, MN 55477 (3 territories in MN)	(612) 380-4333
St. Paul	MN	Kevin Grelling	1056 Hwy 96 E, #270276, St. Paul, MN 55127	(651) 347-1126

Exhibit D-6

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
MISSOURI				
Chesterfield	MO	Dave Roberson	4135 Twill Valley Ct., St. Peters, MO 63376 (2 territories in MO)	(636) 925-9920
Pacific-Union-Washington	MO	Nicholas LaRosa	235 E 5th Street, #130, Eureka, MO 63025	(636) 777-2648
St. Louis	MO	Mike Minkler	11500 Olive Blvd, Suite 152, St. Louis, MO 63141 (3 territories in MO)	(314) 722-6001
NEBRASKA				
Omaha	NE	Puja and Khem Kandel	14301 FNB Parkway, Suite 100, Omaha, NE 68154	(402) 507-5259
<u>NEVADA</u>				
<u>Las Vegas</u>	<u>NV</u>	<u>Adam Lopez</u>	<u>2300 W Sahara Ave, Suite 800</u> <u>Las Vegas, NV 89102</u> <u>(3 territories in NV)</u>	<u>702-725-2877</u>
NEW JERSEY				
Asbury Park-Belmar-Long Branch	NJ	Prakash Vasa	4255 Route 9N, Suite 5C, Freehold, NJ 07728	(732) 414-3389
Cherry Hill	NJ	Keith Tessler	535 Route 38, Suite 165, Cherry Hill, NJ 08002	(856) 433-8128
Cranford-Rahway-Westfield	NJ	Maria Le Morte Wright	2560 US Hwy 22, #107, Scotch Plains, NJ 07076	(908) 889-4372
East Brunswick	NJ	Sameer Mishra	197 State Rd 18 S, #3000 S. Wing, East Brunswick, NJ 08816	(732) 917-4627
Jersey City	NJ	Jay & Rashika Mandal	111 Town Square Place, Suite 1203, Jersey City, NJ 07310	(212) 616-3663
Morristown	NJ	Jason Bosslett	55 Madison Ave., Suite 400, Morristown, NJ 07960	(973) 285-3327
Paramus-New Brunswick	NJ	Milton Perez	297 Kinderkamack Rd., #144, Oradell, NJ 07649 (2 territories in NJ)	(201) 483-8003
Pennington-Trenton	NJ	Rick Megni	243 Colt Street, Pennington, NJ 08534	(609) 818-1819
Piscataway	NJ	Ravi Badge	30 Knightsbridge Rd, Suite	(732)

Exhibit D-7

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
			525, Piscataway, NJ 08854	400-8577
Princeton	NJ	David Mann	174 Nassau St., Suite 356, Princeton, NJ 08542	(609) 298-9008
Red Bank	NJ	Chris Parmigiani	331 Newman Springs Rd, Bldg 1, 4 th Fl, Ste 143 Red Bank, NY 07701	(732) 708-4944
Summit-Union	NJ	Cecil Cates	55 Union Place, #144, Summit, NJ 07901	(973) 325-3663
NEW YORK				
Baldwin Place	NY	Shanthan Subramaniam	54 Travis Rd Baldwin Place, NY 10505 Website	(203) 443-1646
Brooklyn	NY	Steven Conyers Evan and Cheryl Stein	320 7th Ave., #106, Brooklyn, NY 11215	(347)845) 599-0737 278-9240
Chester-Middletown	NY	Greg Miller	164 Main Street, Goshen, NY 10924 (2 territories in NY)	(845) 291-8833
Mamaroneck- Scarsdale-Yonkers	NY	Paul Okura	5 Cypress Road, Eastchester, NY 10709	(914) 346-5446
Manhasset- Plainview-Syosset-Me lville	NY	Harun Hassouni	15 Cricket Club Drive, Roslyn, NY 11576 (4 territories in NY)	(516) 801-3591
New York	NY	Evan Stein	36-33rd Street, Suite 303, Long Island City, NY 11106 (2 territories in NY)	(212) 923-2648
New York	NY	Leslie Chiorazzi	600 Third Avenue, Suite 200, New York, NY 10016	(973) 943-9376
New York	NY	David Grubb	99 Hudson Street, 5 th Floor, New York, NY 10013	(646) 517-3597
New York	NY	Ron Orland and Shawn Fell	1177 Avenue of the Americas, 5 th Floor, New York, NY 10036	(646) 708-8900
New York	NY	Jay & Rashika Mandal	111 Town Square Place, Suite 1203, Jersey City, NJ 07310	(212) 616-3663
Rochester	NY	Cheryl Nelan	2509 Browncroft Blvd, Suite 210, Rochester, NY 14625	(585) 672-9151

Exhibit D-8

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
			(2 territories in NY)	
Sloatsburg-Spring Valley	NY	Jim McGraw	4 Sunset Road, Sloatsburg, NY 10974	(845) 753-5013
Wantagh-Westbury	NY	Armando D'Accordo	34 Merrick Avenue, Merrick, NY 11566	(516) 208-4161
White Plains	NY	Nikhil Jagga	169 Mamaroneck Avenue, 2 nd Floor, #12, White Plains, NY 10601	(703) 473-9099
NORTH CAROLINA				
Apex-Cary	NC	Prakash Inuganti	1000 Center Green Way, Suite 200, Cary, NC 27513	(919) 342-4624
Belmont-Charlotte-Gastonia	NC	Emory Simmons	2217 Matthews Township Pkwy, Suite D, #125, Matthews, NC 28105	(704) 234-2648
			(2 territories in NC)	
Chapel Hill	NC	John and Ravonda Cole	11312 US Hwy 15, 501 N., Ste. 107-166, Chapel Hill, NC 27514	(919) 327-1790
Charlotte	NC	Mark Boedecker	13000 S Tryon St., Suite F-292, Charlotte, NC 28278	(704) 970-4112
			(2 territories in NC)	
Charlotte-Concord-Huntersville	NC	Patrick Byrne	11330 Vanstory Drive, Huntersville, NC 28078	(704) 817-8388
Elizabeth City-Moyock-Nags Head	NC	Scott DeMasse	163 Mariners Way, Moyock, NC 27958	(252) 722-9222
Greensboro	NC	Bradley Gile	806 Green Valley Road, Suite 200, Greensboro, NC 27408	(336) 542-1100
			(2 territories in NC)	
Statesville	NC	Dayal Bhagat	2244 W. Main St Salem, VA 24153	(540) 494-7725
Wilmington	NC	David Hughes and David Usher	244 Princess St., Suite 202, Wilmington, NC 28401	(910) 444-0594
OHIO				
Avon-Elyria-Lorain-Westlake	OH	Kyle Ludwick	7575 Tyler Blvd., Suite C-5, Mentor, OH 44060	(440) 279-4008
			(2 territories in OH)	

Exhibit D-9

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
Canton	OH	Scott DeMasse	8452 Caratoke Hwy, Suite 701, Powells Point, NC 27966	(252) 722-9222
Beachwood-Cleveland-Euclid	OH	Ed and Mary Ann Cordiano	2000 Auburn Drive, Suite 200, One Chagrin Highlands, Beachwood, OH 44122 (2 territories in OH)	(440) 462-7500
Cincinnati	OH	Steve Gray	250 East 5 th St., Suite 1500, Cincinnati, OH 45202 (3 territories in OH)	(513) 562-1261
Cincinnati East	OH	Hal Theobald	6809 Main Street, Unit 350 Cincinnati, OH 45244	(513) 815-5500
Cincinnati-Mason-West Chester	OH	Steve Eroskey	9435 Waterstone Blvd., Suite 140-27, Cincinnati, OH 45249	(513) 457-4757
Cleveland-Independence	OH	Sam Foster	6100 Oak Tree Boulevard, Suite 200, Independence, OH 44131 (2 territories in OH)	(216) 359-7155
Columbus Downtown-North Columbus	OH	Daniel Maltet	2761 North High Street, Columbus, OH 44202 (2 territories in OH)	(614) 655-8558
Columbus-Dublin-Hilliard	OH	Mark Boedecker	13000 S Tryon St., Suite F-292, Charlotte, NC 28278	(704) 970-4112
Columbus-Westerville	OH	Tom Lentz	555 Metro Place North, Suite 100, Dublin, OH 43017	(614) 339-5500
Strongsville	OH	Fred Ode	17800 Royalton Road, Strongsville, OH 44136 (24 territories in OH)	(440) 534-2504
OKLAHOMA				
Edmond	OK	Don Stout	2524 N Broadway 3415, Edmond, OK 73034	(405) 938-0038
PENNSYLVANIA				
Altoona-Bellefonte-State College	PA	Travis Cramer	3900 Industrial Park Dr., Suite 6, Altoona, PA 16602	(814) 644-0602
Bethlehem	PA	Rick Megni	11 Freigh Lane, Pottstown, PA 19465	(484) 944-0019

Exhibit D-10

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
			(2 territories in PA)	
Carlisle-Mechanicsburg	PA	Ryan Cutting	4900 Carlisle Pike, #281, Mechanicsburg, PA 17050 (2 territories in PA)	(717) 319-4448
Cranberry Township-Pittsburgh-Wexford	PA	Nathaniel Ikechi	3000 Village Run Rd, Unit 103-304, Wexford, PA 15090	(724) 935-2010
Doylestown-Newtown	PA	Richard Zweig	196 W. Ashland St., Doylestown, PA 18901	(267) 895-1785
Erie	PA	Beth Burnside Scott Graflund	204-A West 11th St., Erie, PA 16501	(814) 806-2637
Pittsburgh	PA	Zen Piotrowski	651 Holiday Drive Foster Plaza 5, Suite 300, Pittsburgh, PA 15220 (23 territories in PA)	(412) 257-0511
Pittsburgh North	PA	Yomi Obiri	1525 Park Manor Blvd #101 Pittsburgh, PA 15205	(412) 358-0100
Radnor	PA	Keith Tessler	201 King of Prussia Rd, Ste 650 Radnor, PA 19087 (23 territories in PA)	(215) 398-6981
<u>Springfield</u>	<u>PA</u>	<u>Selma Menezes</u>	<u>225 Wilmington West Chester Pike Suite 200 Chadds Ford, PA 19317</u>	<u>(609) 820 8055</u>
SOUTH CAROLINA				
Charleston	SC	Amy Justis	295 Seven Farms Dr., Suite C127, Charleston, SC 29492 (2 territories in SC)	(843) 501-9908
Clover-Fort Mill-Rock Hill	SC	Emory Simmons	2217 Matthews Township Pkwy, Suite D, No. 125, Matthews, NC 28105	(704) 234-2648
Greenville-Simpsonville	SC	John and Elizabeth Boyette	220 N. Main Street, Suite 500, Greenville, SC 29601	(864) 322-2948
SOUTH DAKOTA				
Sioux Falls	SD	Jeremy Thomas	101 S. Reid, Ste. 307, Sioux Falls, SD 57103	(605) 759-1252
TENNESSEE				
Franklin	TN	Thiru Ilanchelian	205 Powell Place, Suite 323,	(615)

Exhibit D-11

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
			Brentwood, TN 37027	850-7175
TEXAS				
Arlington	TX	Roderick Floyd	5276 West Cove Way, Grand Prairie, TX 75052	(817) 217-5012
Austin	TX	Mario Zambrano	600 Congress Ave., Austin, TX 78701 (2 territories in TX)	(512) 879-4555
Austin	TX	Jorge Velasquez	7600 Chevy Chase Drive, Suite 300, Austin, TX 78752 (2 territories in TX)	(512) 430-5338
Austin	TX	Punit Singh	4301 W William Cannon Drive, Ste. B150-264 Austin, TX 78749	(512) 520-2766
Austin	TX	Yusuf Ujjainwala	2921 E 17th St. Bldg D., Suite <u>Ste</u> 6 Austin, TX 78702	(512) 399-2982
Buda-Kyle-New Brunswick-San Marcos-Seguin	TX	Usiosefe Aimiwu <u>Yusuf</u> <u>Ujjainwala</u>	447 S Seguin Ave., New Braunfels, TX 78130	(830) 515-4151
Carrollton	TX	Ming Luong	2340 E Trinity Mills Rd, Suite 300, Carrollton, TX 75006	(940) 395-2057
Cedar Hill- Lancaster-Dallas	TX	Keyven Lewis	610 Uptown Blvd., 2 nd Floor, Cedar Hill, TX 75104	(469) 530-0222
Dallas	TX	Jaime Rodriguez Carmen Parra	4514 Cole Avenue, Ste. 600, Dallas, TX 75205 (2 territories in TX)	(214) 785-6194
Dallas Fort Worth NW	TX	Charles Smith	180 State Street, Suite 225, Southlake, TX 76092 (3 territories in TX)	(817) 332-2648
Dallas-Plano-Frisco	TX	Matt McCracken	2501 Parkview Dr., Suite 330, Fort Worth, TX 76102 (3 territories in TX)	(817) 332-2648
Denton	TX	Brea Gates	11450 US Hwy 380, Suite 130, #462, Cross Roads, TX 76227	(940) 448-2020
Plano-Garland	TX	Todd Haness	101 E. Park Blvd., Suite 600 Plano, TX 75074 (2 territories in TX)	(469) 780-4226
Georgetown-Round	TX	Jeff Floyd	1321 Meadowild Dr.,	(512)

Exhibit D-12

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
Rock			Round Rock, TX 78664 (2 territories in TX)	628-9507
Houston West	TX	Tony Price and Oladele Olora	16225 Park Ten Place, Suite 500, Houston, TX 77084	(346) 366-7005
Houston	TX	Lance Griffith Matt McCracken	1510 Primewest Pkwy, Suite 2, Katy, TX 77449 (2 territories in Houston , TX)	(713) 979-5280
Houston SW	TX	Emmanuel Nnadozie	10101 Southwest Freeway, Suite 400-D6, Houston, TX 77074	(713) 804-9111
League City	TX	Brad Bricker	2925 Gulf Freeway South, Suite B, #311 League City, TX 77573	(832) 932-0036
Richardson	TX	Jerome Hesita	3400 N Central Expwy, Suite 110- 254, Richardson, TX 75080	(469) 453-0610
San Antonio	TX	Malcolm McGee	1150 N Loop 1604 West, Suite 108-419, San Antonio, TX 78248 (2 territories in TX)	(210) 493-4449
San Antonio	TX	Tan Zee	14080 Nacodoches Road, San Antonio, TX 78247	(210) 479-5955
San Antonio	TX	James Adams	9901 IH 10 West, Suite 800, PMB# 2884, San Antonio, TX 78230	(254) 290-1984
Sugarland Spring	TX	Rashmi Sheel Bobby Simmons	30327 Emerson Creek Dr 5826 New Territory Blvd #1043, Sugarland, TX 77479 Spring, Texas 77386	(281) 656-1099 224-5253
Spring-Tomball	TX	Camille Hamilton	6046 FM 2920, Suite 222, Spring, TX 77379	(281) 374-0006
UTAH				
Ogden-Layton Sugarland	TX	Michael Isherwood Rashmi Sheel	5826 New Territory Blvd #1043, 1513 N Hill Field Rd, Suite 1-099, Layton, UT 84041 Sugarland, TX 77479	(406 281) 850-9263 656-1099
UTAH				
Sandy	UT	Jackson Isiko	13894 S. Bangerter Parkway Draper, UT 84020	(888) 882-2648

Exhibit D-13

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
			(2 territories in UT)	
Salt Lake City	UT	Scott Chandler	50 W. Broadway, Suite 399 Salt Lake City, UT 84101	(540) 210-1311
VIRGINIA				
Arlington	VA	Leo Nwadibia	4250 N Fairfax Dr, Suite 600, Arlington, VA 22203	(703) 216-1860
Ashburn	VA	Victor Aldana	20130 Lakeview Center Plaza, Suite 400, Ashburn, VA 20147	(571) 463-0987
Chantilly-Centerville- Manassas	VA	Terry Whearley	9695 Main St., Suite A, Fairfax, VA 22031 (3 territories in VA)	(703) 455-2648
Northern Shenandoah Valley	VA	Bret Cancilla	100 North Loudoun St, Suite 130, Winchester, VA 22601	(540) 931-9797
Salem	VA	Dayal Bhagat	2244 W. Main Street, Salem, VA 24153	(540) 494-7725
Virginia Beach	VA	Patrick Kelly	4445 Corporation Lane, Ste. 176, Virginia Beach, VA 23455	(757) 955-6768
WASHINGTON				
Bellevue	WA	Dallas Stewart	18 168th Ave NE, Bellevue, WA 98008 (2 territories in WA)	(425) 256-2508
Bothell-Lynnwood- Woodinville	WA	Michel Abraham	22722 29th Drive SE, Suite 100, Bothell, WA 98021 (3 territories in WA)	(425) 296-0329
Everett	WA	Susan Smythe	909 SE Everett Mall Way, Everett, WA 98208	(425) 374-2436
Olympia	WA	Bill Clem	120 State Ave NE, #1011, Olympia, WA 98501	(360) 339-4785
Seattle	WA	Jeff Steele and Dan Simkins	801 2nd Ave., Suite 800, PMB 8023, Seattle, WA 98104 (3 territories in WA)	(206) 457-4231
WASHINGTON DC				
Washington DC	DC	Tariq Zemrani	1025 Connecticut Ave NW, Suite 1000,	(202) 688-3370

Exhibit D-14

Operating City	Operating State	Name of Principal Owner	Business Address	Business Telephone Number
			Washington, DC 20036 (2 territories in Washington, DC)	
Washington DC	DC	Anne Morrison	20 F St. NW Ste. 700, Washington, DC 20001	(202) 836-4637
WISCONSIN				
Appleton	WI	Rich Szymanski	626 E Longview Dr., Suite B, Appleton, WI 54911	(920) 574-2585
Kenosha	WI	Mark Hoffman	600 52 nd Street, #200, Kenosha, WI 53140	(262) 207-4211
WYOMING				
Casper-Cheyenne-Laramie	WY	Kip True	1541 Diamond Drive, Casper, WY 82601	(307) 233-3900
CANADA				
Kelowna	British Columbia	Todd Chapman	3151 Lakeshore Rd. Suite 434, #9 Kelowna, BC V1W3S9	(778) 738-9900

The following individuals left the System during ~~2023~~2024:

CMIT Solutions Operating City/State*	Name of Principal Owner	City and State/Province	Business Telephone Number
CALIFORNIA			
ARIZONA			
San Diego <u>Gilbert-Mesa</u>	Jason Arabian <u>Alex Martinez</u> (Acquired Franchisor* <u>Transfer</u>)	San Diego <u>Gilbert-Mesa, AZ</u>	(401 <u>480</u>) 385-9966 <u>926-6445</u>
GEORGIA			
Torrance <u>Carrollton-Hogansville-Griffin</u>	George Petts <u>Nathan Bates</u> (Non-renewal Interest) <u>Transfer</u>	Torrance <u>Atlanta, GA</u>	(310 <u>770</u>) 561-8585 <u>731-0824</u>
ILLINOIS			
West LA-Beverly Hills <u>Chicago</u>	Sharad Varia <u>Ahmad "Mike" Khattab</u> (Termination Terminated)	Beverly Hills, CA <u>Naperville, IL</u> (2 territories in CA <u>IL</u>)	(214 <u>630</u>) 709-0384 <u>246-7004</u>
CONNECTICUT			
MARYLAND			
Danbury <u>Bethesda</u>	Lex Figuero and Arsam Antreasyan (Non-renewal Interest) <u>Bryan Byrd</u> <u>Transfer</u>	Danbury <u>Bethesda, CA</u>	(845 <u>240</u>)- 592-2913 <u>380-3004</u> , <u>ext.200</u>
NEW JERSEY			
MICHIGAN			
Hunterdon-Somerset <u>Plymouth-Nov</u>	John Holbel John and Jennifer Chappell (Non-renewal Franchisor) <u>Reacquired</u>	Bedminster <u>Plymouth-NJ</u> <u>MI</u> (2 territories in NJ <u>MI</u>)	(908 <u>734</u>) 719-8898 <u>274-1231</u>
NEW YORK			
Poughkeepsie <u>Brooklyn</u>	Arsam Antreasyan <u>Stacy Conyers</u> (Non-renewal Transfer)	Poughkeepsie <u>Brooklyn,</u>	(845 <u>347</u>) 592-2913 <u>599-0737</u>
OHIO			
North-Columbus <u>Cleveland-Independence</u>	Tom Lentz <u>Sam Foster</u> (Transfer)	Dublin <u>Independence, C</u>	(614 <u>216</u>) 339-5500 <u>359-7155</u>
PENNSYLVANIA			
OREGON <u>Erie</u>	<u>Beth Burnside</u> (Transfer)	<u>Erie, PA</u>	(<u>814</u>) 806-2637
TEXAS			
Buda-Kyle-New Brunswick-San Portland-Bend <u>Marcos-Seguin</u>	Ian Miller (Acquired Franchisor* <u>Transfer</u>)	Portland, OR (3 territories in OR) <u>Braunfels, TX</u>	(503 <u>830</u>) 477-6426 <u>515-4151</u>
RHODE ISLAND <u>Dallas</u>	<u>Shravanthi Eligeti</u> <u>Jory Madrigal</u> (Reacquired by Franchisor)	<u>Dallas, TX</u> (2 territories in TX)	
Bristol-Cranston-Exeter-Newport-P South <u>Houston-Katy</u>	Jason Arabian (Acquired)	Cranston <u>Houston, RI</u> (2 territories in RI <u>TX</u>)	(401 <u>713</u>) 385-9966 <u>979-5280</u>

Exhibit D-16

	Franchisor*Transfer)		
WISCONSIN			
UTAH			
Wauwatosa Milwaukee- NW Ogden-Layton	Brad Jere Michael Isherwood (Termination Terminated)	Wauwatosa Ogden-Lay WI UT	(262 406) 288-4400 850-9263

* Territories and Businesses acquired by an affiliate of the franchisor in ~~2023~~2024.

There is no other franchisee who departed the System under any circumstances in ~~2023~~2024 or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the CMIT Solutions Business network. 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.



EXHIBIT E

MULTI-UNIT AGREEMENT

Date: _____

You acknowledge that this Agreement does not grant you the right to (a) provide any products or services to any clients and customers, or (b) advertise, market or promote the products or services that a CMIT Solutions Business offers to clients and customers. You obtain these rights only after signing a Franchise Agreement for a particular Territory.

4. MULTI-UNIT FEE

Simultaneously with signing this Agreement, you must pay us a “**Multi-Unit Fee**” identified on Exhibit C, which is equal to the sum of the applicable Initial Fees and Territory Fee (if any) for each Multi-Unit Business to be developed under this Agreement (excluding the First Business). The Multi-Unit Fee is fully earned by us when we and you sign this Agreement and is non-refundable, even if you do not comply with the Schedule.

5. MULTI-UNIT OBLIGATIONS AND EXTENSIONS OF DEADLINES

To maintain your rights under this Agreement, you must both sign a Franchise Agreement for each Multi-Unit Business by the applicable dates set forth on the Schedule (the “**FA Signing Deadline**”), and begin paying the Minimum Royalty and Minimum MDF Contribution under the applicable Franchise Agreement by the applicable dates set forth on the Schedule (the “**Minimum Payment Deadline**”). Time is of the essence under this Agreement. We will grant or deny extensions to the Schedule in our sole judgment. Nothing in this Agreement requires us to grant any extension.

6. FORM OF FRANCHISE AGREEMENT

The franchise agreement and related documents that you sign for each Multi-Unit Business (the “**Franchise Agreement**”) will be on the same form as the First Agreement, except that, for each Franchise Agreement other than the First Agreement:

- (a) the Initial Fee and Territory Fee will be the reduced amounts shown on Exhibit C to this Agreement, and we will apply the applicable amount of the Multi-Unit Fee towards the full payment of the Initial Fee and Territory Fee owed under that Franchise Agreement;
- (b) the Technology Fee will be waived;
- (c) the Minimum Royalty and Minimum MDF Contribution will be specified under each Franchise Agreement;
- (d) you may operate all of your Multi-Unit Businesses out of one office located within the Multi-Unit Territory and need not have a separate business office for each Multi-Unit Business; and
- (e) the expiration date under each Franchise Agreement will be the same as the expiration date for the First Agreement.

To retain your rights under this Agreement, each Multi-Unit Business must operate continuously throughout the term of this Agreement.

7. NO SUBLICENSING RIGHTS OR RIGHTS TO USE MARKS

This Agreement does not grant you any right to license others to operate CMIT Solutions Businesses. Only you may develop CMIT Solutions Businesses pursuant to this Agreement and only

under Franchise Agreements with us. This Agreement does not grant you any right to use, or authorize others to use, the Marks in any manner. Your right to use the Marks arises only under Franchise Agreements with us. We own all rights to the Marks, and your unauthorized use of the Marks is an infringement of our and our ~~affiliate's~~affiliates' rights and a breach of this Agreement.

8. CONFIDENTIALITY AND NON-COMPETITION

Sections 6, ~~8.98.10~~ and 13.5(~~g~~) of the First Agreement, entitled "Trade Secrets and Proprietary Information," "Conflicting and Competing Interests," and "Effect of Termination or Expiration," respectively, are incorporated by reference in this Agreement as if fully restated within the text of this Agreement. You agree to comply, and ensure your Owners comply, with the provisions of Sections 6, ~~8.98.10~~ and 13.5(~~g~~) of the First Agreement applicable to Franchisee.

9. TERMINATION

The term of this Agreement begins on the Effective Date and ends on the date when the final Franchise Agreement under the Schedule has been signed, is scheduled to be signed, or when this Agreement otherwise is terminated under Section 10, whichever occurs first.

10. DEFAULT AND TERMINATION

Without limiting our termination and other rights under any Franchise Agreement, any other Related Agreement or applicable law, we may terminate this Agreement and your right to sign additional Franchise Agreements and develop additional Multi-Unit Businesses within the Multi-Unit Territory at any time, effective upon delivery of written notice of termination: (a) if you breach any of your obligations under the Schedule or any other obligation under this Agreement, and fail to cure that breach within thirty (30) days after we deliver written notice of the breach to you; or (b) if you breach or otherwise commit any default under the First Agreement or any other Franchise Agreement signed pursuant to this Agreement.

In addition to and without limiting our other rights and remedies under this Agreement, any Franchise Agreement, any other Related Agreement or applicable law, upon the occurrence of any of the events that give rise to our right to terminate this Agreement under this Section 10, we may, at our sole option and upon delivery of written notice to you, reduce the size of the Multi-Unit Territory and eliminate a portion of the Multi-Unit Territory for which you have not yet signed a Franchise Agreement (the "**Removed Area**"), in which event:

(1) your territorial rights, and our (and our affiliates') obligations, under Section 3 of this Agreement will terminate in the Removed Area, and we and our affiliates thereafter may operate, or authorize any other party to operate, a CMIT Solutions Business the physical premises of which are located within the Removed Area; and

(2) we will modify the remaining Territory or Territories under the Franchise Agreement or Franchise Agreements you have not yet signed, and/or eliminate from the Schedule one or more of the Multi-Unit Businesses for which you have not yet signed a Franchise Agreement, and will not refund any of the Multi-Unit Fee or apply any of the Multi-Unit Fee towards any other amounts owed under any Related Agreement.

11. TRANSFER

You and your owners acknowledge that we are granting you the rights under this Agreement because of our perception of your (and your Owners') individual and collective character, skill, business acumen, financial capability and proven ability to operate CMIT Solutions Businesses according to our standards. These rights are personal to you and your Owners. Therefore, you and your Owners may not transfer this Agreement or any of your Ownership Interests (whether directly or indirectly) without our prior written approval, which we may grant or withhold for any or no reason. We may assign this Agreement or any of our Ownership Interests (whether directly or indirectly) without restriction.

12. INCORPORATION OF OTHER TERMS

Sections 7 and 15 of the First Agreement, entitled "Relationship of the Parties and Indemnification" and "Construction and Enforcement," respectively, including the provisions relating to arbitration of disputes, are incorporated by reference in this Agreement and will govern all aspects of our and your relationship and the construction of this Agreement as if fully restated within the text of this Agreement. You agree to comply, and ensure your Owners comply, with the provisions of Sections 7 and 15 of the First Agreement applicable to Franchisee. This Agreement, together with the First Agreement, supersedes all prior agreements and understandings, whether oral and written, between the parties relating to its subject matter, and there are no oral or other written understandings, representations, or agreements between the parties relating to the subject matter of this Agreement. This Agreement may be signed by written or electronic signature and in multiple counterparts, but all such counterparts together shall be considered one and the same instrument. The provisions of this Agreement may be amended or modified only by written agreement signed by the party to be bound.

[Signature Page to Follow]

IN WITNESS WHEREOF the parties have duly executed and delivered this Agreement as of this day and year above written.

MULTI-UNIT FRANCHISEE:

~~[IF THE FRANCHISEE IS AN ENTITY _____]~~

~~[Print exact name of franchisee entity]~~

By: _____
~~[signature of person signing on behalf of entity]~~
Title: _____
~~[title of person signing]~~
(Signature)

~~[IF THE FRANCHISEE IS AN INDIVIDUAL]~~

~~[signature of individual franchisee]~~
(Print Name:-
_____)_____

Its: _____

(Tit
le)
~~[signature of individual franchisee]~~

Print Name: _____

FRANCHISOR:

CMIT Solutions, LLC

By: _____
(Signature)

Roger Lewis
(Print Name)

Its: _____ CEO
and President
(Title)

~~Exhibit~~ EXHIBIT A
TO MULTI-UNIT AGREEMENT
MULTI-UNIT TERRITORY

The Multi-Unit Territory shall be the combination of the following areas:

(1) For the first Multi-Unit Business to be opened under this Agreement, the Territory will be the following ~~---~~ --- Postal ZIP Codes within the State ~~(s)~~ of --- and within the ~~Counties~~ County of --- :

INSERT MAP HERE

~~See attached map.~~

(2) For the second Multi-Unit Business to be opened under this Agreement, the Territory will be the following ~~---~~ --- Postal ZIP Codes within the State of --- and within the County of --- :

INSERT MAP HERE

~~(---)~~ 3 For the third Multi-Unit Business to be opened under this Agreement, the Territory will be the following --- Postal ZIP Codes within the State ~~(s)~~ of --- and within the ~~Counties~~ County of --- :

~~See attached map.~~

INSERT MAP HERE

[signature page follows]

MULTI-UNIT FRANCHISEE:

~~[IF THE FRANCHISEE IS AN ENTITY~~ _____]

~~[Print exact name of franchisee entity]~~

By: _____
~~[signature of person signing on behalf of entity]~~
Title: _____
~~[title of person signing]~~
(Signature)

~~[IF THE FRANCHISEE IS AN INDIVIDUAL]~~

~~[signature of individual franchisee]~~
(Print Name:-
_____) _____

Its: _____

(Tit
le)
~~[signature of individual franchisee]~~

Print Name: _____

FRANCHISOR:

CMIT Solutions, LLC

By: _____
(Signature)

Roger Lewis
(Print Name)

Its: _____ CEO
and President
(Title)

SCHEDULE

You must sign the Franchise Agreements for, and begin paying Minimum Royalties and Minimum MDF Contributions for, the Multi-Unit Businesses on or before the dates listed in the columns below:

FA Signing Deadline	Scheduled Commencement Date for Minimum Royalty and Minimum MDF Contribution
<u>Agreement Date</u> (for First Agreement)	<u> </u>
<u> </u> (for Second Agreement)	<u> </u>
<u> </u> (for Third Agreement)	<u> </u>

Note: If we agree in writing to an extension of the FA Signing Deadline and/or Opening Deadline for a particular Multi-Unit Business pursuant to Section 5, then the extended deadline(s) shall be substituted for the deadlines(s) specified in this table.

MULTI-UNIT FRANCHISEE:

~~[IF THE FRANCHISEE IS AN ENTITY]~~

[Print exact name of franchisee entity]

By: _____
[signature of person signing on behalf of entity]

Title: _____
[title of person signing]

(Signature)

~~[IF THE FRANCHISEE IS AN INDIVIDUAL]~~

[signature of individual franchisee]
(Print Name: _____)

Its: _____

(Title)

FRANCHISOR:**CMIT Solutions, LLC**

By: _____
(Signature)

Roger Lewis
(Print Name)

Its: _____ CEO
and President _____
(Title)

EXHIBIT C **TO MULTI-UNIT AGREEMENT**

FEES

The total Multi-Unit Fee, calculated based on the table below, is \$_____.

Percent Discount on Initial Fee and Territory Fee	Tier 1 Initial Fee	Tier 2 <u>Discounted</u> Initial Fee	<u>SBEs</u>	Tier 2 <u>Discounted</u> Territory Fee (if applicable)
	<u>\$24,975</u>		<u>3,000 – 3,500</u>	<u>n/a</u>
50% discount	\$24,975	\$27,475	<u>3,501 – 4,000</u>	\$5.50/ SBEs <u>SBE</u> over 4,000

Multi-Unit Fee Calculation – Additional Unit

Discounted Initial Fee: _____ \$_____

SBE Total: _____

XXX Territory Fee, if applicable: _____ \$_____

Total Discounted Initial Fee: _____ \$_____

MULTI-UNIT FRANCHISEE:

~~[IF THE FRANCHISEE IS AN ENTITY]~~
NAME]

~~[Print exact name of franchisee entity]~~

By: _____
~~[signature of person signing on behalf of entity]~~
Title: _____
~~[title of person signing]~~
(Signature)

~~[IF THE FRANCHISEE IS AN INDIVIDUAL]~~

FRANCHISOR:

CMIT Solutions, LLC

By: _____
(Signature)

Roger Lewis
(Print Name)

Its: _____ CEO
and President
(Title)

~~{signature of individual franchisee}~~

(Print Name:-

)

Its:

(Title)



EXHIBIT F
FRANCHISE AGREEMENT



FRANCHISE AGREEMENT

between

CMIT Solutions, LLC

a Texas limited liability company

and

[Name of Franchisee]

Date: _____

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EXHIBITS TO THE FRANCHISE AGREEMENT

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- 2 Fees
- 3 Guaranty
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- 5 Owners and Guarantors
- 6 Covenanting Personnel Joinder Agreement

CMIT SOLUTIONS, LLC

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “**Agreement**”) is made and entered into as of ~~this XXX day of XXXX 20xx~~ the date noted below (the “**Effective Date**”), by and between CMIT Solutions, LLC, a Texas limited liability company (“**we**”, “**us**”, or “**our**”) with our principal offices at 9433 Bee Caves Rd, Bldg. 3, Ste. 210 Austin, TX 78733; and XXXXX (“**you**” or “**your**”) whose principal address is XXXXX.

The Effective Date is:

RECITALS

This Agreement is entered into with reference to the following facts and circumstances:

A. As the result of the expending of time, effort and money, we have developed a distinctive system relating to the establishment, operation and promotion of computer support and managed services businesses operating under the Marks (defined below) and System (defined below) offering a wide variety of outsourced information technology professional and managed services and product offerings primarily to small businesses but also to the residential market (collectively, “**CMIT Solutions Businesses**”).

B. We own or have acquired a license to use and to sublicense others to use certain trade names, trademarks and/or service marks in connection with the System, including the trademark and service mark “CMIT Solutions®”, which also shall include any additional trademarks, service marks and trade names of ours that we may from time to time designate in the then-current confidential General Operating Policies and Procedures Manual (the “**Manual**”) referred to in Section 3.4 below as being available for use by CMIT Solutions Businesses (the “**Marks**”).

C. We offer franchises to own and operate a CMIT Solutions Business using our business system, business formats, methods, procedures, designs, standards, specifications and Marks, all of which we may improve, further develop and otherwise modify from time to time (collectively, the “**System**”).

D. You understand the importance of our high standards of quality, appearance and service to the value of the System, and the need to operate in conformity with our standards and specifications.

E. You are aware of the distinctive and valuable significance to the public of the Marks, and you desire to acquire a non-exclusive license to use the Marks and to receive the other benefits of the System in connection with the operation of a CMIT Solutions Business, and we are willing to grant such a license to you on the terms and conditions set forth herein.

AGREEMENT

The parties hereby agree as follows:

ARTICLE 1 GRANT OF FRANCHISE RIGHTS

1.1 Grant of Franchise

For the term specified below, and subject to your compliance with the provisions of this Agreement, we hereby grant to you the non-exclusive right and license to use the Marks and the System as provided in this Agreement, in connection with the operation of one (1) CMIT Solutions Business (the “**Business**”).

1.2 Term of Agreement

Unless terminated earlier in accordance with Section 13 or any other provisions of this Agreement, the term of this Agreement (the “**Term**”) shall commence on the Effective Date of this Agreement and shall terminate on the tenth (10th) anniversary of the Effective Date. Notwithstanding the foregoing, if you are signing this Agreement pursuant to a Multi-Unit Agreement that grants you the right to develop multiple CMIT Solutions Businesses, then the Term shall expire on the expiration date for the first franchise agreement that the Multi-Unit Agreement covers.

1.3 Best Efforts

Only you are authorized to operate the Business. You must operate the Business for the entire Term and at all times faithfully, honestly and diligently perform your obligations and fully exploit the rights granted under this Agreement.

1.4 Business Entity Franchisee

If you are at any time a corporation, limited liability company, a general, limited, or limited liability partnership, or another form of business entity (collectively, an “**Entity**”), you agree and represent that:

(a) your organizational documents, operating agreement, and/or partnership agreement (as applicable) will recite that this Agreement restricts the issuance and transfer of any Ownership Interests (defined below) in you, and all certificates and other documents representing Ownership Interests in you will bear a legend referring to this Agreement’s restrictions. In this Agreement, “**Ownership Interests**” means (a) in relation to a corporation, shares of capital stock (whether common stock, preferred stock or any other designation) or other equity interests; (b) in relation to a limited liability company, membership interests or other equity interests; (c) in relation to a partnership, a general or limited partnership interest; (d) in relation to a trust, a beneficial interest in the trust; and (e) in relation to any Entity (including those described in (a) through (d) above), any other interest in that Entity or its business that allows the holder of that interest (whether directly or indirectly) to direct or control the direction of the management of the Entity or its business (including a managing partner interest in a partnership, a manager or managing member interest in a limited liability company, and a trustee of a trust), or to share in the revenue, profits or losses of, or any capital appreciation relating to, the Business, that Entity or its business.

(b) Exhibit 5 to this Agreement completely and accurately describes all of your Owners (defined below) and their Ownership Interests in you. In this Agreement, “**Owner**” means any individual or Entity holding a direct or indirect Ownership Interest (whether of record, beneficially, or otherwise) in you. The Managing Owner (defined below) and each other Owner (if any) who owns (directly or indirectly) twenty percent (20%) or more of the Ownership Interests in you at any time during the Term must sign an agreement in the form we designate undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us (a “**Guaranty**”), the current version of which is Exhibit 3 to this Agreement. The Operating Principal (defined below) and each of the Owners who own (directly or indirectly) less than twenty percent (20%) of the Ownership Interests in you at any time during the Term must sign an agreement in the form we designate undertaking personally to be bound, jointly and severally, by the confidentiality, non-compete and transfer restrictions in this Agreement (a “**Covenanting Personnel Joinder Agreement**”), the current version of which is Exhibit 6 to this Agreement. Subject to our rights and your obligations under Section 11, you and your Owners agree to sign and deliver to us revised Exhibits 6 to reflect any changes in the information that Exhibit 5 now contains within five (5) days after such change is effective.

(c) an individual whom we approve (the “**Managing Owner**”) must at all times during the Term: (1) own (directly or indirectly) more than fifty percent (50%) of the Ownership Interests in you; (2) have the authority under your governing documents to authorize a merger, liquidation, dissolution or transfer of substantially all of the assets of you and otherwise to direct and control your management and policies without the vote or consent of any other person or Entity; and (3) devote sufficient time and attention to the operation of, and to promote and enhance, your business under this Agreement. The Managing Owner as of the Effective Date is listed on Exhibit 5.

(d) the Business and other CMIT Solutions Businesses, if applicable, will be the only businesses you own or operate (although your Owners and affiliates may have other business interests, subject to Sections 8.10 and 13.5(g)).

1.5 Territory

(a) You are granted the right to operate one (1) CMIT Solutions Business only in the Territory described in Exhibit 1 to this Agreement by a map, or by a written description, or both (the “**Territory**”), and only at a location the physical premises of which are located within the Territory, pursuant to Section 2.1 below (the “**Site**”). If you are complying with this Agreement, then neither we nor our affiliates will operate, or authorize any other party to operate, a CMIT Solutions Business the physical premises of which are located within the Territory.

(b) We (and any affiliates that we might have from time to time) shall at all times have the right to engage in any activities we or they deem appropriate that are not expressly prohibited by this Agreement, whenever and wherever we or they desire, including:

(i) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions we deem appropriate, CMIT Solutions Businesses at any locations outside the Territory and permitting those other CMIT Solutions Businesses located outside the Territory to provide products and services to clients and customers in the Territory;

(ii) establishing and operating, and granting rights to others to establish and operate, on any terms and conditions we deem appropriate, IT services businesses or any similar or dissimilar businesses that either are not primarily identified by the Marks or do not use the System at any locations, whether within or outside the Territory, and these businesses may provide products and services to clients and customers within or outside the Territory;

(iii) all rights relating directly or indirectly to the Marks, and all products and services associated with any of the Marks, in connection with any methods of distribution, except as specifically set forth in this Section. This includes providing, and granting rights to others to provide (except as specifically set forth in this Section), products and services that are similar or dissimilar to, or competitive with, any products and services that CMIT Solutions Businesses provide, whether identified by the Marks or other trademarks or service marks, regardless of the method of distribution, and at any locations; and

(iv) acquiring the assets or Ownership Interests of, or being acquired (regardless of the form of transaction) by, one or more businesses providing products and services similar or dissimilar to those that CMIT Solutions Businesses provide, and franchising, licensing or creating other arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, whether within or outside the Territory.

ARTICLE 2 OFFICE LOCATION AND FRANCHISE DEVELOPMENT

2.1 Office Location

You may operate your Business in a home office or in a suitable leased office space inside the Territory and in accordance with the policies contained in the Manual. If you do purchase or lease office space, we have no obligation to help you locate such space or help you in negotiating the lease.

2.2 Furniture, Equipment and Permits

You agree to, at your own cost, furnish and equip your Business office consistent with our specifications. Your Business office must contain the Operating Assets and other equipment that we periodically specify. “**Operating Assets**” means all required furniture, fixtures, Technology System (defined below), equipment, furnishings, and signs that we periodically require for the Business. The Business office must contain all of the Operating Assets that we periodically specify. If we require, you must purchase or lease only approved brands, types and/or models of Operating Assets and/or purchase or lease them only from suppliers we designate or approve (which may include or be limited to us or our affiliates).

You must purchase, lease or otherwise acquire all Operating Assets and all other items necessary to operate the Business as described in the Manual or in this Agreement. You also must purchase from our approved supplier an initial business package (which includes logo wear and a laptop), and ~~an~~invest in initial marketing ~~package~~in the required amounts and as specified herein and in our Manual. You must purchase from us ~~an initial~~ contact list of qualified SBEs (the “Leads Contact List”) that we contract with an approved supplier to ~~have prepared~~prepare for you.

You will be responsible for the cost of obtaining all necessary permits and licenses, if any, and you agree to, at your expense, comply with all laws, zoning ordinances, rules and regulations of any government agencies that may be applicable to opening your Business.

2.3 Technology System

You must obtain and use in connection with the operation of the Business the computer-based, web-based, application-based and/or other technological and communications systems and services that we periodically specify, including hardware components, software, dedicated communication and power systems, printers, payment devices, telephones and other communications equipment, devices and services, and other computer-related accessories and peripheral equipment (the “**Technology System**”). We may periodically modify specifications for and components of and/or the technologies and functions for, the Technology System, and these modifications and/or other technological developments or events may require you to purchase, lease and/or license new or modified equipment, hardware, software and other components and technologies and to obtain service and support for the Technology System. Although we cannot estimate the future costs of the Technology System or required service or support, you agree to incur the costs of obtaining and updating the Technology System (and additions and modifications) and required service or support. Within sixty (60) days after we deliver notice to you, you must obtain the Technology System components that we designate and ensure that your Technology System, as modified, is functioning properly.

We and our affiliates may condition any license of required or recommended proprietary software to you, and/or your use of technology developed, administered or maintained by or for us, on your signing or consenting to a license agreement or similar document that we and our affiliates periodically specify to regulate your use of, and our (or our affiliate’s) and your respective rights and responsibilities with respect to, the software or technology. We and our affiliates may charge you ~~up-front~~ up-front and ongoing fees for any required or recommended proprietary software or technology that we or our affiliates license to you and for other Technology System maintenance and support services provided during the term of this Agreement. Please refer to our software and hardware pricing sheet and the Manual for current pricing information.

Notwithstanding your obligation to buy, use, and maintain the Technology System according to our standards and specifications, you have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Technology System; (2) the manner in which your Technology System interfaces with our and any third party’s computer system; and (3) any and all consequences if the Technology System is not properly operated, maintained, and upgraded. The Technology System shall permit twenty-four (24) hours per day, seven (7) days per week electronic communications and monitoring between us and you.

We may require you to use the Technology System to obtain and maintain, and to submit to us from time to time, your client database and other Client Data (defined below) in a form we periodically prescribe in the Manual. All Client Data will be deemed to be part of the Proprietary Information (defined in Section 6). “**Client Data**” means all names, contact information, financial information, service history and other personal information of or relating to the Business’s clients, prospective clients, and vendors. During and after the Term, we and our affiliates may make any and all disclosures and use the Client Data in our and their business activities and in any manner that we or they deem necessary or appropriate. You must secure from your vendors, clients, prospective clients and others all consents and authorizations and to provide them all disclosures that applicable law requires to transmit the Client Data to us and our affiliates and for us and our affiliates to use that Client Data in the manner that this

Agreement contemplates. We will have direct, independent access to the information and data, including Client Data, on your Technology System.

2.4 Relocation

You may relocate your Business office to another place within your Territory only with our consent, which will not be unreasonably withheld, conditioned, or denied, and in accordance with our then-current standards.

2.5 Commencing Operations

You agree to be prepared to provide IT services and solutions and otherwise operate your Business in accordance with this Agreement within thirty (30) days after you graduate from the Training Program, as defined in Section 3.1 of this Agreement. You must complete the Training Program to our satisfaction and begin operating within ninety (90) days after you sign this Franchise Agreement.

You acknowledge and agree that before starting operations of your Business, at your own expense, you must undertake the following (in addition to any other requirements set forth in this Agreement):

- (a) complete the Training Program described in Section 3.1 of this Agreement;
- (b) properly equip the Business according to our standards and specifications and in compliance with all applicable laws and regulations;
- (c) pay all amounts you then owe to us and our affiliates; and
- (d) obtain general liability insurance, automobile liability coverage, and other insurance as we may require in accordance with the requirements described in Section 8.8 of this Agreement and in the amounts described in the Manual, and provide to us evidence that such insurance has been obtained.

If you do not begin operations of your Business before the expiration of the thirty (30)-day period after you graduate from the Training Program, then we may terminate this Agreement by giving you written notice to that effect.

ARTICLE 3 TRAINING, ASSISTANCE AND START-UP MATERIALS

3.1 Initial Training Program

If you are an individual, we will provide you and up to two (2) of your employees (i.e., three (3) natural persons), at no additional expense to you, with an initial training program, which includes an online component and is designed to inform the participants as to the fundamentals of operating a CMIT Solutions Business (the “**Training Program**”). If you are an Entity, we will provide up to three (3) of your employees with the Training Program, at no additional expense to you. If you are an individual, you must attend the Training Program. If you are an Entity, the Managing Owner and Operating Principal (defined below) must attend and complete to our satisfaction all components of the Training Program. If you have more than three (3) people attend the Training Program, you must pay us an additional training fee of Two Thousand Dollars (US \$2,000) for each additional person even if they attend the same training session. You must designate an individual whom we approve (the “**Operating Principal**”) to serve as the Business’s manager who will devote all of his or her business time and attention to the

management and operation of the Business. The Operating Principal need not have any direct or indirect Ownership Interest in you but must have the authority over all day-to-day business decisions for you and the Business. The Managing Owner may also be the Operating Principal. The Operating Principal as of the Effective Date is listed on Exhibit 5. If the Operating Principal no longer serves in that capacity for any reason, then you must designate a replacement Operating Principal whom we approve, and ensure that such new Operating Principal satisfactorily completes the training that we then require, within sixty (60) days thereafter.

You are responsible for your travel expenses, room and board during any training, and those expenses incurred by any of your employees who attend the Training Program. The Training Program is mandatory. The Training Program will be held in Austin, Texas, other certified training centers within the US that we will designate, or may be held virtually, at our discretion. You and your personnel must complete the Training Program to our satisfaction before you commence operation of your Business. We will determine, at our sole discretion, whether you, or any of your employees attending the program, have successfully completed training.

3.2 Employee Hiring and Training

You agree to penetrate your market by hiring employees ~~that~~who will assist you in providing Services in the Territory. Within 90 days of operation you agree to obtain the services of an individual who satisfactorily completes any training and other requirements we periodically specify to become certified as a technician. You agree to ensure that all of your employees attend and successfully complete any and all required training programs and receive the necessary certifications that we periodically require. We reserve the right to assess a reasonable certification fee to cover our costs of providing the certification training described in this Section 3.2.

3.3 Additional Programs

During the Term of this Agreement, we may require you and your personnel (including the Managing Owner and Operating Principal) to participate in mandatory training and continuing education programs (as further described in the Manual) or other programs that we periodically specify to learn about new products or services that CMIT Solutions Businesses provide and other appropriate subjects. Such programs may include Internet-based conferences, interactive and other computer-based programs, local and regional meetings, and mandatory training programs. Training will be based upon our assessment of your competence and abilities (and those of your technicians) with respect to such services, and must be completed at your own expense. We reserve the right to charge you a ~~nominal~~ fee to attend these programs. This includes our requirement for you to attend and pay for our annual convention. You must pay the then-current fee. These programs, including our annual convention, will be held at locations within the United States that we periodically specify. You are required to pay attendance fees, the cost of transportation, food, lodging and other personal expenses of your attendance and those of your personnel at any of these additional programs and at the annual convention.

3.4 Confidential Manual

To protect the reputation and goodwill of the System and to maintain the consistent standards of operation under the Marks, you agree to conduct your Business in accordance with the Manual, which we may revise, amend, restate or supplement from time to time. You will be deemed to have received any revisions, amendments, restatements or supplements that we send to you (or of which we provide notice to you) through your CMIT Solutions email address. No revision, amendment, restatement or supplementation will alter your fundamental status under this Agreement, however. At our option, we may post the Manual on a restricted website to which you will have access. Any passwords or other

digital identifications necessary to access the Manual on such a website will be deemed to be part of Proprietary Information (defined in Section 6). The Manual may contain provisions setting forth the standards, specifications, operating procedures, and requirements for the operation of the Business (the “**System Standards**”). You shall at all times treat as confidential and shall not at any time copy, duplicate, record, or otherwise make available to any unauthorized person any portion of any version of the Manual. You must at all times ensure that your copy of the Manual is kept up-to-date. In the event of a dispute regarding the contents of the Manual, the master copy maintained by us at our principal office will be controlling.

ARTICLE 4 FEES AND DEPOSITS

4.1 Initial Fees

You agree to pay us an Initial Fee described in Exhibit 1 (the “**Initial Fee**”) upon your execution of this Agreement. The Initial Fee is fully earned by us when you sign this Agreement and is not refundable under any circumstances.

4.2 Territory Fee

You agree to pay us a territory Fee (the “**Territory Fee**”), as provided in Exhibit 1 to this Agreement, if the number of small business establishments (“**SBEs**”) within the Territory exceeds four thousand (4,000).

4.3 Royalty

You agree to pay us periodically at a frequency that we periodically specify (currently monthly), a royalty (“**Royalty**”) in an amount equal to six percent (6%) of the Gross Professional Services Revenue (defined below) of the Business during the previous period, subject to the Minimum Royalty (defined below).

4.4 Definition of GPS Revenue

In this Agreement, “**Gross Professional Services Revenue**” or “**GPS Revenue**” means all revenue that you receive or otherwise derive directly or indirectly from ~~operating the Business,~~management and professional services, whether from cash, check, credit and debit card, barter, exchange, trade credit, or other credit transactions, including any implied or imputed GPS Revenue from any business interruption insurance. GPS Revenue includes all revenue from services provided by any acquisitions made during the Term and includes IT and related consulting services, project work, professional and managed services, cloud services, technical support, break/fix services, training, pass-through services (hardware and software), and other technical services whether one-time or recurring. For the avoidance of doubt, all recurring and/or monthly revenue is GPS revenue. However, “GPS Revenue” shall exclude (1) sales taxes, use taxes, and other similar taxes added to the sales price, collected from the client and paid to the appropriate taxing authority; (2) any bona fide refunds and credits that are actually provided to clients; and (3) the face value of coupons or discounts that clients redeem or rebates paid directly to you by third party approved vendors or supplier for customer purchases. In addition to GPS Revenue, you will also generate sales revenue for hardware and software that you offer to customers. Please refer to the Operations Manual for an updated definition of any hardware and/or software excluded from GPS Revenue. Each charge or sale upon credit shall be treated as a sale for the full price on the day during which such charge or sale is made, irrespective of when you receive payment (whether full or partial, or at all) on that sale.

You must deliver invoices to your clients reflecting all GPS Revenue and other sales from your Business in accordance with System Standards and retain copies of all end-user invoices for seven (7) years from the date of sale. You may be subject to periodic audits, as described below in Section 10.4, for end-user invoices in which you must produce all end-user invoices for a specific time period to support what you have and have not reported as GPS Revenue.

Royalties will be automatically drafted periodically at a frequency that we specify from time to time (currently monthly) from your business bank account. Royalties are to be paid based on the following schedule:

(a) During the first twelve (12) months after your completion of the Training Program, except as otherwise set forth in this Section 4.4, there will be no minimum Royalty, but you will pay the Royalty outlined in Section 4.3. After the first twelve (12) months, you will pay to us a Royalty of six percent (6%) of the GPS Revenue or the minimum Royalty described in Exhibit 2 to this Agreement (the “**Minimum Royalty**”), whichever is greater.

(b) The twelve (12)-month ~~exception to the~~ Minimum Royalty “grace period” under Section 4.4(a) does not apply if you are signing this Agreement to operate an existing CMIT Solutions Business (including in connection with the renewal of an expiring franchise agreement or the purchase of an already-existing CMIT Solutions Business as a new franchisee) (an “**Existing Business**”). If you are signing this Agreement to operate an Existing Business, your Minimum Royalty will be the CPI-adjusted minimum royalty payable under the franchise agreement for the Existing Business (~~the agreement which you are seeking to renew or,~~ in the case of a purchase, the selling franchisee’s franchise agreement) as of the Effective Date of this Agreement ; or, in the case of a renewal, the minimum then in effect for the franchise agreement you are seeking to renew.

(c) If you sign a Multi-Unit Agreement, then for each additional CMIT Solutions Business you will develop simultaneously in your Multi-Unit Territory, the 12-month ~~exception to the~~ Minimum Royalty “grace period” set forth in Section 4.4(a) will be extended to 24 months. Thereafter, the Minimum Royalty will be set at \$250, and will increase by \$250 each quarter until it reaches \$1000, as described in Exhibit 2 to this Agreement.

We reserve the right to raise any and all of the Minimum Royalties from time to time, but in no event will any increase exceed the CPI Increase (defined Section 4.9 below). We shall promptly notify you at or before the beginning of each year of any adjustment to the Minimum Royalties.

You agree that we will have the right to withdraw funds by electronic funds transfer (EFT) from your designated bank account. You agree to sign and deliver to us such documents and authorizations as may be required by your bank and our bank to accomplish such EFT transactions. If any EFT is not honored by your bank for any reason, you will be responsible for that payment, plus a service charge applied by us of either (a) One Hundred Dollars (\$100) for the first occurrence, Two Hundred Dollars (\$200) for the second occurrence, and Four Hundred Dollars (\$400) for each additional occurrence during the term of this Agreement, or (b) the amount our financial institution charges (if any), whichever is greater, but not more than the fee allowed under applicable law. You agree to at all times maintain a minimum balance of Five Thousand Dollars (\$5,000.00) or twenty percent (20%) of your monthly revenue, whichever is greater, in the separate, dedicated bank account against which such EFTs are to be drawn. If the Royalty is not received when due, Section 13.3 provisions will apply and interest may be charged as described in Section 4.7 below.

You agree to report the Business's total GPS Revenue to us by such method or on such form as we may specify. Currently, we require you to report the total GPS Revenue for the previous month to us monthly, on or before the tenth (10th) of the month. If the 10th of the month falls on a weekend, you must report the total GPS Revenue to us on or before the Friday before the 10th.

4.5 Timing of Periodic Fees and Reports

You agree to pay to us a Royalty based on the following schedule:

The “**Reporting Month**” means the period of time (currently the calendar month) that we periodically specify for which you must report all transactions for your Business. The first Reporting Month will be the earlier of (a) the first calendar month in which you perform any of the Services contemplated by this Agreement or (b) the next full calendar month ~~in which the thirtieth (30th) day~~ after ~~the date of~~ your graduation from the Training Program ~~occurs~~. On a monthly basis, you agree to include a duplicate invoice (kept in numbered sequence) of all transactions relating to the transactions on which Royalties are payable, a copy of all voided invoices, and an accurate CMIT Solutions royalty report form, and other information pertaining to the GPS Revenue as we may reasonably require.

The Royalties shall be due and payable as described in the Manual. The Royalties are currently due monthly. If you do not timely submit GPS Revenue reports, we may debit your account for one hundred ten percent (110%) of the average of the last three Royalty and MDF Contributions (defined below) that we debited. If the amounts that we debit from your account are less than the amounts you actually owe us (once we have determined your true and correct GPS Revenue), we will debit your account for the balance on the day we specify. If the amounts that we debit from your account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account during the following month(s).

4.6 Marketing Development Fund Contributions

You agree to pay us a monthly marketing contribution (the “**Marketing Development Fund Contribution**” or “**MDF Contribution**”) or the minimum MDF Contribution (the “**Minimum MDF Contribution**”), whichever is greater, according to the schedule attached as Exhibit 2 to this Agreement. The MDF Contribution is a separate requirement from the local advertising expenditure required under Section 9.2.

(a) During the first twelve (12) months after your completion of the Training Program, except as otherwise set forth in this Section 4.4, there will be no Minimum MDF Contribution, and you agree to pay MDF Contributions of two percent (2%) of GPS Revenue. After the first twelve (12) months, you will pay to us an MDF Contribution of two percent (2%) of the GPS Revenue or the Minimum MDF Contribution, whichever is greater.

(b) The twelve (12)-month ~~exception to the~~ Minimum MDF Contribution “grace period” under Section 4.6(a) does not apply if you are signing this Agreement to operate an Existing Business. If you are signing this Agreement to operate an Existing Business, your Minimum MDF Contribution will be the CPI-adjusted Minimum MDF Contribution payable under the franchise agreement for the Existing Business (for which you are seeking renewal or, in the case of a purchase, the selling franchisee's franchise agreement) as of the Effective Date of this Agreement.

(c) If you sign a Multi-Unit Agreement, then for each additional CMIT Solutions Business you will develop simultaneously in your Multi-Unit Territory, the 12-month ~~exception~~

~~to the~~ Minimum MDF Contribution “grace period” set forth in Section 4.6(a) will be extended to 24 months. Thereafter, the Minimum MDF Contribution will be \$333, as described in Exhibit 2 to this Agreement.

We reserve the right to raise any and all of the Minimum MDF Contribution amounts from time to time but in no event will any increase exceed increases in the CPI Increase. We shall promptly notify you at the beginning of each year of any adjustment to the Minimum MDF Contributions.

We will administer all MDF Contributions in accordance with Section 9.1 of this Agreement.

4.7 Late Report or Payment Fee and Default Interest

If you fail to submit to us any financial statements, forms, certificates, reports or records required to be provided under this Agreement or as in the Manual by the due date, you agree to pay to us a late report fee of: One Hundred Dollars (\$100) per report for the first occurrence, Two Hundred Dollars (\$200) per report for the second occurrence, and Four Hundred Dollars (\$400) for each additional occurrence during the franchise term. If any fees or assessments due under this Agreement, including Royalties and MDF Contributions, are not paid within five (5) days of the date due, a late fee and interest shall accrue on the late payment (from the date payment is due until the date it is paid) at the rate of eighteen percent (18%) per year or the maximum legal interest rate, whichever is less, and shall be added to each late payment. Late fees on late payments shall be One Hundred Dollars (\$100) plus interest on the first occurrence of a late payment, Two Hundred Dollars (\$200) plus interest on the second occurrence, and Four Hundred Dollars (\$400) plus interest on each additional occurrence of a late payment during the term of this Agreement. If, as a result of your failure to remit payments required under any provision of this Agreement, we retain an attorney or a collection agency to collect such payments, you agree to pay all collection costs, including reasonable attorneys’ fees, whether or not legal proceedings are initiated. Our rights under this Section 4.7 are in addition to any other rights or remedies that we may have as a result of your default under this Agreement. Franchisee acknowledges that this Section is not Franchisor’s agreement to accept any payments after they are due nor shall this be construed as a commitment to extend credit to, or otherwise finance Franchisee’s operation of its Business.

4.8 Technology Fee

You agree to pay us, on a monthly basis or as we otherwise periodically specify, our then-current technology fee for any software or other technology that we or our affiliates license to you and for other Technology System maintenance and support services provided during the Term (the “**Technology Fee**”). If you are signing this Agreement pursuant to a Multi-Unit Agreement that grants you the right to develop multiple CMIT Solutions Business, then we will only charge one Technology Fee for all CMIT Solutions Business that the Multi-Unit Agreement covers.

4.9 Consumer Price Index

The Minimum Royalties and Minimum MDF Contributions are subject to increase by the CPI Increase (defined below). Such increase shall be effective as of January 1 of the applicable calendar year. ~~To calculate the~~ The “CPI Increase” on any amount, multiply that amount by a fraction, the numerator of which is the Inflation Index on the first day of the year for which the increase is to apply, and the denominator for which is the Inflation Index on January 1 of the year of the Effective Date or the effective date of the most recent CPI Increase, whichever is more recent. The “Inflation Index” means the Metropolitan Area Consumer Index for refers to our right to increase a fee based upon an increase in the Consumer Price Index: All Items/U.S. Cities Average – All Urban Consumers—All Items (1982–

~~1984~~ (1982-1984 = 100), ~~as~~ published by the ~~United States~~ Bureau of Labor Statistics, U.S. Department of Labor, or, if such index is discontinued or unavailable, such other comparable index for calculating changes in the cost of living or purchasing power for consumers in the United States that we reasonably designate.

4.10 Non-Compliance Fee

We may impose a \$500 fee (per occurrence) if it is determined that you are not operating in compliance with this Agreement, the Manual, or our System standards and specifications. This fee is intended to compensate us for additional expenses and certain losses that we will incur as a result of your non-compliance and is not a penalty or an expression of the total amount of such damages, and payment of this fee does not cure the non-compliance, and we are not limited in pursuing our other rights and remedies available under this Agreement and any remedy available at law or in equity.

ARTICLE 5 PROPRIETARY MARKS

5.1 Ownership and Right to Use

We or our affiliates are the owners of the Marks. We grant to you the non-exclusive right to use the Marks (as we periodically modify them) in connection with the operation of the Business in accordance with the terms and conditions of this Agreement.

5.2 Covenants of Franchisee

You acknowledge our exclusive ownership of the Marks and agree that, during the Term of this Agreement and after its expiration or termination, you will not directly or indirectly contest or aid in contesting the validity of the Marks or our ownership of the Marks nor will you take any action that might impair or prejudice our ownership of the Marks. You agree that the non-exclusive license granted to you pursuant to this Agreement authorizes you to use the Marks solely in connection with the Business in accordance with the terms and conditions of this Agreement and for no other purpose. Any unauthorized use of the Marks will constitute an infringement of our rights in the Marks and an event of default. At our request, you agree to execute any assignments, affidavits, and other documents to convey to us all rights, title and interest in and to the Marks.

The license hereby granted includes no other trademarks, service marks, trade names or other commerce symbols now existing or to be developed by us that are not referred to as Marks herein or otherwise included in the Manual. You agree that any and all goodwill associated with and identified by your use of the Marks will inure directly and exclusively to our benefit, and that, on the expiration or termination of this Agreement, no monetary amount will be payable to you as a result of any goodwill associated with your ownership or operation of the Business.

5.3 Limitations on Franchisee's Use of Marks

To develop and maintain high and uniform standards of quality and service and thereby protect our reputation and goodwill and that of the System, you agree to: (a) operate and advertise the Business only under the Marks that we periodically authorize and specify in the Manual; (b) maintain and display any required signs reflecting the current image of the System, and (c) adopt and use the Marks licensed hereunder solely in the manner periodically prescribed by us. You agree that you may not use any Mark as part of any corporate or legal business name. You further agree that any communications, documents or writings (including advertising) sent or utilized by you in connection with the Business will state that

your Business is an independently owned and operated franchise of CMIT Solutions, LLC in the manner that we periodically specify.

You agree that we may from time to time change or modify the System, including modifying existing Marks or adopting new Marks. You agree at your own expense to adopt, use and display any such new or modified Marks as if they were specifically identified herein as Marks at the time of the execution of this Agreement.

For clarification, using the Marks to obtain domain names not authorized by us, or using domain names that contain any reference or are substantially similar to the Marks, is a violation of this Agreement. You must turn over ownership of those domain names to us.

Upon termination or expiration of this Agreement, you agree to immediately cease to use, in any manner whatsoever, any of the Marks or any other trademarks that may be confusingly similar to any of the Marks.

5.4 Notification of Infringement and Claims

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

ARTICLE 6 TRADE SECRETS AND PROPRIETARY INFORMATION

6.1 Ownership and Use

In connection with the operation of the Business, you will from time to time become acquainted with certain information and materials that are proprietary to us. You and any person signing this Agreement under the Covenanting Personnel Joinder Agreement (the “**Covenanting Personnel**”) agree to keep confidential (except as reasonably necessary to operate the Business) and not use for their own purposes (except in the operation of the Business), nor supply or divulge to any person or entity, nor use in any other business or manner not explicitly authorized or consented to by us in writing, any of our trade secrets or Proprietary Information as defined herein. This requirement will remain in full force and effect during the Term of this Agreement and after its termination or expiration. Our trade secrets and proprietary information (hereinafter referred to collectively as “**Proprietary Information**”) include, but are not limited to, the following:

- (a) System Standards and other information in any version of the Manual, other manuals and written or electronic materials and any amendments thereto;
- (b) information that relates in any manner to our business or the System, whether oral or reduced to writing, and that is not generally known to, or readily ascertainable by, other persons who might derive economic benefit from its disclosure or use;

(c) marketing research and promotional, marketing, advertising, public relations, client relationship management and other brand-related materials and programs for CMIT Solutions Businesses;

(d) knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets and other products that CMIT Solutions Businesses use and/or sell;

(e) knowledge of the operating results and financial performance of CMIT Solutions Businesses other than your Business;

(f) client communication and retention programs, along with data used or generated in connection with those programs, including Client Data; and

(g) any other information we reasonably designate from time to time as confidential or proprietary, or information that is inherently confidential or is reasonably understood to be confidential given the nature of the information and the context or circumstances of disclosure.

You and the Covenanting Personnel acknowledge and agree that the Proprietary Information and any business goodwill of the Business are our sole and exclusive property and that the Covenanting Personnel will preserve, protect, and safeguard the confidentiality thereof with at least the same degree of care as it would protect its own confidential information, but in no event with less than a commercially reasonable degree of care. You and the Covenanting Personnel further acknowledge that neither will permit the Proprietary Information to be accessed or used for any purpose other than to perform and fulfill the obligations and duties under this Agreement, and shall not disclose Proprietary Information to any person or entity, except to the extent and only as necessary to assist you in performing your obligations under this Agreement. In the event of such disclosure, any employee or agent must be fully informed of the Proprietary nature of the information and must agree to be bound by the restrictions herein. If you or the Covenanting Personnel are required by applicable law or legal process to disclose any Proprietary Information, before making such disclosure, you must notify us to afford us the opportunity to seek a protective order or other remedy. Upon termination or expiration of this Agreement, you and the Covenanting Personnel must deliver to us all items, records or documentation recording or incorporating any Proprietary Information, , whether in written, electronic, or other form or media, including the original form and all copies.

6.2 Confidentiality Agreement

You agree to adopt and implement all reasonable procedures prescribed by us from time to time to prevent the unauthorized use or disclosure of any of the Proprietary Information. We require that all of your employees, officers, agents, directors, and Owners who may obtain, or are likely to obtain, knowledge concerning the Proprietary Information (and who are not Covenanting Personnel) execute an agreement in a form ~~provided~~approved by us binding such person to preserve the confidentiality of the Proprietary Information (a “**Confidentiality Agreement**”) as part of the terms and conditions of such person’s employment or association with you. You agree to obtain a Confidentiality Agreement signed by any such person prior to or at the same time of your employment or association with that person. You agree to file a duplicate original of each Confidentiality Agreement with us.

6.3 Innovations

All ideas, concepts, techniques or materials relating to a CMIT Solutions Business (collectively, “**Innovations**”), whether or not protectable intellectual property and whether created by or for you or

your Owners, employees or contractors, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any Innovation does not qualify as a work made-for-hire for us, by this paragraph you assign ownership of that Innovation, and all related rights to that Innovation, to us and agree to sign (and to cause your Owners, employees and contractors to sign) whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the Innovation. We and our affiliates have no obligation to make any payments to you or any other person with respect to any Innovations. You may not use any Innovation in operating the Business or otherwise without our prior approval.

ARTICLE 7 RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION

7.1 Relationship of the Parties

You and we agree that this Agreement does not create a fiduciary relationship between you and us, that you are an independent contractor, and that nothing in this Agreement is intended to make either you or us a general or special agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose. You do not have the authority to bind us or incur indebtedness or any other obligation on behalf of us.

You agree that your employees are your own exclusive legal responsibility in all respects. We disclaim any influence whatsoever over your labor relations. We have, and shall exercise, no direct, indirect, or potential control over any such employees' terms of employment, including with respect to: (a) wages and benefits; (b) employee personnel issues; (c) the number of employees needed to perform a job or task; (d) employee work hours, schedules, work week length, and shift hours; (e) employee grievances; (f) authorizing overtime; (g) general workplace and safety, rules and standards; (h) production standards; (i) break and/or lunch periods; (j) assignment of work and determination of job duties; (k) work instructions relating to the means and manner to accomplish a job or task; (l) training employees or establishing employee training requirements; (m) vacation and holiday leave and pay policies; (n) discipline; (o) discharge; (p) hiring; or (q) any other term or condition of employment.

You and we agree that any materials, guidance or assistance that we provide with respect to the terms and conditions of employment for your employees, employee hiring, firing and discipline, and similar employment-related policies or procedures, whether in the Manual or otherwise, are solely for your optional use. Those materials, guidance and assistance do not form part of the mandatory System Standards. You will determine to what extent, if any, these materials, guidance or assistance should apply to the Business's employees.

7.2 Indemnification of Franchisor

(a) You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective owners, directors, officers, employees, agents, representatives, successors and assignees (the "**Indemnified Parties**") against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) directly or indirectly arising out of or relating to: (i) the development, ownership, management or operation of the Business; (ii) your breach of this Agreement; (iii) your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees; or (iv) claims alleging either intentional or negligent conduct, acts or omissions by you (or your contractors or any of your or their employees, agents or representatives), or by us or our affiliates (or our or their contractors or any of our or their employees, agents or representatives), subject to

Section 7.2(c). “**Losses**” means any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs, including accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

(b) You agree to defend the Indemnified Parties against any and all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and directly or indirectly arising out of or relating to any matter described in Sections 7.2(a)(i) through (iv) (collectively, “**Proceedings**”), including those alleging the Indemnified Party’s negligence, gross negligence, willful misconduct and/or willful wrongful omissions. Each Indemnified Party may at your expense defend and otherwise respond to and address any claim asserted or inquiry made, or Proceeding brought, that is subject to Section 7.2(c) (instead of having you defend us as required above), and agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible, subject to the following paragraph. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you, and you agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 7.2.

(c) Despite the foregoing, you have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you for, any Losses (including costs of defending any Proceeding) to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party’s willful misconduct or gross negligence, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employer) or our failure to compel you to comply with this Agreement, which are claims for which you are not entitled to indemnification pursuant to this Section 7.2(c). However, nothing in this Section 7.2(c) limits your obligation to defend us and the other Indemnified Parties under this Section 7.2.

7.3 Indemnification of Franchisee

We agree to indemnify, defend, and hold harmless you and your affiliates, and your and their respective owners, directors, officers, employees, agents, representatives, successors and assignees for, from and against any and all Losses arising out of any claim of infringement or unfair competition in connection with your use of the Marks, provided that such use is in accordance with the provisions of this Agreement. We may defend and control the defense of any Proceeding relating to any Mark.

7.4 Survival

The indemnities and obligations set forth in this Section 7 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

ARTICLE 8 OPERATING STANDARDS AND YOUR DUTIES

8.1 System Standards and Compliance with the Manual

You understand and acknowledge that every detail of the operation of the Business is important to us in order to develop and maintain high and uniform standards of quality and service, to increase the demand for the System, and to protect our reputation and goodwill and that of other franchisees. You must operate and maintain the Business according to each and every System Standard, as we periodically modify and supplement them. However, you also acknowledge that the actual operation of the Business will remain your sole responsibility, we have no responsibility to obtain clients for you and we have no obligation to provide you with sales leads.

8.2 Authorized Products and Services

Your Business must offer for sale all ~~onsite~~ information technology solutions, customized training and computer support services, and other services that we periodically specify (collectively, the “Services”) and all products that we periodically require. Your Business may offer only the Services and products that we have periodically approved. You agree to do so only in the manner and style we periodically prescribe in writing, including the method and location of delivery. You will not, without our prior written approval, offer any products or services that are not authorized by us for CMIT Solutions Businesses. You agree to discontinue selling any services or products that we disapprove.

8.3 Services and Marketing Within Territory

Your Business may only provide products and Services to clients and customers located in the Territory, and may only advertise, market and promote the Business to clients and customers located in the Territory, in accordance with our System Standards and other requirements in the Manual. We may (at our option) develop policies in the Manual or elsewhere relating to providing products and Services to, and advertising, marketing and promoting the Business to, clients and customers that are located outside of the Territory and within the Business’ general market area, and if we do you must comply with those policies, as we periodically modify them.

8.4 Marketing and Promotional Programs and Pricing

You agree to participate in all of our mandatory System-wide marketing campaigns. You also agree to participate in marketing events and procedures related to national accounts, which may be further defined in the Manual. You agree to comply with any maximum, minimum or other pricing requirements for products and Services that the Business offers, including requirements for promotions, special offers and discounts in which some or all CMIT Solutions Business participate, in each case to the maximum extent the law allows.

8.5 Credit Card Merchant Account

You will be required to accept certain major credit cards as payment for products and Services, as described in the Manual. You are responsible for acquiring a credit card merchant account to process these credit card sales. You agree to comply with all our reasonable requirements for such sale and processing. We reserve the right to require you to use our approved merchant account provider for consumer credit transactions and periodically to require new or replacement payment processes and systems.

8.6 Approved Suppliers

We reserve the right to periodically designate and approve standards, specifications, suppliers and/or distributors of the Operating Assets and other products and services that we periodically authorize for use or sale by your Business. During the Term of this Agreement you must purchase or lease all Operating Assets and other products and services for your Business only according to the System Standards and, if we require, only from suppliers or distributors that we designate or approve (which may include or be limited to us or our affiliates). We and/or our affiliates may derive revenue based on your purchases and leases, including from charging you for products and services that we or our affiliates provide to you and from promotional allowances, volume discounts and other payments made to us by suppliers and/or distributors that we designate or approve for some or all of our franchisees. We and our affiliates may use all amounts received from suppliers and/or distributors, whether or not based on your or other franchisees' actual or prospective dealings with them, without restriction for any purposes we or our affiliates deem appropriate.

If you want to use any Operating Assets or other products or services for or at the Business that we have not yet evaluated, or purchase or lease any Operating Assets or other products or services from a supplier or distributor that we have not yet approved (for Operating Assets or other products and services that we require you to purchase only from designated or approved suppliers or distributors), you must submit to us a written request for such approval. We will provide you with written notice of approval or disapproval; if you do not receive such notice within thirty (30) days, the supplier is deemed disapproved. We do not presently charge a fee for our review of suppliers or products, but we reserve the right to do so in the future. We may condition our approval of a supplier or distributor on requirements relating to product quality, prices, consistency, warranty, reliability, financial capability, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) and/or other criteria. We have the right to inspect the proposed supplier's or distributor's facilities and to require the proposed supplier or distributor to deliver product or other samples, at our option, either directly to us or to any independent laboratory that we designate for testing. We reserve the right to periodically to re-inspect the facilities, products and services of any approved supplier or distributor and to revoke our approval of any supplier, distributor, product or service that does not continue to meet our criteria. Notwithstanding the foregoing, you agree that we may limit the number of approved suppliers with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including if we have already designated an exclusive source (which might be us or our affiliate) for the applicable product or service or if we believe that doing so is in the best interests of the CMIT Solutions Business network.

8.7 Compliance with Legal Requirements and Good Business Practices

You agree, at your sole expense, to operate your Business in full compliance with all applicable laws, ordinances and regulations. You agree to pay all costs and expenses incurred by, and in the conduct of, the Business, including all rent, salaries, taxes, disbursements, license or permit fees, traveling expenses, debts to partners and/or vendors, fees charged by us, and any other business expenses. You agree to notify us in writing within five (5) days of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, that may adversely affect your ability to operate, or your financial condition or that of the Business. Any such notice must be accompanied by a copy of the complaint, order, writ, injunction, award, decree or other similar document.

You agree to preserve good client relations and comply with our dress code. In this regard, you agree to at all times maintain a passing client satisfaction rating, as determined by client satisfaction surveys which we may conduct in accordance with the procedures described in the Manual. Only you,

your employees and your hired representatives are permitted to conduct any client interaction personally. No other individual or Entity may contact, communicate with, or provide services or products to clients on behalf of your Business. We do not permit the transfer of clients from one CMIT Solutions Business to another, or to a third party, without our express written approval.

You agree, in all dealings with your clients, suppliers, us and the public, to adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business practice that may be injurious to the System or the goodwill associated with the Marks. We and our affiliates may offer to provide the Services and/or products to your clients as needed to maintain operations standards and good client relations.

8.8 Maintenance of Insurance

At all times during the Term of this Agreement, you agree to maintain in force at your sole expense the insurance coverage for the Business in the amounts, covering the risks, and containing only the exceptions and exclusions that we periodically specify for similarly situated CMIT Solutions Businesses. All of your insurance carriers must be rated A or higher by A.M Best and Company, Inc. (or such similar criteria as we periodically specify). These insurance policies must be in effect on or before the deadlines we specify. All coverage must be on an “occurrence” basis, except for employment practices liability insurance coverage, which is on a “claims made” basis. All policies shall apply on a primary and non-contributory basis to any other insurance or self-insurance that we or our affiliates maintain. All coverage must provide for waiver of subrogation in favor of us and our affiliates. We may, upon at least sixty (60) days’ notice to you, periodically increase the amounts of coverage required and/or require different or additional insurance coverage at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All insurance policies must name us and any affiliates we designate as an additional insured and provide for thirty (30) days’ prior written notice to us of a policy’s material modification or cancellation. All public liability and property damage policies must contain a provision that we and our affiliates, and our and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, although named as insureds, will nevertheless be entitled to recover under such policies on any loss occasioned to us or them by reason of the negligence of you or your servants, agents or employees. You agree to periodically ~~to~~ send us a valid certificate of insurance or duplicate insurance policy evidencing that you have maintained the required coverage and paid the applicable premiums. If you fail to obtain and maintain (or to prove that you have obtained or maintained) the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and the Business on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, and a \$250 administrative fee to procure such insurance. Your obligation to obtain and maintain the above policies will not be limited in any way by reason of any insurance that we may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 7.2 of this Agreement.

8.9 Vehicles

Any vehicle that you or your employees use to deliver goods or services in connection with your Business (the “**Vehicle**”) must be kept in clean and in good working order and, if we require, display the Marks only as we periodically specify. You agree to comply with all laws, regulations and rules of the road, and use due care and caution in the operation and maintenance of the Vehicle. Except as noted above, we do not set any standards or exercise control over any Vehicle used by you or your employees.

8.10 Conflicting and Competing Interests

You agree that during the Term of this Agreement, neither you, nor your Operating Principal, nor any Owner holding (directly or indirectly) twenty percent (20%) or more of the Ownership Interests in you will:

- (a) have any direct or indirect, controlling or non-controlling Ownership Interest – whether of record, beneficial or otherwise – in a Competitive Business (defined below), wherever located or operating, provided that this restriction will not apply to the ownership of shares of a class of securities which are publicly traded on a United States stock exchange representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding;
- (b) perform services as a director, officer, manager, teacher, employee, consultant, representative or agent for a Competitive Business, wherever located or operating;
- (c) directly or indirectly loan any money or other thing of value to, or guarantee any other person's loan to, or lease any real or personal property to, any Competitive Business (whether directly or indirectly through any Owner, director, officer, manager, employee or agent of any Competitive Business), wherever located or operating; or
- (d) divert or attempt to divert any actual or potential business or client of the Business to another Competitive Business.

The term “**Competitive Business**” means any business that offers managed IT services, IT support, software development/testing, IT consulting, cyber or IT security consulting, provision or management of cyber or IT security, cyber security services, or similar services, or an Entity that grants franchises or licenses for any of these types of businesses, other than a CMIT Solutions Business operated under a franchise agreement with us.

8.11 Inspections by Franchisor

You agree to make such financial and other information concerning the Business available to us or our agents or representatives at such locations as we may reasonably request (including our office), and you agree to permit us and our agents and representatives to have full and free access to such information at your Business during regular business hours. We and our agents and representatives will have the right to communicate freely with your employees, and make extracts from, and copies of, all such information. A representative of ours may make unannounced inspections of your Business to ensure compliance with all the requirements of this Agreement. You will permit our representative to inspect any part of the Business, including all books and financial accounts, at any time during normal business hours.

8.12 Business Entity Franchisee

If you are an Entity, you agree, upon execution of this Agreement, to provide us with acceptable evidence that all certificates evidencing your Ownership Interests bear a legend as required by Section 11.4(f) below. If you issue additional Ownership Interests in the future, all certificates evidencing such Ownership Interests must bear a like legend. If you are an Entity, you agree to provide us with acceptable evidence that your partnership agreement or other organizational documents contain provisions acceptable to us prohibiting transfer of any partnership or other Ownership Interest in your Entity, except

in compliance with the terms of this Agreement. You agree to not cause or permit any such provision to be deleted or modified.

ARTICLE 9 ADVERTISING AND PROMOTION

9.1 Marketing Development Fund

(a) We, or at our election a third party that may be an affiliate of ours, will establish, administer, and control a Marketing Development Fund (the “**Fund**”) for the advertising, marketing, promotional, client relationship management, public relations and other brand-related programs and materials for all or a group of CMIT Solutions Businesses that we periodically deem appropriate. Each of our company-owned or affiliated CMIT Solutions Businesses, if any, will make contributions to the Fund on the same basis as our franchisees.

(b) We, or our designee, will direct all marketing and advertising programs to be undertaken through the use of the Fund. We will have sole discretion over all creative concepts, materials and media used in such programs and the placement and allocation of such programs. The Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all CMIT Solutions Businesses. In administering the Fund, we have no obligation to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising or other Fund programs. You may not offset or withhold contributions to the Fund for any reason including, but not limited, to your dislike of the marketing and advertising programs undertaken through the use of the Fund or your non-use of an advertising program or materials.

(c) The Fund may be used to pay for preparing, producing and placing video, audio and written materials, electronic media and social media; developing, maintaining and administering the CMIT Website (as defined in Section 9.3), including online sales and client retention programs, mobile applications, and other technologies used to reach clients and potential clients; administering national, regional, multi-regional and local marketing, advertising, promotional and client relationship management programs, including purchasing trade journal, direct mail, Internet and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public and client relations, market research, and other advertising, promotion, marketing and brand-related activities. The Fund also may reimburse CMIT Solutions Business operators (including us and/or our affiliates) for expenditures consistent with the Fund’s purposes that we periodically specify. We also may implement programs that could be financed by the Fund, but choose to have them financed through other means, such as direct payments by you (subject to the local advertising requirement) and other participating CMIT Solutions Business operators.

(d) We will account for the Fund separately from our other funds and not use the Fund to pay any of our general operating expenses, except to compensate us and our affiliates for the reasonable salaries, administrative costs, travel expenses, overhead and other costs we and they incur in connection with activities performed for the Fund and its programs, including conducting market research, preparing advertising and marketing materials, maintaining and administering the CMIT Website and/or social media, developing technologies to be used by the Fund or its programs, collecting and accounting for Fund contributions, and paying taxes on contributions. The Fund is not a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Fund or any other reason. The Fund may spend in any fiscal year more or less than the total Fund contributions in that year, borrow from us or

others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Fund contributions to pay costs before using the Fund's other assets. We will prepare an annual, unaudited statement of Fund collections and expenses and give you the statement upon written request. We may have the Fund audited periodically at the Fund's expense by an independent accountant we select. We may incorporate the Fund or operate it through a separate Entity whenever we deem appropriate. The successor Entity will have all of the rights and duties specified in this Section 9.1.

(e) If we or our affiliate administers the Fund or places advertising in connection with the System, we or the affiliate may be paid a fee that will not exceed the fee that would be paid to an unrelated third party for comparable services.

(f) Although the Fund is intended to be of perpetual duration, we may terminate the Fund. The Fund will not be terminated until all monies in the Fund have been expended for purposes consistent with this Section 9.1, or returned to the then-operating contributors, without interest, on the basis of their respective contributions.

9.2 Advertising by Franchisee

(a) We have the right to designate local advertising markets and if designated, you must participate in and contribute to the cooperative or local marketing group responsible for coordinating advertising and marketing programs in your designated local advertising market (the “Cooperative”). If established, the amount of contribution to such Cooperative will be decided by the members of the Cooperative, but will not exceed One Thousand Dollars (\$1,000) per month. The members of each Cooperative will be responsible for the administration of the Cooperative. Each Cooperative must obtain our written approval of all promotional and advertising materials, creative execution and media schedules prior to their implementation. We have the right to require Cooperatives to be formed, changed, dissolved or merged.

(b) You agree to participate in our marketing campaigns, and implement and execute all aspects of the sales and marketing system, that we periodically specify. To that end you agree to spend a minimum amount we specify (~~currently, Two Thousand Five Hundred Dollars (\$2,500)~~ per month, or the equivalent of Thirty Thousand Dollars (\$30,000) per calendar year) on marketing and promoting your Business through our approved marketing programs, including local events, associations, memberships in professional organizations, print media, trade shows and expos, outdoor advertising, workshops, and as outlined in the Manual and ~~in accordance with Section 9.2~~ other guides. You are also required to maintain a marketing plan that runs in twelve (12)-month increments. We have the right to change the required minimum amount you must spend on marketing and advertising. We will provide at least 60 days' notice of any increase. We have the right to periodically review your spending and direct how your spending is allocated. If you fail to spend the required minimum amount, we reserve the right to collect, invoice, and manage the funds for you.

(c) You must invest in initial marketing including print and online or digital marketing such as a Google business listing, social media accounts on various platforms, professional and social networking, online media campaigns, SEO (search engine optimization) campaigns, and other forms of paid and content and email marketing. You are not required to allocate a certain amount to initial marketing, but we highly recommend that you spend a minimum of \$12,000 within the initial ninety (90) days of opening to promote and market your Business online and offline; monies spent on initial marketing may be included in your local monthly marketing spend.

(e) You agree to conduct all your advertising, marketing and promotion for your Business in a professional manner, and your advertising, marketing and promotion must conform to our standards and requirements as set forth in the Manual or otherwise. ~~For the first three (3) years, you agree to spend Thirty Thousand Dollars (\$30,000) per year promoting your Business through our approved marketing programs, local events and associations, and maintain a marketing plan that runs in twelve (12) month increments. After three (3) years in operation~~ You are required to continue your marketing efforts and expenditures throughout the Term in accordance with the then-current policies outlined in the Manual. You agree to send to us, for our approval, samples of all proposed marketing, advertising and other materials that we have not prepared or previously approved within the preceding six (6) months. If you do not receive written notice of approval from us within fifteen (15) business days after we receive the materials, they are deemed disapproved. You may not conduct or use any local marketing that we have not approved or have disapproved.

(e) Under no circumstances may you use the name of a public figure in connection with the Marks or the Business without our prior written consent. We retain the sole and exclusive right to use the name, services or likeness of any public figure or character in advertising, endorsing or recommending the System. However, with our prior written approval, you may use the name of a public figure in a bona fide endorsement or recommendation of the Business, but in such event, you will be solely responsible for the cost of such usage and you have sole responsibility for ensuring compliance with all laws governing such endorsements.

9.3 Internet Advertising and Email

We have established a website (the “**CMIT Website**”) listed on the Internet. We shall, at our sole option, determine the content and use of the CMIT Website or other listing and shall establish the rules under which you and other franchisees will participate. We shall retain all rights relating to the CMIT Website or other listing and may alter or terminate the CMIT Website from time to time at our sole option. You acknowledge that certain information obtained through your participation in the CMIT Website may be considered to be our Proprietary Information, including access codes and identification codes. You are authorized to use only the email addresses assigned by us in the operation of your Business. You are authorized to use only the CMIT Website in the marketing of your Business. Your right to use your assigned email addresses, or to participate in the CMIT Website or other listing, will terminate when this Agreement expires or terminates.

You may not develop, maintain or authorize any other website, other online presence or other electronic medium (such as mobile applications, kiosks and other interactive properties or technology-based programs) that mentions or describes you, the Business or its products or services or that displays any of the Marks. Except for the CMIT Website, you may not conduct commerce or directly or indirectly offer or sell any products or services using any website, another electronic means or medium, or otherwise over the Internet or using any other technology-based program without our approval.

As we continue to develop strategies for taking advantage of the benefits the Internet may offer, you may be required to participate in such activities. You therefore agree that we, upon sixty (60) days prior notice, may require you to participate in, and contribute a proportionate share of, such future Internet activities that we may establish for the System.

You agree that we have the right to approve all social media postings (including Facebook, LinkedIn, Twitter, Yelp, etc.) and online digital content related to your Business. Should we make a

written request that you ~~take-down~~remove a social media posting or other online, no matter the reason, you must do so immediately.

ARTICLE 10 ACCOUNTING PROCEDURES AND REPORTS

10.1 Maintenance of Records

During the Term of this Agreement, you shall use a third-party bookkeeping or accounting firm to assist with the maintenance and preparation of all business records and reports. You agree to maintain at your principal office and preserve for at least five (5) years from the date of their preparation, or such greater period as may be required by applicable law, full, complete and accurate books, records and accounts, including coupons, purchase orders, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers, and copies of such portions of your state and federal income tax returns to reflect the operation of the Business in the form and manner we prescribe, prepared in accordance with the requirements established from time to time by us. All financial statements and reports must be prepared in accordance with generally accepted accounting principles, consistently applied.

10.2 Reports to Franchisor

You agree to furnish to us on or before the tenth (10th) day of each calendar month, in a form from time to time required by us, a report signed and verified by you in the manner we periodically specify accurately reflecting such data, information and supporting records as we may require. For a period of five (5) years from the close of each fiscal year, you agree to maintain at your principal office, readily available for inspection by us, and must furnish to us upon our request, exact copies of your federal and state income tax returns and sales or transaction privilege tax reports. In addition, you agree to, at your expense, furnish to us or our agents for inspection or audit, such other forms, reports, records, financial statements and information as we may require. Further, you are required to report to us on your weekly sales activities, as further defined in the Manual.

10.3 Financial Statements

You agree to prepare and furnish to us, within thirty (30) days after the end of each of your fiscal quarters, a statement of profit and loss and a balance sheet for the Business for the preceding fiscal quarter. Quarterly statements must be signed and verified as to accuracy by you in the manner we periodically specify. You agree to prepare and furnish to us, within ninety (90) days after the end of each of your fiscal years, annual statements of profit and loss, sources and application of funds, and a balance sheet pertaining to the Business for the preceding fiscal year and as of your fiscal year end. Annual financial statements must be signed and verified as to accuracy by you in the manner we periodically specify and, at our option, must be certified by an independent certified accountant. We will have the right to use (without identifying you except as required by law) any financial statements, sales reports, profit and loss statements or balance sheets provided by you for purposes we deem appropriate.

10.4 Audit by Franchisor

We may at any time during your business hours, and without prior notice to you, examine the Business's business, bookkeeping and accounting records, tax records and returns, and other records (other than records relating to labor relations and employment practices for Business employees). You agree to fully cooperate with our representatives and/or any independent accountants we hire to conduct any such inspection or audit. You must also ensure that we have unlimited, independent access to any such records and information maintained in the Business' Technology System. If any inspection or audit

discloses an understatement of the Business's GPS Revenue, you must pay us, within fifteen (15) days after receiving the inspection or audit report, the Royalties, MDF Contributions and any other amounts due on the amount of the understatement, plus interest (in the amount described in Section 4.7) from the date originally due until the date of payment. If we reasonably determine that an inspection or audit is necessary due to your failure to furnish reports, supporting records or other information as required, or to furnish these items on a timely basis, or if our examination reveals a Royalty or MDF Contribution understatement exceeding two percent (2%) of the amount that you actually reported to us for the period examined, you agree to reimburse us for the cost of our examination, including legal fees and independent accountants' fees, plus the travel expenses, room and board, and compensation of our employees and representatives. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

10.5 Taxes and Permits

You agree to promptly pay when due all Taxes (as defined below), levied or assessed, and all accounts and other indebtedness of every kind incurred by your Business. Each payment to be made to us under this Agreement must be made free and clear and without deduction for any Taxes. The term "**Taxes**" means any present or future taxes, levies, imposts, duties or other charges of whatsoever nature, including any interest or penalty, imposed by any government or political subdivision of such government on or relating to the operation of your Business, the payment of monies, or the exercise of rights granted pursuant to this Agreement, except Taxes imposed on or measured by our net income. In the event of any bona fide dispute as to your liability for Taxes assessed or other indebtedness, you may contest the validity or the amount of the Tax or indebtedness in accordance with the procedures of the taxing authority or applicable law. However, in no event may you permit a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor, to occur against any assets of your Business. You agree to comply with all federal, state and local laws, rules and regulations, and must obtain any and all permits, certificates or licenses necessary for the full and proper conduct of your Business, including licenses to do business, fictitious name registrations, and sales tax permits.

ARTICLE 11 TRANSFERABILITY OF INTEREST

11.1 Assignment by Franchisor

We will have the right to assign this Agreement or any interest herein to any person or Entity, without your consent or approval, provided that the assignee agrees in writing to assume and perform our obligations hereunder. In the event of any such assignment, we (and, in the case of any subsequent assignment, the then-assignor) will be relieved, from and after the date of such assignment, of any further liability for the performance of any covenants or obligations on the part of us contained in this Agreement. We also may change our ownership or form without restriction.

11.2 Assignment by Franchisee

(a) You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or, if you are an Entity, to your Owners) and that we have granted you the rights under this Agreement in reliance upon our perceptions of your (or your Owners') individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, no transfer may be consummated without our prior written approval and satisfying the applicable conditions of this Section 11.2, subject to our right of first refusal under Section 11.3. A transfer of the ownership, possession or control of the Business or the Operating Assets

may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect.

(b) In this Agreement, the term “**transfer**,” whether or not capitalized, includes any voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition and includes the following events, whether they impact you (or your Owners) or your permitted successors or assigns, directly or indirectly:

(i) transfer of record or beneficial ownership of any Ownership Interest or the right to receive all or a portion of your profits or losses or any capital appreciation relating to you or the Business (whether directly or indirectly);

(ii) a merger, consolidation or exchange of Ownership Interests, or issuance of additional Ownership Interests or securities representing or potentially representing Ownership Interests, or a redemption of Ownership Interests;

(iii) any sale or exchange of voting interests or securities convertible to voting interests, or any management agreement or other arrangement granting the right to exercise or control the exercise of the voting rights of any Owner or to control your or the Business’s operations or affairs or the rights or responsibilities of the Managing Owner;

(iv) transfer of a direct or indirect Ownership Interest or other interest in you, this Agreement, the Operating Assets, or the Business in a divorce, insolvency or Entity dissolution proceeding, or otherwise by operation of law;

(v) if you or one of your Owners dies, transfer of a direct or indirect Ownership Interest or other interest in you, this Agreement, the Operating Assets, or the Business by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(vi) The grant of a mortgage, charge, pledge, collateral assignment, lien or security interest in any Ownership Interest or other interest in you, this Agreement, the Business or the Operating Assets; foreclosure upon or attachment or seizure of the Business or any of its Operating Assets; or your transfer, surrender or loss of the possession, control or management of all or any material portion of the Business (or its operation) or you.

(c) Any purported transfer not having our prior written consent shall be null and void, and shall constitute a default hereunder on your part. If you desire to make a transfer, you agree to give us not less than thirty (30) days advance written notice setting forth all the terms and conditions of the proposed transfer including such other information as we may reasonably request and, if applicable, you agree to include a copy of any written purchase offer received by you. Subject to our rights under Section 11.3 below, we will not withhold our approval of the transfer unreasonably, provided that the proposed transferee is, in our opinion, a person or Entity of good moral character who has sufficient business experience, aptitude and financial resources to own and operate the Business and otherwise meets our then-applicable standards for franchisees of CMIT Solutions Businesses, and further provided that the following conditions are met prior to, or concurrently with, the effective date of the transfer:

(i) All of your obligations under this Agreement and the obligations under any Confidentiality Agreement or Guaranty have been fully performed and new Guaranties and/or Confidentiality Agreements as well as a new Power of Attorney as required pursuant to Section 13.5(c) below, are signed by the appropriate parties as required under Sections 6.2 and 1.4(b) above and delivered to us; and

(ii) You have executed a general release in a form satisfactory to us of any claims you may have against us, our affiliates or our and their respective officers, directors, owners and employees; and

(iii) If the transfer will result in a new person being responsible for the operations of the Business, the transferee or the designated manager shall have completed the Training Program required under Section 3.1; and

(iv) You or the transferee shall have paid to us a fee (the “**Transfer Fee**”) of a minimum of Fifteen Thousand Dollars (\$15,000.00). However, if the Business is sold to an existing CMIT Solutions Business, the Transfer Fee shall be Eight Thousand Dollars (US \$8,000.00). For the purposes of this reduced Transfer Fee, an existing CMIT Solutions Business is an individual or Entity, who, at the time of transfer, holds (directly or indirectly) Ownership Interests of at least a twenty percent (20%) in a current franchisee and has attended the entirety of and graduated from the Training Program; and

(v) The transferee (if the transfer is of this Agreement) or you (if the transfer is of a direct or indirect Ownership Interest in you) must agree, at our option, to (a) be bound by all terms and conditions of this Agreement for the remainder of the term, or (b) sign our then current form of franchise agreement and related documents, which may contain terms and conditions (including the fees) that differ materially from any and all of those in this Agreement, except that the term of such franchise agreement shall be the remaining term of this Agreement; and

(vi) We have determined that the material terms and conditions of the proposed transfer, including the price and terms of payment, are not so burdensome as to adversely affect the ability of the transferee to profitably conduct future operations of the Business in compliance with our then standard franchise agreement and ancillary agreements; and

(vii) You, and your officers, directors, agents, employees and Owners (as applicable), shall affirm or reaffirm in writing the covenant not to compete as described in Section 13.5(g) hereof; and

(viii) You and your selling Owners shall enter into an agreement with us pursuant to which the transferee’s obligations to the selling parties are subordinated to the transferee’s obligations to us; and

(ix) If the transferee has any interest in any other CMIT Solutions Business at the time of transfer, then the transferee shall have executed the then current form of franchise agreement for all CMIT Solutions Businesses in which the transferee has an interest in order for those franchises to be consolidated under an agreement for the operation of multiple CMIT Solutions Businesses; and

(x) You have completed the re-sale checklist and provided us with all information and/or materials required for the transfer.

(d) If you request our assistance in locating a purchaser for your Business, and we do locate a purchaser through one of the broker affiliates we work with, you will be required to pay the commission charged to us under the agreement in effect with the broker group at the time of your sale (in addition to any fees or payments owed to other brokers or service providers that you engage). The broker commission shall be in addition to the Transfer Fee set forth above in Section 11.2(c)(iv).

(e) If you are an Entity and if you (or any Entity directly or indirectly owning any Ownership Interest in you) intend to offer Ownership Interests through any public or private offering, you shall not use any Marks in such public or private offering, except to reflect your franchise relationship with us, nor shall you misrepresent, by any statement or omission of an essential statement, your relationship with us. You shall indemnify and hold us harmless from any liability in connection with such offering. Nothing in the foregoing shall modify the provisions of this Section 11.2 of this Agreement and no such offering shall be made without first complying with any applicable provisions of Section 11.3 of this Agreement.

11.3 Franchisor's Right of First Refusal

In the event of any proposed transfer requiring our consent under Section 11.2, you agree to first submit to us in writing a notice of the proposed transfer, setting forth the terms and conditions of the proposed transfer and, if applicable, you agree to include with such notice a copy of any written purchase offer pertaining to such transfer. We will have thirty (30) days after our receipt of the notice of proposed transfer within which to elect to acquire the interest that is the subject matter of the proposed transfer on the same terms and conditions as those set forth in your notice of proposed transfer by giving you written notice to that effect. If we make such election, then you and we shall accomplish the transfer in accordance with the terms and conditions set forth in your notice of proposed transfer.

If we do not exercise our right of first refusal, you or your Owners may complete the sale to the proposed buyer on the original offer's terms, but only if we approve the transfer as provided in this Section 11. If you do not complete the sale to the proposed buyer (with our approval) within one hundred twenty (120) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the offer (which you must tell us promptly), we will have an additional right of first refusal during the thirty (30)-day period following either the expiration of the one hundred twenty (120)-day period or our receipt of notice of the material change in the offer's terms, either on the terms originally offered or the modified terms, at our option. If any proposed transfer is not completed, our right of first refusal described in this Section 11.3 will continue to apply to any future proposed transfer.

11.4 Transfer to Controlled Corporation or Limited Liability Company

In the event that you are an individual or a partnership and you desire to assign the Business and all of your rights and obligations under this Agreement to a corporation or a limited liability company, you agree to provide at least thirty (30) days prior written notice to that effect to us. We will not withhold unreasonably our consent to such an assignment and the fee otherwise required under Section 11.2(c)(iv) will not be required if you satisfy the following requirements:

(a) You (if you are an individual) or all of your partners (if you are a partnership) must beneficially own and control one hundred percent (100%) of the issued and outstanding equity and voting stock or Ownership Interests of the corporation or limited liability company; and

(b) You (if you are an individual) or your partners (if you are a partnership) shall be the principal executive officer(s) or managers of the corporation or limited liability company; and

(c) The corporation or limited liability company will engage in no business other than operation of the Business except as otherwise expressly set forth herein; and

(d) You will furnish us with a copy of the Articles of Incorporation, Bylaws and Corporate Resolutions, or their equivalents, of the corporation or the limited liability company upon our request, in addition to prompt notification in writing to us regarding any amendments thereto; and

(e) The Articles of Incorporation, Bylaws or other organizational documents of the corporation or limited liability company must state that the issuance and assignment of any Ownership Interests are restricted by the terms of this Agreement and all issued and outstanding certificates representing Ownership Interests must bear the following legend (or such similar legend as we may designate, to be in compliance with applicable law) reflecting or referring to such restrictions:

“TRANSFER OF THIS CERTIFICATE IS LIMITED BY THE TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT DATED _____ BETWEEN CMIT SOLUTIONS, LLC, A TEXAS LIMITED LIABILITY COMPANY, AND _____.”

(f) Every person who owns or will own twenty percent (20%) or more of the stock or Ownership Interests of the corporation or the limited liability company must execute and deliver to us the Guaranty (Exhibit 3 hereof); and

(g) The corporation or limited liability company must execute, acknowledge and deliver to us a power of attorney as required pursuant to Section 13.5 (c) below; and

(h) No default shall exist under this Agreement nor shall any event have occurred that, with the giving of notice, the passage of time or both would constitute such a default; and

(i) All of your rights, duties and obligations under this Agreement must be assigned in writing to the corporation or limited liability company, and the corporation or limited liability company must agree in writing to be bound by the provisions of this Agreement and to assume and perform all of your obligations under this Agreement. Such assignment and assumption shall be in a form acceptable to us. Additionally, the corporation or limited liability company must submit to us a certified copy of a resolution of its board of directors, or its equivalent, authorizing and approving the assignment and assumption referred to above; and

(j) There shall be submitted to us a list of the shareholders of the corporation or members of the limited liability company, showing number of shares or interest owned by each, and a list of the officers and directors or managers; and

(k) Upon compliance with the foregoing, the corporation or limited liability company shall become the “Franchisee” hereunder and such term shall refer to the corporation or the limited liability company, but no assignment made pursuant to this Section 11.4 will relieve you or any person executing a Guaranty or Confidentiality Agreement from liability under this Agreement or under such Guaranty or Confidentiality Agreement.

11.5 Transfer on Death or Disability of Franchisee

If you are an individual, then upon your death or permanent disability, or upon the death or permanent disability of your Managing Owner if you are an Entity, your or the Managing Owner’s executor, administrator, conservator or other personal representative (“**Legal Representative**”) must, within one hundred eighty (180) days after the death or permanent disability, assign your or your Managing Owner’s rights and obligations under this Agreement to a third party approved by us. Any such assignment (including transfers by bequest or inheritance) will be subject to the same conditions as a transfer under Section 11.2 above (including our right of first refusal under Section 11.3 above.) Failure to make an assignment as provided above within any applicable period of time set forth above shall constitute a breach of this Agreement.

If, after your or your Managing Owner’s death or permanent disability, the Business is not being managed by a competent and trained manager, we are authorized (but not required) to appoint a manager to maintain the operation of the Business until an approved assignee is able to assume the management and operation of the Business. A cash reserve sufficient to allow us to provide management of the operations of the Business shall be set aside as compensation for the management services provided, in addition to the Royalty and MDF Contributions due hereunder. Minimally, this would be twenty percent (20%) of the gross sales(monthly revenue) of the Business for ~~one quarter or ninety (90)~~ - 120 days. Operation of the Business during any such period will be for and on your behalf, or that of your Legal Representative, and we will not be liable to you, your Legal Representative, your estate, your heirs, devisees, beneficiaries or your Owners for any debts, losses or obligations incurred in connection with the Business, or to any person owed money for any services, materials or supplies purchased for use in connection with the Business during any period in which it is managed by a manager appointed by us. As used in this Agreement, the term “permanent disability” means any mental or physical condition that substantially impairs your or your Managing Owner’s ability to operate or oversee the operations of the Business for a continuous period of ninety (90) days.

11.6 Subfranchising

You will have no right to subfranchise or sublicense your license to use the Marks or any of your other rights or benefits hereunder, and any purported subfranchising or sublicensing in violation of this Section 11.6 shall be void.

11.7 No Waiver

Our consent to any transfer subject to the restrictions set forth above will not constitute a waiver of any claims we may have against you, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by the transferee.

ARTICLE 12 RENEWAL OF FRANCHISE

Subject to the terms and conditions described below, you will have the right to renew your license to operate the Business for an additional ten (10) year term after the expiration of the initial

Term. In the event you desire to renew your license to operate the Business, you agree to give us written notice to that effect at least one hundred eighty (180) days prior to the expiration date of the Term. In addition to giving the written notice of renewal referred to above in a timely manner, to have the right to renew the license to operate the Business for an additional term, you also must meet each of the following requirements.

(a) You must have substantially complied with this Agreement throughout the Term and, both on the date you give us the renewal notice and on the date on which the renewal term commences, be in full compliance with this Agreement, including all System Standards;

(b) You must not owe any outstanding debts to any suppliers, vendors, ~~or~~ government entities, or any other third-party individuals or entities; and

(c) You may not be under investigation for illegal activity by any government entity; and

(d) You must have the existing right to maintain possession of the premises of your Business for a term co-extensive with the renewal term, or you agree to secure and develop suitable substitute premises approved by us; and

(e) The equipment, supplies, materials and signage used in connection with the operation of the Business must either meet our then existing specifications and standards, or you agree, at your cost, to replace or refurbish such items and otherwise modify the methods of operation of the Business to comply with our specifications and standards then applicable to new franchisees; and

(f) You and we must execute a renewal Franchise Agreement (which will be in the form of the then-current Franchise Agreement then customarily used by us in the granting of franchises in connection with the System) and all other agreements, legal instruments, and documents then customarily used by us in the granting of CMIT Solutions Business franchises. The renewal Franchise Agreement will not require the payment of an Initial Fee, and its conditions may differ from the terms of this Agreement. The renewal Franchise Agreement will supersede this Agreement but will not terminate your liability to perform any obligations that you have not yet performed under this Agreement, or that survive the termination of this Agreement, nor will the renewal Franchise Agreement terminate or supersede any Guaranty or Confidentiality Agreement executed pursuant to this Agreement; and

(g) You execute a general release in a form satisfactory to us of any claims you may have against us, our affiliates or our and their respective officers, directors, owners and employees; and

(h) You comply with our then-current mandatory training requirements for renewing franchisees; and

(i) You pay to us a renewal fee of Five Thousand Dollars (\$5,000).

If you do not meet any of the requirements for renewal, we will give you a written notice to that effect that will specify the requirements not met. The written notice will be supplied to you within sixty (60) days after delivery to us of your written notice of renewal.

ARTICLE 13 DEFAULT AND TERMINATION

13.1 Automatic Termination

Under the following circumstances, you will be deemed to be in default under this Agreement, and all rights granted to you under this Agreement will automatically terminate without notice to you:

- (a) If you become insolvent or make a general assignment for the benefit of your creditors; or
- (b) If you file a petition in bankruptcy, if any individual owning (directly or indirectly) a twenty percent (20%) or greater interest in you or the Business files a petition in bankruptcy, or if an involuntary bankruptcy petition is filed against you or the Business or any individual owning (directly or indirectly) twenty percent (20%) or greater interest in you or the Business and such a petition is not dismissed within thirty (30) days; or
- (c) If a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your Business or its assets is filed and consented to by you; or
- (d) If a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or
- (e) If proceedings for a composition with creditors under any state or federal law should be instituted by or against you; or
- (f) If a final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); or
- (g) If an execution is levied against the Business or its property; or
- (h) If a suit to foreclose on a lien or mortgage against the Business premises or equipment if owned by you is instituted and not dismissed within thirty (30) days; or
- (i) If the real or personal property of the Business is sold after any levy thereon.

13.2 Termination Upon Written Notice

You will be deemed to be in default and we may, at our option, terminate this Agreement and all rights granted to you hereunder, without affording you any opportunity to cure the default, effective immediately upon delivery of notice to you, upon the occurrence of any of the following events:

- (a) If you fail to open, cease to continuously operate or otherwise abandon the Business; or
- (b) If you or any of your Owners are convicted of a felony or a crime involving moral turpitude, or if you or any of your Owners engage in any dishonest, unethical or illegal conduct which, in our opinion, adversely affects the Business's reputation, the reputation of other CMIT Solutions Businesses or the goodwill associated with the Marks; or
- (c) If you transfer or attempt to transfer any rights or obligations under this Agreement to any third party, in violation of the provisions of Section 11 of this Agreement; or

(d) If you fail to comply with the provisions of Section 6 or Section 8.10 of this Agreement; or

(e) If you breach or otherwise commit any default under the Multi-Unit Agreement between us (or our affiliate) and you (or your affiliate); or

(f) If you or any of your Owners has made or makes a material misrepresentation or omission in acquiring any of the rights under this Agreement or operating the Business; or

(g) If you, your Owner or any other Business personnel whom we require to attend the Training Program does not satisfactorily complete that training, or you fail timely to satisfy any other pre-opening obligation; or

(h) If you fail to maintain the insurance we require from time to time and/or you fail to provide us with proof of such insurance as this Agreement requires; or

(i) If you interfere with our right to inspect the Business or our right to audit your books and records; or

(j) If any other franchise agreement or other agreement between us (or any of our affiliates) and you (or any of your Owners or affiliates) is terminated before its term expires, regardless of the reason; or

(k) If you violate any law, ordinance or regulation relating to the ownership or operation of the Business, or operate the Business in an unsafe manner, and (if the violation can be corrected) you do not begin to correct the violation immediately, and correct the violation fully within seventy-two (72) hours, after you receive notice of the violation from us or any other party; or

(l) You fail to pay when due any federal, state or local income, sales or other taxes due, or repeatedly fail to make or delay making payments to your suppliers or lenders, unless you are in good faith contesting your liability for these taxes or payments.

13.3 Termination upon Written Notice and Failure to Cure Default

Except as provided in Sections 13.1 and 13.2 above, and 13.4 below, you will have thirty (30) days after our delivery of a written notice of default within which to remedy any default under this Agreement, which includes any violation of this Agreement not previously listed or any violation of the Manual, and to provide evidence of such remedy to us. If any such default is not cured within that time, or such longer period of time as applicable law may require, this Agreement shall terminate effective immediately upon notice to you.

13.4 Termination upon Three Written Default Notices and Failure to Cure Default

Should we send you written notice of default pursuant to Section 13.3 for the same or substantially similar default on three (3) separate occasions, then on the third issuing of written notice, you will not be afforded a thirty (30) day period within which to remedy the default under this Agreement. Instead, all rights granted to you hereunder will terminate effective immediately upon delivery of notice to you.

13.5 Effect of Termination or Expiration

Upon any termination of this Agreement (whether pursuant to Sections 13.1, 13.2, 13.3, or 13.4 above or otherwise) or upon expiration of the Term, you immediately must cease to hold yourself out to the public as a current or former CMIT Solutions Business owner or franchisee of the System, and you agree to comply with the following:

(a) Immediately pay to us or any affiliate of ours all sums owing from you to us or such affiliate, including the Royalty and MDF Contributions owed during the remaining unexpired Term of this Agreement, and all amounts owed for services and/or supplies or other items purchased by you from us or any affiliate of ours, or that were financed by us or any affiliate of ours or that we or any affiliate of ours loaned to you, together with any interest or late fees accrued thereon.

(b) Immediately cease to use, in any manner whatsoever, the Marks, any benefits of the System or any part thereof, any methods associated with the Marks or the System (including the Manual), any forms, manuals, proprietary computer software, slogans, signs, sign posts, symbols, or devices used in connection with the operation of the Business, and any Client Data or other Proprietary Information, and you agree to deliver to us, free of charge, all such materials within ten (10) days. In the event such use is not discontinued within ten (10) days following termination, we or our agents may, without being guilty of, or liable for, trespass or tort, and without prejudice to any other rights or remedies we may have, enter the premises of your former Business (or such other location where such items are located) and remove the items referred to above at your expense.

(c) Immediately transfer to us or our designee any telephone numbers used by you in connection with the Business. You acknowledge that between you and us, we have the sole right to the interest in all telephone numbers and directory listings associated with any Marks and you authorize us, and hereby appoint us and any officer or agent of ours as your attorney-in-fact, to direct the telephone company and all listings agencies may accept such direction, or this Agreement, as conclusive evidence of our exclusive rights in such telephone numbers and directory listings and its authority to direct their transfer. In addition, upon execution of this Agreement, you agree to sign and deliver to us a copy of the "Special Power of Attorney" in the form of Exhibit 4 attached hereto and incorporated herein by reference. Such Special Power of Attorney will be irrevocable and will survive the expiration of the Term or any termination of this Agreement.

(d) Immediately take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any Mark. You acknowledge that between you and us, we have the sole right to the interest in all such fictitious or assumed names or equivalent registration and you authorize us and hereby appoint us and any officer or agent of ours as your attorney-in-fact, to effect the termination or cancellation of such fictitious or assumed names or equivalent registrations should you fail or refuse to do so, and the appropriate federal, state, and local agencies may accept your direction or this Agreement as conclusive evidence of our exclusive rights in such fictitious or assumed names or equivalent registrations and its authority to direct their termination or cancellation.

(e) Immediately transfer and assign all rights to provide Services and products to any and all clients of the Business to us or our designee.

(f) Maintain at a place made known to us all books, records and reports required under this Agreement for a period of not less than five (5) years after the date of termination or expiration of this Agreement to allow us to make a final inspection of your books and records for the purpose of verifying that all amounts owing have been paid.

(g) The post-termination obligations described in this section shall not be considered completed until you have furnished to us evidence satisfactory to us regarding your compliance with the foregoing obligations by completing the termination forms of our design with which we will supply you at the time of termination.

(h) You acknowledge that the Marks, the Proprietary Information, the business and reputation associated therewith, and the experience acquired by you are of considerable value and would not have been acquired except through implementation of this Agreement. In consideration of the foregoing, you agree that, for a period of two (2) years following the termination of this Agreement or expiration of the Term, neither you, nor your Operating Principal, nor any Owner holding (directly or indirectly) twenty percent (20%) or more of the Ownership Interests in you (collectively, the “**Restricted Persons**”) will:

(i) have any direct or indirect, controlling or non-controlling Ownership Interest – whether of record, beneficial or otherwise – in a Competitive Business located or operating, or otherwise providing products or services to clients located in, (A) the Territory, (B) any area that is within ten (10) miles of the border of the Territory, or (C) the territory in which any other CMIT Solutions Business is then located or operating (the area described in subsections (A), (B) and (C) is collectively called the “**Restricted Area**”), provided that this restriction will not apply to the ownership of shares of a class of securities which are publicly traded on a United States stock exchange representing less than three percent (3%) of the number of shares of that class of securities issued and outstanding; or

(ii) perform services as a director, officer, manager, teacher, employee, consultant, representative or agent for a Competitive Business located or operating, or otherwise providing products or services to clients located, in any Restricted Area.

In the event the duration, scope and/or geographic area set forth in the foregoing restrictions and agreements are held to be unreasonable and therefore unenforceable as to you or any Restricted Person by any court of competent jurisdiction, then the duration, scope and/or geographic area of the foregoing restrictions and agreements shall be deemed to be the maximum duration, scope and/or geographic area as shall be enforceable as to you or any Restricted Person and the foregoing restrictions shall remain in full force and effect as to such maximum duration, scope and/or geographic area.

If any Restricted Person has not signed this Agreement under the Covenantee Personnel Joinder Agreement or is not a party to this Agreement, you agree to cause such Restricted Person to execute a Non-disclosure agreement (NDA) and non-compete agreement in form and substance acceptable to us that incorporates the provisions set forth in this Section 13.5 and in Sections 6.1, 8.10 and 13.5(g) of this Agreement. This will be a continuing obligation on your part and will apply to any person who becomes a Restricted Person at any time during the Term of this Agreement.

If you fail to do any of the foregoing, we may pursue against you and/or any guarantor of your obligations under this Agreement any remedy available at law or in equity.

13.6 Continuing Obligations

All your obligations that expressly survive the expiration or termination of this Agreement, including without limitation the Guaranty and Confidentiality Agreement, or which by the implicit nature thereof require performance after the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration of the Term or termination of this Agreement and until they are satisfied in full by their nature expire.

13.7 Remedies

Upon violation of any of the covenants contained in this Section 13, it may be difficult to determine the resulting damages to us, and therefore, in addition to any other remedies we may have, we will have the right to make application in a court of competent jurisdiction for temporary and permanent injunctive relief without posting a bond.

ARTICLE 14 NOTICES AND PAYMENT

All written notices, reports and payments permitted or required to be delivered by the provisions of this Agreement or the Manual will be deemed so delivered at the time of any of the following:

- (1) In the case of Royalties, MDF Contributions and other amounts due, at the time we actually debit your account (if we institute an automatic debit program for the Business) or receive such amounts;
- (2) One (1) business day after being placed in the hands of a commercial courier service for next business day delivery; or
- (3) Three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid;

and must be addressed to the party to be notified at its most current principal business address of which the notifying party has notice. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least three (3) business days before then) will be deemed delinquent.

ARTICLE 15 CONSTRUCTION AND ENFORCEMENT

15.1 Governing Law

Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 or other federal law, this Agreement and all aspects of our and your relationship will be governed by and construed in accordance with the laws of the State of Texas (other than the choice of law provisions thereof.)

15.2 Severability and Substitution of Provisions

Except as provided to the contrary in this Agreement, each section, subsection, term and provision of this Agreement, and any portion thereof, will be considered severable and if, for any reason,

any such portion of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, non-appealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise valid, and such other portions will continue to be given full force and effect and bind the parties hereto.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of, or refusal to renew, this Agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions hereof, and we will have the right, in our sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law that is subsumed within the terms of any provision of this Agreement, as though it was separately stated in and made a part of this Agreement, that may result from striking from any portion or portions that a court may hold to be unreasonable and unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Such modifications to this Agreement shall be effective only in such jurisdiction, unless we elect to give them greater applicability, and otherwise shall be enforced as originally made and entered into in all other jurisdictions.

15.3 Waiver of Obligations

You and we may, by written instrument, mutually waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires our prior approval or consent, you will make a timely written request thereof, and our approval must be in writing unless otherwise expressly set forth herein. We make no warranties or guaranties upon which you may rely, and assume no liability or obligation to you, by granting any waiver, approval or consent to you, or by reason of any neglect, delay or denial of any request thereof. Any waiver granted by us will be without prejudice to any other rights we may have, will be subject to continuing review by us, and may be revoked, in our discretion, at any time and for any reason, effective upon delivery to you of ten (10) days prior written notice. Neither you nor we will be deemed to have waived or impaired any right, power or option reserved by this Agreement (including without limitation the right to demand exact compliance with every term, condition and covenant herein or to declare any breach hereof to be a default and to terminate this Agreement prior to the expiration of the Term) by virtue of:

- (a) any custom or practice of the parties at variance with the terms hereof; or
- (b) any failure, refusal or neglect of you or us to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder, including any mandatory specification, standard or operating procedure; or
- (c) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether if the same, similar or different nature, with respect to other franchisees in the System; or

(d) the acceptance by us or any affiliate of ours of any payments due from you after breach of this Agreement.

You acknowledge that we have entered into franchise agreements, and will in the future enter into franchise agreements, with third parties pursuant to which such third parties are licensed to use the Marks and otherwise receive the benefits of the System (the “**Other Agreements**”). No action taken by us with respect to any one or more of the Other Agreements or any party thereto will create a course of conduct that may be relied upon or asserted by you under this Agreement as a modification to this Agreement or otherwise. We will not have any liability whatsoever to you under this Agreement by reason of our failure to waive any of the provisions of this Agreement, or to give a consent or approval hereunder even though we may have waived such provisions or similar provisions or given similar consents or approvals under any one or more of the Other Agreements.

15.4 Franchisee May Not Withhold Payments

You agree that you will not, on grounds of the alleged or actual nonperformance or breach by us of any of our obligations hereunder or any other grounds, withhold payment of any Royalty, Marketing Development Fund Contributions, amounts due to us or any of affiliates for goods and/or services purchased by you, or any other amounts due to us or to any of our affiliates. If we make a payment on your behalf, we will charge you for the amount, and after 90 days of nonpayment, we will notify your customer and either terminate service or move that service to another franchisee. You agree to indemnify us from and against any claims resulting from the cancellation or transfer of such services in accordance with Section 7.2 of this Agreement.

15.5 Franchisor’s Right of Offset; Right to Pay Vendors

We may redirect any money owed to you in the form of a commission, rebate, or bonus that flows through us to pay any amount you owe to us or our affiliate. Further, should you fail to pay a vendor or supplier and your failure to pay such debt, in our sole judgment, jeopardizes the Marks or System, you agree that we have the right, but not the obligation, to make that payment for you on your behalf and charge you for the amount of such payment. We have this right regardless of the reasoning behind your failure to pay the vendor or supplier and regardless of how such a payment may affect your dispute with the vendor or supplier. This right includes the situation where such a payment relieves the vendor or supplier of any obligation to cure an alleged defect owed to you under your reseller agreement with the vendor or supplier.

15.6 Dispute Resolution

(a) All controversies, disputes or claims between us (and our affiliates and our and their respective owners, officers, directors, managers, agents and employees, as applicable) and you (and your affiliates and your and their respective owners, officers, directors, managers, agents and employees, as applicable) arising out of or related to:

(i) this Agreement or any other agreement between you (or your Owners or affiliates) and us (or our affiliates) or any provision of any of such agreements (including this Section 15.6);

(ii) the relationship between you and us;

(iii) the scope and validity of this Agreement or any other agreement between you (or your Owners or affiliates) and us (or our affiliates) or any provision of any of such agreements (including the scope and validity of the arbitration obligations under this Section 15.6, which you and we acknowledge is to be determined by an arbitrator and not a court); or

(iv) any System Standard or specifications

will be submitted for arbitration to the office of the American Arbitration Association closest to our then current principal business address. Except as otherwise provided in this Agreement, such arbitration proceedings shall be heard by one (1) arbitrator in accordance with the then existing Commercial Arbitration Rules of the American Arbitration Association. Arbitration proceedings shall be held at a suitable location to be chosen by the arbitrator which is within ten (10) miles of our principal business address at the time that the arbitration is filed. The arbitrator has no authority to establish a different hearing locale. All matters within the scope of the Federal Arbitration Act (9 U.S.C. Section 1 et seq.) will be governed by it and not by any state arbitration law.

(b) The arbitrator shall have the right to award or include in his or her award any relief which he or she deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs, provided that: (i) the arbitrator shall not have the authority to declare any Mark generic or otherwise invalid; and (ii) except for punitive, exemplary, treble and other forms of multiple damages available to any party under federal law or owed to third parties which are subject to indemnification under Section 7.2 of this Agreement, you and we waive to the fullest extent permitted by law any right to or claim for any punitive, exemplary, treble or other forms of multiple damages against the other and agree that, in the event of a dispute between them, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. The award and decision of the arbitrator shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction.

(c) You and we agree to be bound by the provisions of any limitation on the period of time by which claims must be brought under this Agreement or applicable law, whichever expires first. You and we further agree that, in connection with any such arbitration proceeding, each shall submit or file any claim which would constitute a compulsory counterclaim (as defined by the then current Rule 13 of the Federal Rules of Civil Procedures) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceedings in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek recovery of those costs in accordance with Section 15.10.

(d) You and we agree that arbitration shall be conducted on an individual, not a class-wide, basis, that only we (and our affiliates and our and their respective owners, officers, directors, managers, agents and employees, as applicable) and you (and your affiliates and your and their respective owners, officers, directors, managers, agents and employees, as applicable) may be the parties to any arbitration proceeding described in this Section 15.6, and that no such arbitration proceeding shall be consolidated with any other arbitration proceeding involving us

and/or any other person or Entity. Notwithstanding the foregoing or anything to the contrary in this Section 15.6 or Section 15.2, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 15.6, then you and we agree that this arbitration clause shall not apply to that dispute and that such dispute will be resolved in judicial proceeding in accordance with this Section 15 (excluding this Section 15.6).

(e) The provisions of this Section 15.6 are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

(f) Notwithstanding anything to the contrary contained in this Section 15.6, we and you each have the right to obtain temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. In that case, we and you must contemporaneously submit the dispute for arbitration on the merits according to this Section 15.6.

15.7 Consent to Jurisdiction

Subject to the arbitration obligations in Section 15.6, you and your Owners agree that all judicial actions brought by us against you or your Owners, or by you or your Owners against us, our affiliates or our or their respective owners, officers, directors, agents, or employees, must be brought exclusively in the state or federal court of general jurisdiction in the state, and in (or closest to) the city, where we maintain our principal business address at the time that the action is brought. You and each of your Owners irrevocably submits to the jurisdiction of such courts and waive any objection that you or any of them may have to either jurisdiction or venue. Notwithstanding the foregoing, we may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award, in any federal or state court in the state in which you or any of your Owners reside or the Business is located.

15.8 Waiver of Punitive Damages and Jury Trial

EXCEPT FOR PUNITIVE, EXEMPLARY, TREBLE AND OTHER FORMS OF MULTIPLE DAMAGES AVAILABLE TO ANY PARTY UNDER FEDERAL LAW OR OWED TO THIRD PARTIES WHICH ARE SUBJECT TO INDEMNIFICATION UNDER SECTION 7.2, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, TREBLE OR OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU (OR YOUR OWNERS), THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

WE AND YOU (AND YOUR OWNERS) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER US OR YOU (OR YOUR OWNERS).

15.9 Remedies Are Cumulative

The rights and remedies of the parties hereunder are cumulative and no exercise or enforcement by either party of any right or remedy hereunder shall preclude the exercise or enforcement by such party of any other right or remedy hereunder or to which such party may be entitled by law to enforce.

15.10 Attorneys' Fees and Costs

If any legal action or arbitration proceeding shall be instituted to interpret or enforce the terms and conditions of this Agreement or to terminate this Agreement or to recover any damages hereunder, or if a claim for amounts owed by you to us or any of our affiliates is asserted in any arbitration or legal proceeding before a court of competent jurisdiction, the prevailing party shall be entitled to recover its costs and expenses incurred thereby including its reasonable attorneys' fees, arbitrator's compensation and expenses, and other costs as determined by the court or arbitrator.

15.11 Binding Effect; Modification

This Agreement is binding upon the parties hereto and their respective executors, administrators, personal representatives, heirs, permitted assigns and successors in interest. No amendment, change or modification of this Agreement shall be binding on any party unless executed in writing by you and us.

NO FRANCHISE SALES REPRESENTATIVE OF OURS HAS THE RIGHT OR AUTHORITY TO MAKE ANY ORAL OR WRITTEN AMENDMENT OR MODIFICATION TO THIS AGREEMENT, AND ANY PURPORTED AMENDMENT OR MODIFICATION MADE BY SUCH REPRESENTATIVE SHALL NOT BE BINDING UPON ANY OF THE PARTIES HERETO.

15.12 Acknowledgments

You acknowledge that you have conducted an independent investigation of your Business and recognize that its success involves substantial risks, and will largely depend upon your ability. We disclaim making any warranty or guarantee, express or implied, as to the potential volume, profits or success of your Business or any CMIT Solutions Business.

You acknowledge that you have read and understand this Agreement and the related Exhibits, and that we have afforded you sufficient time and opportunity to consult with advisors selected by you about the potential benefits and risks of entering into this Agreement.

You acknowledge receipt of this Agreement, with all blanks completed and with any amendments and exhibits at least seven (7) days prior to execution of this Agreement. In addition, you acknowledge receipt of our Franchise Disclosure Document at least fourteen (14) days prior to the execution of this Agreement or your payment of any money to us or our agent, or such earlier delivery date as may be required by the franchise laws of your state, as described in the Receipt to the Franchise Disclosure Document.

15.13 Rules of Construction

This Agreement, the documents referred to herein, and the Exhibits attached hereto constitute the entire, full and complete agreement between the parties concerning the subject matter hereof and supersede all prior agreements. There are no representations, inducements, promises, or agreements, oral or otherwise, between the parties that are not embodied herein or in the Franchise Disclosure Document previously delivered to you, or that are of any force or effect with reference to this Agreement or

otherwise. All recitals contained in, and the Exhibits attached to this Agreement shall be deemed a part hereof. Article, section or paragraph headings are for reference purposes only and shall not in any way modify or limit the provisions contained in any article, section or paragraph. All words in this Agreement shall be deemed to include any number or gender as the context requires. Nothing in this Agreement or in any related agreement is intended to disclaim representations made in the Franchise Disclosure Document. Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement and are not binding on us.

15.14 Terminology

In addition to any other definitions or meanings set forth herein, the following terms shall have the following meanings as used herein and shall be deemed to include all persons who succeed to the interest of the original.

(a) the term “affiliate” means any person who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with any person; and

(b) the term “person” means any natural person, corporation, partnership, trust or other Entity or form of organization; and

(c) the term “will” and “shall” shall be synonymous and shall be mandatory and not discretionary unless otherwise specifically provided herein; and

(d) the use of the terms “includes” and “including” in any provision of this Agreement followed by specific examples used shall not be construed to limit application of the provision to the specific examples used; and

(e) if two or more persons or entities are at any time the Franchisee hereunder, their obligations and liabilities to us shall be joint and several.

15.15 Counterparts

This Agreement may be executed in multiple counterparts, but all such counterparts shall constitute but one and the same Agreement.

15.16 Exercise of Our Judgment

We have the right to operate, develop and change the System and standards in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on information readily available to us and our judgment of what is in the best interest of us or our affiliates, the CMIT Solutions Business network generally, or the System at the time our decision is made, without regard to whether we could have made other reasonable or even arguably preferable alternative decisions or whether our decision promotes our or our affiliates’ financial or other individual interest. Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated or completed actions that require our approval.

15.17 Time

Time is of the essence of each and every provision of this Agreement.

[Signature Page to Follow]

IN WITNESS WHEREOF the parties have duly executed and delivered this Agreement as of the day and year first above written.

Address:

Telephone: _____

Franchisee

[IF THE FRANCHISEE IS AN ENTITY]

[Print exact name of franchisee entity]

By: _____
[signature of person signing on behalf of entity]

Title: _____
[title of person signing]

[IF THE FRANCHISEE IS AN INDIVIDUAL]

[signature of individual franchisee]

Print Name: _____

[signature of individual franchisee]

Print Name: _____

Address:

9433 Bee Caves Rd
Building 3, Suite 210
Austin, Texas 78733
(800) 399-2648

Franchisor:

CMIT Solutions, LLC

By: _____
Roger Lewis
CEO and President

EXHIBIT 1 TERRITORY AND INITIAL FEE

The Territory includes the following _____ () United States Postal Zip codes:

State —

County —

Zip Code(s) –

Insert map here

Initial Fee Calculation:

Base Initial Fee: \$

SBE Total ~~(599 employees):~~ 100

XXXX Territory Fee, if applicable: \$

Total Initial Fee: \$

EXHIBIT 2 FEES

A. Minimum Royalties

The following minimums apply to Monthly Royalty Fees:

Table 1. Minimum Royalty [For first outlet]

Months since Effective Date of Franchise Agreement <u>Completion of Training Program</u>	Minimum Monthly Royalty Fee for New Franchisees
Months 0-12	\$0
Months 13-24	\$800
Months 25-120	\$1000

Note: The twelve (12)-month ~~exception to the~~ Minimum Royalty “grace period” does not apply if you are signing the Franchise Agreement to operate an existing CMIT Solutions Business (including in connection with the renewal of an expiring franchise agreement or the purchase of an already-existing CMIT Solutions Business) (an “**Existing Business**”). If you are signing the Franchise Agreement to operate an Existing Business, your Minimum Royalty will be the CPI-adjusted minimum royalty payable under the franchise agreement for the Existing Business (~~the agreement which you are seeking to renew or,~~ in the case of a purchase, the selling franchisee’s franchise agreement) as of the Effective Date of the Franchise Agreement ; or, in the case of a renewal, the minimum then in effect for the franchise agreement you are seeking to renew.

[OR]

Table 1. Minimum Royalty [For additional outlet(s)]

Months since Effective Date of Franchise Agreement <u>Completion of Training Program</u>	Minimum Monthly Royalty Fee for New Franchisees*
Months 0-24	\$0
Month 25 <u>Months 25-27</u>	\$250
Month 26	\$250
Month 27	\$250
Month 28 <u>Months 28-30</u>	\$500
Month 29	\$500
Month 30	\$500
Month 31 <u>Months 31-33</u>	\$750
Month 32	\$750
Month 33	\$750
Month <u>Months 34-120</u>	\$1000

The Royalty shall be six percent (6%) or the Minimum Royalty, whichever is greater.

B. Minimum MDF Contributions

Table 1. Minimum MDF Contributions [For first outlet]

Months since Effective Date of Franchise Agreement Completion of Training Program	Minimum Monthly Marketing Development Fund Contributions for New Franchisees
Months 0-12	\$0
Months 13-24	\$266
Months 25-120	\$333

Note: The twelve (12)-month ~~exception to the~~ Minimum MDF Contributions “grace period” does not apply if you are signing the Franchise Agreement to operate an existing CMIT Solutions Business (including in connection with the renewal of an expiring franchise agreement or the purchase of an already-existing CMIT Solutions Business) (an **“Existing Business”**). If you are signing the Franchise Agreement to operate an Existing Business, your Minimum MDF Contribution will be the CPI-adjusted minimum MDF Contribution payable under the franchise agreement for the Existing Business (~~the agreement which you are seeking to renew or~~, in the case of a purchase, the selling franchisee’s franchise agreement) as of the Effective Date of the Franchise Agreement ; or, in the case of a renewal, the minimum then in effect for the franchise agreement you are seeking to renew.

Table 1. Minimum MDF Contributions [For additional outlet(s)]

Months since Effective Date of Franchise Agreement Completion of Training Program	Minimum Monthly Marketing Development Fund Contributions for New Franchisees
Months 0-24	\$0
Months 25-120	\$333

The MDF Contributions shall be two percent (2%) of the GPS Revenue or the Minimum MDF Contribution based on the table above, whichever is greater.

EXHIBIT 3 GUARANTY

In consideration of, and as a condition to the granting by CMIT Solutions, LLC (“Franchisor”) of a Franchise Agreement granting rights to operate one CMIT Solutions Business to XXXX (“Franchisee”), each of the undersigned, being the owners of twenty percent (20%) or more of the ownership interests in Franchisee, hereby personally and unconditionally guarantee to Franchisor, its successors and assigns, (1) the punctual payment and performance when due of all sums, indebtedness, obligations and liabilities of every kind and nature that the Franchisee may now or in the future owe to Franchisor (including interest thereon, and all attorneys’ fees, costs and expenses incurred by Franchisor in collection; and (2) Franchisee’s restrictions under the non-competition, confidentiality, and non-solicitation covenant of the Franchise Agreement.)

Each of the undersigned covenants and agrees that: (1) liability under this Guaranty of Franchisee’s Obligations (“Guaranty”) shall be joint and several; (2) that this is a guarantee of payment and not of collection and he/she shall render any payment required under any Franchise Agreement or this Guaranty upon demand of Franchisor; (3) this Guaranty shall extend to all amounts the Franchisee may now or in the future owe the Franchisor, whether pursuant to a Franchise Agreement or otherwise; (4) his or her liability hereunder shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any of the undersigned; (5) his or her liability hereunder shall not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence or waiver that Franchisor may from time to time grant Franchisee or to any of the undersigned, including, without limitation, the acceptance of partial payment or performance, the compromise or release of any claims, the release of any other guarantor or consent by Franchisor to any transfer or assignment of the Franchise or any interest therein, and Franchisor expressly reserves all rights which it may have against the undersigned.

The obligations of the undersigned under this Guaranty shall remain in full force and effect without regard to, and shall not be released, discharged or in any way modified or affected by, any circumstance or condition of Franchisee (whether or not the undersigned shall have any knowledge or notice thereof), including, without limitation, bankruptcy, insolvency, reorganization, composition, liquidation or similar proceeding or any action taken by any trustee or receiver or by any court in any such proceeding.

Each of the undersigned waives notice of demand, notice of protest, nonpayment or default, and all other notices to which Franchisee or the undersigned may be entitled, and all suretyship and guarantor’s defenses generally. Each of the undersigned further waives all exemptions to which the undersigned may now or hereafter be entitled under the laws of this or any other state or of the United States.

The Guaranty is personal to the undersigned and the obligations and duties imposed herein may not be delegated or assigned; provided, however, that this Guaranty shall be binding upon the successors, assigns and personal representatives of the undersigned. This Guaranty shall inure to the benefit of Franchisor, its affiliates, successors and assigns.

In the event that any one or more provisions contained herein shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Guaranty shall be construed to bind the undersigned to the maximum extent permitted by law that is subsumed within the terms of such provision as though it were separately articulated herein.

This Guaranty shall be interpreted and construed under the laws of the State of Texas, which laws shall prevail in the event of any conflict of law. The undersigned agree that any action, suit or proceeding to enforce this Guaranty or arising hereunder of concerning the interpretation of this Guaranty shall be subject to arbitration to the same extent as provided in Section 15.6 of the Franchise Agreement.

Each of the undersigned hereby acknowledges that [i] it is a condition to the granting of the Franchise Agreement to Franchisee that each of the undersigned shall execute and deliver this Guaranty to Franchisor, [ii] that Franchisor has entered into the Franchise Agreement in reliance upon the agreement of the undersigned to do so, and [iii] that, as owners of the Franchisee, the undersigned have received adequate consideration to support their execution of this Guaranty. This Guaranty does not grant or create in the undersigned any interests, rights or privileges in any Franchise or Franchise Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his or her signature on the day and year set forth below.

[Print name here]

Date: _____

[Print name here]

Date: _____

EXHIBIT 4 SPECIAL POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned hereby irrevocably appoints and constitutes CMIT Solutions, LLC, a Texas limited liability company, with full power of substitution, as the undersigned's agent and attorney-in-fact ("Attorney-in-Fact") for and on behalf of and in the name of the undersigned, or in the place and stead of the undersigned to do and perform each and all of the following:

1. To authorize and direct any telephone or telecommunications company to disconnect any telephone numbers for the undersigned for any business conducted by the undersigned under the name "CMIT Solutions" or any similar designation;
2. To authorize and direct any telephone or telecommunications company to transfer into the name of the Attorney-in-Fact or person as the Attorney-in-Fact may designate, any telephone numbers for the undersigned for any business of the undersigned conducted under the name "CMIT Solutions" or any similar designation;
3. To authorize and direct any telephone or telecommunications company to change over to such telephone number or numbers as the Attorney-in-Fact may designate, any telephone numbers for the undersigned for any business of the undersigned operated under the name "CMIT Solutions" or any similar designation;
4. To authorize and direct any company publishing telephone numbers (including computerized publications) to discontinue or transfer into the name of the Attorney-in-Fact or such person as the Attorney-in-Fact may designate any listing of the undersigned for any business of the undersigned conducted under the name "CMIT Solutions" or any similar designation; and
5. To authorize and direct any insurance company to bind and bill the undersigned for coverage required if not secured by the undersigned as specified in this Franchise Agreement.
6. To execute, acknowledge, record and/or file any cancellation of any Certificate of Fictitious or Assumed Name, trade name registration or any similar registration or recordation filed and/or recorded for or on behalf of the undersigned which contain the name "CMIT Solutions" or any similar designation.

The undersigned hereby gives and grants to the Attorney-in-Fact full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do if personally present. The undersigned hereby ratifies and confirms all that the Attorney-in-Fact shall lawfully do or cause to be done by virtue of this Special Power of Attorney. This special Power of Attorney shall be deemed to be coupled with an interest and irrevocable.

This Special Power of Attorney shall not be affected by the death or disability of the undersigned.

[Signature Page to Follow]

IN WITNESS WHEREOF, the undersigned has set its hand this ____ day of _____,
20__.

STATE OF)
) ss.
COUNTY OF)

The foregoing Special Power of Attorney was subscribed, sworn and acknowledged before me
this ____ day of _____, 20__, by _____.

Notary Public

My Commission Expires: _____

EXHIBIT 5

OWNERS AND GUARANTORS

OWNERS

The ownership structure for _____ is as follows:

Name: _____ Address: _____	% of Total Share/Units: _____
Name: _____ Address: _____	% of Total Share/Units: _____
Name: _____ Address: _____	% of Total Share/Units: _____
Name: _____ Address: _____	% of Total Share/Units: _____

OFFICERS/EXECUTIVES:

The officers and principal executives for _____ are as follows:

Name: _____	
Name: _____	
Name: _____	

MANAGING OWNER/OPERATING PRINCIPAL:

The Managing Owner is _____.

The Operating Principal is _____.

FRANCHISOR

CMIT SOLUTIONS, LLC, a Texas limited liability company

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

(IF ENTITY):

[Entity Name]

By: _____

Name: _____

Title: _____

Date: _____

(IF INDIVIDUALS):

[Signature]

[Print Name]

[Signature]

[Print Name]

Date: _____

EXHIBIT 6 COVENANTING PERSONNEL JOINDER AGREEMENT

COVENANTING PERSONNEL JOINDER AGREEMENT

Each of the Covenanting Personnel hereby accepts and agrees to be bound by the provisions of Section 6.1, 8.10 and 13.5(g) of the foregoing Franchise Agreement.

Date: _____

Date: _____



EXHIBIT G
GENERAL RELEASE FORM

RELEASE OF CLAIMS

THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT. THIS FORM IS SUBJECT TO CHANGE.

This **RELEASE AGREEMENT** (the “Agreement”) is entered into as of _____, 20__ (the “Effective Date”) by and among CMIT Solutions, LLC, a Texas limited liability company, whose address is 9433 Bee Caves Road, Building 3, Suite 210, Austin, Texas 78733 (“Franchisor”), _____, a _____ whose address is _____ (“Franchisee”), and _____ (“Owner” and, together with Franchisee, collectively, the “Franchisee Parties”).

R E C I T A L S:

A. Franchisor and Franchisor are parties to that certain Franchise Agreement dated as of _____, 20__ under which Franchisee agreed to own and operate a CMIT Solutions Business serving a Territory defined by zip codes _____ (as amended, the “Franchise Agreement”).

B. Owner owns all of the issued and outstanding ownership interests in Franchisee.

C. [Describe circumstances relating to the release].

NOW, THEREFORE, in consideration of the promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Transfer/Renewal. Upon the terms and subject to the conditions described in this Agreement, [describe terms and conditions of this release].

2. Releases and Indemnities.

(a) The Franchisee Parties, for themselves and their predecessors and affiliates, for each of their respective owners, managers, directors, officers, employees, agents and representatives, and for all of their respective heirs, executors, administrators, personal representatives, successors and assigns (collectively, the “Franchisee Release Parties”), hereby forever release and discharge Franchisor, its predecessors and affiliates, each of their respective owners, managers, directors, officers, employees, agents and representatives, and all of their respective heirs, executors, administrators, personal representatives, successors and assigns (collectively, the “Franchisor Release Parties”), from any and all obligations, claims, damages, demands, causes of action, suits, duties, liabilities, promises, and agreements of any nature and kind, whether known or unknown (collectively, “Released Claims”), which any of the Franchisee Release Parties now has, ever had, or, but for this release, hereafter would or could have against any of the Franchisor Release Parties directly or indirectly relating to or arising out of the Franchise Agreement or the relationship between any of the Franchisor Release Parties and any of the Franchisee Release Parties arising from or relating directly or indirectly to the Franchise Agreement.

(b) The parties acknowledge that they are familiar with the provisions of California Civil Code Section 1542 which reads as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Franchisee Parties, for themselves and each of the Franchisee Release Parties, hereby waives and relinquishes every right or benefit which he, she, or it has under Section 1542 of the Civil Code of the State of California, and any similar statute under any other law or regulation, to the fullest extent that he, she, or it may lawfully waive such right or benefit. In connection with this waiver and relinquishment, with respect to the Released Claims, the Franchisee Parties, for themselves and each of the Franchisee Release Parties, acknowledges that he, she, or it may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of this release, but that it is the Franchisee Release Parties' intention, subject to the terms and conditions of this Agreement, fully, finally and forever to settle and release all such Released Claims, known or unknown, suspected or unsuspected, which now exist, may exist or did exist, and, in furtherance of such intention, the releases given under this Agreement shall be and remain in effect as full and complete releases, notwithstanding the discovery or existence of any such additional or different facts

(c) The Franchisee Parties, for themselves and each of the Franchisee Release Parties, covenant not to sue the other on any of the Released Claims.

3. Miscellaneous. This Agreement will be construed and interpreted in accordance with the laws of the State of Texas, without regard to its conflicts of law principles. The Recitals are incorporated into this Agreement by this reference. This Agreement constitutes the entire agreement among the parties hereto, and there are no other oral or written representations, understandings or agreements among them, relating to the subject matter of this Agreement. The captions and headings are only for convenience of reference, are not a part of this Agreement, and will not limit or construe the provisions to which they apply. This Agreement inures to the benefit of the parties hereto and their respective successors and assigns and will be binding upon the parties hereto and each of their respective successors, assigns, and legal representatives. All representations, warranties, liabilities and obligations of each of the Franchisee Parties are joint and several as to all of them. No modification, waiver, amendment or change of this Agreement shall be valid unless it is in writing and signed by each of the parties hereto. This Agreement may be executed in multiple counterparts, but all such counterparts together shall be considered one and the same instrument.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement effective as of the Effective Date.

FRANCHISEE:

[Print Name]

By: _____
Name: _____
Title: _____

FRANCHISOR:

CMIT Solutions, LLC

By: _____
Name: _____
Title: _____

OWNER:

[Print Name]

****This General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.**



EXHIBIT H

STATEMENT OF PROSPECTIVE FRANCHISEE

CMIT SOLUTIONS, LLC

STATEMENT OF PROSPECTIVE FRANCHISEE

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin franchisees should not complete this Statement of Prospective Franchisee. If a franchisee in one of these states does so, we will disregard and not rely on the Statement of Prospective Franchisee.

Important Instructions: Read this document carefully and do not sign it if it contains anything you think might be untrue. If you sign this document, you are confirming that what it says is true. In addition, if you sign it, we will take actions in reliance on the truth of what it says.

The following franchisee — _____
(the “**Franchisee**”) — is interested in acquiring a franchise for a CMIT Solutions Business to be operated in a specific territory identified, or to be identified, in the Franchise Agreement (the “**Business**”). Each of the undersigned represents that all of the following statements are true:

1. Each of the undersigned has conducted its, his, or her own independent investigation of CMIT, the System, and the risks, burdens, and nature of the business Franchisee will conduct under the Franchise Agreement.

***Insert initials into the following blank to confirm this statement: ____**

2. Each of the undersigned understands that the business Franchisee will conduct under the Franchise Agreement involves risks and that success or failure will be substantially influenced by the Franchisee’s abilities and efforts.

***Insert initials into the following blank to confirm this statement: ____**

3. The Franchisee has (through one or more of the undersigned) received and reviewed the Franchise Agreement and each rider and exhibit attached to it.

***Insert initials into the following blank to confirm this statement: ____**

4. Each of the undersigned understands all of the information contained in the Franchise Agreement and each rider and exhibit attached to it.

***Insert initials into the following blank to confirm this statement: ____**

5. The Franchisee has received ready-to-be-signed copies of the Franchise Agreement and all other related agreements and has had ample opportunity to consult with its, his, or her attorneys, accountants, and other advisors concerning those documents. The Franchisee has had copies of those documents in-hand for at least seven (7) calendar days before signing them.

***Insert initials into the following blank to confirm this statement: ____**

6. The Franchisee has received a franchise disclosure document (“FDD”) as required by law at least 14 calendar days before signing the Franchise Agreement or any other binding agreement, and at least 14 calendar days before paying any consideration to us or our affiliate in connection with this

franchise, and has had ample opportunity to consult with its, his, or her attorneys, accountants, and other advisors concerning the FDD.

***Insert initials into the following blank to confirm this statement: ____**

[If Franchisee is based or will operate in Michigan, Franchisee also has received the FDD at least 10 business days before either signing the Development Agreement or Franchise Agreement or paying any consideration to us or an affiliate in connection with this franchise opportunity.]

7. Except as provided in our FDD, we and our representatives have made no representation, warranty, promise, guaranty, prediction, projection, or other statement, and given no information, as to the future, past, likely or possible income, sales volume, or profitability, expected or otherwise, of the Business or any other CMIT Solutions Business, except: (None, unless something is filled-in here)_____.

***Insert initials into the following blank to confirm this statement: ____**

8. Each of the undersigned understands that:

a. Except as provided within the FDD, we do not authorize our officers, directors or employees to furnish any oral or written representation, warranty, promise, guaranty, prediction, projection, or other statement of information concerning actual or potential income, sales volume, or profitability, either generally or of any CMIT Business.

b. Actual results vary from unit to unit and from time period to time period, and we cannot estimate, project, or predict the results of any particular CMIT Business.

c. We have specifically instructed our officers, directors, and employees that, except as provided in our FDD, they are not permitted to make any representation, warranty, promise, guaranty, prediction, projection, or other statement or give information as to income, sales volume, or profitability, either generally or with respect to any particular CMIT Business.

d. If any unauthorized representation, warranty, promise, guaranty, prediction, projection, or other statement or information is made or given, the undersigned should not (and will not) rely on it and should report it to our management.

***Insert initials into the following blank to confirm this statement: ____**

9. Before signing the Franchise Agreement and any related agreements, each of the undersigned has had ample opportunity: (A) to discuss the Franchise Agreement or any related agreement, and the business that the Franchisee will conduct with its, his or her own attorneys, accountants, and real estate and other advisors; (B) to investigate all statements and information made or given by us and our officers, directors, employees, and agents relating to the System, the Business, and other subject; and (C) to consult with any other franchisees we periodically have.

***Insert initials into the following blank to confirm this statement: ____**

10. Each of the undersigned understands that, except for our representations in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement can be relied upon by the undersigned or the Franchisee.

***Insert initials into the following blank to confirm this statement: ____**

11. The only state(s) in which each of the undersigned is a resident is (are):

_____.

***Insert initials into the following blank to confirm this statement: ____**

12. The covenants and restrictions concerning competition contained in the Franchise Agreement are fair and reasonable and will not impose an undue hardship on the undersigned or the Franchisee. Each of them has other considerable skills, abilities, opportunities, and experience in other matters and of a general nature that enable each of them to derive income that is satisfactory to them from other endeavors.

***Insert initials into the following blank to confirm this statement: ____**

13. The Franchisee has been advised to consult with its own advisors on the legal, financial, and other aspects of the Franchise Agreement and all other documents signed concurrently with the Franchise Agreement; this document; and the Business. Each of the undersigned has either consulted with such advisors or deliberately declined to do so.

***Insert initials into the following blank to confirm this statement: ____**

14. Neither we nor any employee has provided the undersigned or the Franchisee with services or advice that are of a legal, accounting, or other professional nature.

***Insert initials into the following blank to confirm this statement: ____**

15. The statements made in this document supplement and are cumulative to statements, warranties, and representations made in other documents, such as the Franchise Agreement. The statements made in this document or the Franchise Agreement are made separately and independently. They are not intended to be, and will not be, construed as modifying or limiting each other.

***Insert initials into the following blank to confirm this statement: ____**

16. The President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations, and the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisee is required to make certain certifications that the parties with whom they deal are not directly or indirectly involved in terrorism. For that reason, the undersigned and the Franchisee hereby certify that neither they nor any of their employees, agents, or representatives, nor any other person or entity associated with the Franchisee, is: (a) a person or entity listed in the Annex to the Executive Order; (b) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism; (c) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (d) owned or controlled by terrorists or sponsors of terrorism. The undersigned and the Franchisee further covenant that neither they nor any of their employees, agents, or representatives, nor any other person or entity associated with them, will during the Franchisee Agreement term become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

***Insert initials into the following blank to confirm this statement: ____**

For Maryland Applicants: All representations requiring prospective franchisee 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 liability incurred under the Maryland Franchise Registration and Disclosure Law.

I/we understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete to the best of my knowledge.

[Signature Page to Follow]

FRANCHISEE

(Name of Franchisee)

(Signature of Person Binding Franchisee)

(Name and Title Printed)

(Date)

FRANCHISEE'S PRINCIPALS

(Signature)

(Name Printed)

(Date)

(Signature)

(Name Printed)

(Date)

****This Questionnaire does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.**



EXHIBIT I

STATE APPENDIX

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
CMIT SOLUTIONS, LLC
STATE OF CALIFORNIA**

1. The California Franchise Investment Law Requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the franchise disclosure document.

2. Section 31125 of the Franchise Investment Law requires us to give you a disclosure document approved by the Commissioner of Financial Protection and Innovation before we ask you to consider a material modification of your franchise agreement.

3. Our website, www.cmitsolutions.com, has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of the website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

4. The following is added at the end of Item 3:

Neither we nor any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

5. The following is added to the “Remarks” column of the line-item titled “Late payment interest” in Item 6:

The highest interest rate allowed under California law is 10% annually.

6. The following paragraphs are added at the end of Item 17:

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

The Franchise Agreement contains a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

The Franchise Agreement requires binding arbitration. The arbitration will occur within 10 miles of the Franchisor’s principal office at the time that the arbitration demand is filed, before a single arbitrator with the costs being borne as provided in the Franchise Agreement. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of the State of Texas with certain exceptions. This provision might not be enforceable under California law.

The Franchise Agreement provides for termination upon insolvency. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 et seq.).

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

The Franchise Agreement and Multi-Unit Agreement contain provisions requiring you to acknowledge certain statements which are prohibited by California Corporations Code Section 31512, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and within Section 12, Incorporation of Other Terms, of the Multi-Unit Agreement are omitted as prohibited statements under California law.

The Franchise Agreement and Multi-Unit Agreement contain provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to you. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12, Incorporation of Other Terms of the Multi-Unit Agreement are omitted as prohibited by California law.

7. Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in a community property states such as California.

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

Registration of this franchise does not constitute approval, recommendation or endorsement by the Commissioner.

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
CMIT SOLUTIONS, LLC
STATE OF ILLINOIS**

Per a requirement of the Illinois Attorney General, the performance of the Franchisor's obligations under the Franchise Agreement, Multi-Unit Agreement and other related agreements has been guaranteed by our parent, Encore Acquisition Corp. pursuant to a Guarantee of Performance.

The following statements are added to the end of Item 17:

Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 or other federal law, Illinois law governs the Franchise Agreement.

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

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

The Franchise Agreement and Multi-Unit Agreement contain provisions requiring you to acknowledge certain statements which are prohibited by Illinois law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12, Incorporation of Other Terms, of the Multi-Unit Agreement are omitted as prohibited statements under Illinois law.

The Franchise Agreement and Multi-Unit Agreement contain provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to you. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12 of the Multi-Unit Agreement are omitted as prohibited by Illinois law.

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

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
CMIT SOLUTIONS, LLC
STATE OF MARYLAND**

1. The following language is added to the end of the “Summary” sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for Franchisor approval of transfer**:

Any release required as a condition of renewal and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law. (The form of general release that we currently intend to use in connection with franchise transfers and renewals is provided in Exhibit G of this Franchise Disclosure Document.)

2. The following language is added to the end of the “Summary” section of Item 17(h), entitled **“Cause” defined – non-curable defaults**:

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.), but we will enforce it to the extent enforceable.

3. The “Summary” section of Item 17(v), entitled **Choice of forum**, is deleted in its entirety and the following is substituted in its place:

Arbitration of most disputes within 10 miles of our then current principal office (currently in Austin, Texas), except that, subject to your arbitration obligation, and to the extent required by the Maryland Registration and Disclosure Law, you may bring an action in Maryland.

4. The “Summary” section of Item 17(w), entitled **Choice of law**, is deleted in its entirety and the following is substituted in its place:

Texas law generally applies, except for the Federal Arbitration Act, other federal law, and claims arising under the Maryland Franchise Registration and Disclosure Law.

5. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

6. The Franchise Agreement and Multi-Unit Agreement contain provisions requiring you to acknowledge certain statements which are prohibited by Maryland law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement

and Section 12, Incorporation of Other Terms, of the Multi-Unit Agreement are omitted as prohibited statements under Maryland law.

7. The Franchise Agreement and Multi-Unit Agreement contain provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to you. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12, Incorporation of Other Terms, of the Multi-Unit Agreement are omitted as prohibited by Illinois law.

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

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
CMIT SOLUTIONS, LLC
STATE OF MINNESOTA**

1. Per a requirement of the Minnesota Department of Commerce, the performance of the Franchisor's obligations to franchisees in Minnesota under the Franchise Agreement has been guaranteed by our parent, Encore Acquisition Corp., pursuant to a Guarantee of Performance.

2. The following language is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer by franchisee**:

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

3. The following paragraphs are added to the end of Item 17:

For franchises governed by the Minnesota Franchises Law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the franchise agreement.

Minnesota Statutes, Section 80C.21 and Minn. Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements 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. However, we and you will enforce these provisions in the Agreement to the extent the law allows.

4. The Franchise Agreement and Multi-Unit Agreement contain provisions requiring you to acknowledge certain statements which are prohibited by Minnesota law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12, Incorporation of Other Terms, of the Multi-Unit Agreement are omitted as prohibited statements under Minnesota law.

5. The Franchise Agreement and Multi-Unit Agreement contain provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to you. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12, Incorporation of Other Terms, of the Multi-Unit Agreement are omitted as prohibited by Minnesota law.

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

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
CMIT SOLUTIONS, LLC
STATE OF NEW YORK**

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added to the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud, embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

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

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (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 debt 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 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

We use the Initial Fee to partially defray our costs in assisting you during your opening of the Business, such as for our training expenses.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled **Requirements for franchisee to renew or extend**, and Item 17(m), entitled **Conditions for franchisor approval of transfer**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Section 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum,” and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

9. The Franchise Agreement and Multi-Unit Agreement contain provisions requiring you to acknowledge certain statements which are prohibited by New York law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12, Incorporation of Other Terms, of the Multi-Unit Agreement are omitted as prohibited statements under New York law.

10. The Franchise Agreement and Multi-Unit Agreement contain provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor’s disclosure obligations under federal or state law to you. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12, Incorporation of Other Terms, of the Multi-Unit Agreement are omitted as prohibited by New York law.

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

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
CMIT SOLUTIONS, LLC
STATE OF RHODE ISLAND**

1. The “Summary” section of Item 17(v), entitled **Choice of forum**, is deleted in its entirety and the following is substituted in its place:

Arbitration of most disputes within 10 miles of our then current principal office (currently in Texas), except that, subject to your arbitration obligation, and to the extent required by the Rhode Island Franchise Investment Act, you may bring an action in Rhode Island.

2. The “Summary” section in Item 17(w), entitled **Choice of law**, is deleted in its entirety and the following is substituted in its place:

Texas law generally applies, except for Federal Arbitration Act, other federal law, and claims arising under the Rhode Island Franchise Investment Act.

3. The Franchise Agreement and Multi-Unit Agreement contain provisions requiring you to acknowledge certain statements which are prohibited by Rhode Island law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12, Incorporation of Other Terms, of the Multi-Unit Agreement are omitted as prohibited statements under Rhode Island law.

4. The Franchise Agreement and Multi-Unit Agreement contain provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor’s disclosure obligations under federal or state law to you. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12, Incorporation of Other Terms, of the Multi-Unit Agreement are omitted as prohibited by Rhode Island law.

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

**ADDENDUM
TO FRANCHISE DISCLOSURE DOCUMENT FOR
CMIT SOLUTIONS, LLC
STATE OF VIRGINIA**

1. The following is added to the end of the “Summary” section of Item 17(h), entitled **“Cause” defined – non-curable defaults:**

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

2. The Franchise Agreement and Multi-Unit Agreement contain provisions requiring you to acknowledge certain statements which are prohibited by Virginia law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12, Incorporation of Other Terms, of the Multi-Unit Agreement are omitted as prohibited statements under Virginia law.

3. The Franchise Agreement and Multi-Unit Agreement contain provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor’s disclosure obligations under federal or state law to you. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12, Incorporation of Other Terms, of the Multi-Unit Agreement are omitted as prohibited by Virginia law.

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

ADDENDUM TO
WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT,
THE FRANCHISE AGREEMENT AND ALL RELATED AGREEMENTS
FOR CMIT SOLUTIONS, LLC
STATE OF WASHINGTON

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

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

~~12. The state of Washington has a statute, Franchisee Bill of Rights, RCW 19.100.180 which~~ may supersede provisions in the franchise agreement ~~in your~~ or related agreements concerning you relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions ~~which may~~ that supersede the franchise agreement ~~in or related agreements concerning~~ your relationship with the franchisor ~~including the areas of termination and renewal of your franchise.~~ Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

23. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site ~~shall~~ will be either in the state of Washington, or in a place mutually agreed upon ~~at~~ the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of the arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee ~~may~~ my bring ~~an action~~ actions 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.

~~3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.~~

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

5. **Statute of Limitations and Waiver of Jury Trial.** Provision contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act,

or rights or remedies under the Act such as a right ~~to a~~to a jury trial, may not be enforceable.

~~56.~~ **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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

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

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

10. Waiver of Exemplary & Punitive Damages. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. Franchisor's Business Judgement. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgement may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

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

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for courts costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

~~7.~~ 14. Noncompetition Covenants. Pursuant to RCW ~~49.62.020~~49.62.20, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's ~~earnings~~earning 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~~provision contained in the franchise agreement or elsewhere that ~~conflict~~conflicts with these ~~limitations~~limitation is void and unenforceable in Washington.

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

9. ~~Washington law prohibits a franchisor from including provisions in the franchise agreement or elsewhere requiring a franchisee to acknowledge certain statements. Statements or acknowledgments in the franchise agreement or elsewhere that require the franchisee to acknowledge that: franchisee understands the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on franchisee; and franchisee has had the opportunity to consult with professional advisors. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12, Incorporation of Other Terms, of the Multi Unit Agreement are omitted as prohibited statements under Washington law.~~

10. ~~Washington law prohibits a franchisor from including provisions in the franchise agreement or elsewhere that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to the franchisee. These specific provisions within Section 15.12, Acknowledgments, of the Franchise Agreement and Section 12, Incorporation of Other Terms, of the Multi Unit Agreement are omitted as prohibited by Washington law.~~

11. 16. Questionnaires and Acknowledgements. No statement, questionnaire, or ~~acknowledgment~~acknowledgement 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 franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

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

ASSURANCE OF DISCONTINUANCE STATE OF WASHINGTON

To resolve an investigation by the Washington Attorney General and without admitting any liability, we have entered into an Assurance of Discontinuance (“AOD”) with the State of Washington, where we have agreed to remove from our form franchise agreement a provision which restricts a franchisee from soliciting and/or hiring the employees of our other franchisees, which the Attorney General alleges violates Washington state and federal antitrust and unfair practices laws. We have agreed, as part of the AOD, to not enforce any such provisions in any existing franchise agreement, to request that our Washington franchisees amend their existing franchise agreements to remove such provisions, and to notify our franchisees about the entry of the AOD. In addition, the State of Washington did not assess any fines or other monetary penalties against us.

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

**RIDER TO THE
CMIT SOLUTIONS, LLC
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

This Rider is entered into this ____ day of _____, 20____, by and between CMIT SOLUTIONS, LLC, a Texas limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

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

2. **Governing Law.** Section 15.1 of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 or other federal law, Illinois law governs the Franchise Agreement.

3. **Jurisdiction.** Section 15.7 of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

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

4. **Termination.** The following language is added at the beginning of Section 13.1 of the Franchise Agreement:

Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. **Waiver of Jury Trial.** The following language is added to the end of Section 15.8 of the Franchise Agreement:

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

6. **Acknowledgments.** Section 15.12 of the Franchise Agreement is amended in part to omit provisions requiring you to acknowledge certain statements which are prohibited by Illinois law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. This Section of the Franchise Agreement is also amended to omit provisions that reiterate or duplicate representations or statements already made in the disclosure document and

provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to you.

7. **Illinois Franchise Disclosure Act**: The following language is added as a new Section 15.16 of the Franchise Agreement:

15.16 Illinois Franchise Disclosure Act

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. However, that Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provision of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

IN WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

Address:

Telephone: _____

Franchisee

(Signature)

(Print name)

Address:

9433 Bee Caves Road
Building 3, Suite 210
Austin, TX 78733
(800) 399-2648

Franchisor:

CMIT Solutions, LLC

By: _____

Title: _____

**RIDER TO THE
CMIT SOLUTIONS, LLC
MULTI-UNIT AGREEMENT
FOR USE IN ILLINOIS**

This Rider is entered into this ____ day of _____, 20____, by and between CMIT SOLUTIONS, LLC, a Texas limited liability company (“we,” “us,” or “our”), and _____ (“you,” or “your”).

1. **Background.** We and you are parties to that certain Multi-Unit Agreement dated _____, 20____ (the “Multi-Unit Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Multi-Unit. This Rider is being signed because (a) any of the offering or sales activity relating to the Multi-Unit Agreement occurred in Illinois and the CMIT Solutions Business will be located or operated in Illinois and/or (b) you are a resident of Illinois.

2. **Governing Law.** Section 12 of the Multi-Unit Agreement is amended to the extent necessary to provide:

Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 or other federal law, Illinois law governs the Franchise Agreement.

3. **Jurisdiction.** Section 12 of the Multi-Unit Agreement is amended to the extent necessary to provide:

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

4. **Termination.** The following language is added at the beginning of Section 10 of the Multi-Unit Agreement:

Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. **Waiver of Jury Trial.** Section 12 of the Multi-Unit Agreement is amended to provide:

Any waiver of jury trial incorporated herein shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 or Illinois Regulations at Section 260.609.

6. **Acknowledgments.** Section 12 of the Multi-Unit Agreement is amended in part to omit the incorporation from Section 15 of the Franchise Agreement provisions requiring you to acknowledge certain statements which are prohibited by Illinois law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. This Section of the Multi-Unit Agreement is also amended to omit the incorporation from Section 15 of the Franchise Agreement provisions that reiterate or duplicate representations or statements already made in the

disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to you.

7. **Illinois Franchise Disclosure Act**: The following language is added as a new Section 13 of the Multi-Unit Agreement:

13. Illinois Franchise Disclosure Act

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. However, that Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provision of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

IN WITNESS WHEREOF, the parties have executed this Rider to the Multi-Unit Agreement on the date stated on the first page.

Address:

Telephone: _____

Address:

9433 Bee Caves Road
Building 3, Suite 210
Austin, TX 78733
(800) 399-2648

Multi-Unit Developer:

(Signature)

(Print name)

Franchisor:

CMIT Solutions, LLC

By: _____

Title: _____

**RIDER TO THE
CMIT SOLUTIONS, LLC
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

This Rider is entered into this ____ day of _____, 20____, by and between CMIT SOLUTIONS, LLC, a Texas limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

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

2. **Assignment and Renewal.** The following language is added at the end of Section 12(g), titled “Renewal,” and Section 11.2(c)(ii), titled “Assignment by Franchisee,” of the Franchise Agreement:

; provided, however, that such general release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. **Termination.** The following language is added to the end of Section 13.1(b), titled “Automatic Termination”:

; however, such provision might not be enforceable under federal bankruptcy law (11 U.S.C. Section 1010 et seq.), although we intend to enforce it to the extent enforceable.

4. **Governing Law.** Section 15.1 of the Franchise Agreement, entitled “Governing Law,” is deleted in its entirety and the following is substituted in its place:

Except to the extent governed by the Federal Arbitration Act, United States Trademark Act of 1946 (the Lanham Act, 15 U.S.C. §§ 1051 et seq.) or other federal law, and except as otherwise required by law for claims arising under the Maryland Franchise Registration and Disclosure Law, this Agreement will be construed and interpreted, and our relationship with you and the rights and obligations of the parties governed, in accordance with the laws of the State Texas (other than the choice of law provisions thereof).

5. **Jurisdiction.** The following language is added to the end of Section 15.7, titled “Consent to Jurisdiction,” of the Franchise Agreement:

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

6. **Acknowledgements.** ~~The following language is added to the end of~~ Section 15.12 of the Franchise Agreement, titled “Acknowledgements”~~: is deleted in its entirety.~~

7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming

reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

~~Such representations 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.~~

~~7. **Acknowledgements.** Section 15.12 of the Franchise Agreement, titled "Acknowledgements" is amended in part to omit provisions requiring you to acknowledge certain statements which are prohibited by Maryland law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. This Section of the Franchise Agreement is also amended to omit provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to you.~~

IN WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

Address:

Telephone: _____

Address:

9433 Bee Caves Road
Building 3, Suite 210
Austin, TX 78733
(800) 399-2648

Franchisee

(Signature)

(Print name)

Franchisor:

CMIT Solutions, LLC

By: _____

Title: _____

RIDER TO THE
CMIT SOLUTIONS, LLC
MULTI-UNIT AGREEMENT
FOR THE STATE OF MARYLAND

This Rider is entered into this _____ day of _____, 20____, by and between CMIT SOLUTIONS, LLC, a Texas limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. §§ 14-201 et seq. (2015 Repl. Vol.) (the “Law”). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Agreement and any document signed in connection with the franchise are supplemented with the following language:

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

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on _____, 20____.

Developer:

(Signature)

(Print name)

Franchisor:

CMIT Solutions, LLC

By:

Title:



**RIDER TO THE
CMIT SOLUTIONS, LLC
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

This Rider is entered into this ____ day of _____, 20__, by and between CMIT SOLUTIONS, LLC, a Texas limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

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

2. **Assignment and Renewal.** The following language is added to the end of Sections 12(g), titled “Renewal,” and Section 11.2(c)(ii), titled “Assignment by Franchisee,” of the Franchise Agreement:

Any release as a condition of renewal and/or assignment or transfer will not apply to the extent prohibited by law with respect to claims arising under Minn. Rule 2860.4400 D.

3. **Renewal and Termination.** The following language is added to the end of Section 13.3 of the Franchise Agreement, titled “Termination upon Written Notice and Failure to Cure Default,” and to the end of Section 12 of the Franchise Agreement, titled “Renewal of Franchise”:

Minnesota law provides you with certain termination and non-renewal rights. Minn. Stat. Section 80C.14, subds, 3, 4 and 5 require, except in certain specified cases, that you be given ninety (90) days’ notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days’ notice for non-renewal of this Agreement.

4. **Jurisdiction.** The following language is added to the end of Section 15.7, titled “Consent to Jurisdiction,” of the Franchise Agreement:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota or requiring waiver of a jury trial.

5. **Waiver of Punitive Damages/Waiver of Jury Trial.** The following language is added to the beginning of Section 15.8, titled “Waiver of Punitive Damages and Jury Trial,” of the Franchise Agreement:

Except as otherwise required by the Minnesota Franchises Law,

6. **Governing Law.** The following language is added to the end of Section 15.1, titled “Governing Law,” of the Franchise Agreement:

Pursuant to Minn. Stat. § 80C.21 and Minn. Rule part 2860.4400(J), this section shall not in any way abrogate or reduce your rights as provided for in Minnesota Statutes 1984, chapter 80c, including the right to submit matters to the jurisdiction of the courts of Minnesota.

7. **Acknowledgements.** Section 15.12 of the Franchise Agreement, titled “Acknowledgements” is amended in part to omit provisions requiring you to acknowledge certain statements which are prohibited by Minnesota law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. This Section of the Franchise Agreement is also amended to omit provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor’s disclosure obligations under federal or state law to you.

IN WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

Address:

Telephone: _____

Address:

9433 Bee Caves Road
Building 3, Suite 210
Austin, TX 78733
(800) 399-2648

Franchisee

(Signature)

(Print name)

Franchisor:

CMIT Solutions, LLC

By: _____

Title: _____

**RIDER TO THE
CMIT SOLUTIONS, LLC
FRANCHISE AGREEMENT
FOR USE IN NEW YORK**

This Rider is entered into this ____ day of _____, 20__, by and between CMIT SOLUTIONS, LLC, a Texas limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

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

2. **Assignment and Renewal.** The following language is added to the end of Section 12(g), titled “Renewal,” and Section 11.2(c)(ii), titled “Assignment by Franchisee,” of the Franchise Agreement:

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

3. **Termination.** The following language is added to the end of Section 13.1, titled “Automatic Termination,” of the Franchise Agreement:

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

4. **Assignment by Franchisor.** The following language is added to the end of Section 11.1, titled “Assignment by Franchisor,” of the Franchise Agreement:

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

5. **Governing Law.** The following language is added to the end of Section 15.1 of the Franchise Agreement, entitled “Governing Law”:

; HOWEVER, THE GOVERNING CHOICE OF LAW SHALL NOT BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE PROVISIONS OF ARTICLE 33 OF THE NEW YORK STATE GENERAL BUSINESS LAW.

6. **Jurisdiction.** The following language is added to the end of Section 15.7, titled “Consent to Jurisdiction,” of the Franchise Agreement:

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

you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

7. **Acknowledgements.** Section 15.12 of the Franchise Agreement, titled “Acknowledgements” is amended in part to omit provisions requiring you to acknowledge certain statements which are prohibited by New York law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. This Section of the Franchise Agreement is also amended to omit provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor’s disclosure obligations under federal or state law to you.

8. **Application of Rider.** There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the State of New York. However, an offer or sale is deemed to be made in New York if you are domiciled in and the franchise will be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

Address:

Telephone: _____

Franchisee

(Signature)

(Print name)

Address:

9433 Bee Caves Road
Building 3, Suite 210
Austin, TX 78733

Franchisor:

CMIT Solutions, LLC

By: _____

Title: _____

NEW YORK REPRESENTATIONS PAGE

**FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT
KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE
STATEMENT OF A MATERIAL FACT.**

**RIDER TO THE CMIT SOLUTIONS, LLC
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND**

This Rider is entered into this ____ day of _____, 20__, by and between CMIT SOLUTIONS, LLC, a Texas limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

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

2. **Jurisdiction.** The following is added to the end of Section 15.7 of the Franchise Agreement, entitled “Consent to Jurisdiction”:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of laws of another state is void with respect to a claim otherwise enforceable under this Act.”

3. **Governing Law.** Section 15.1 of the Franchise Agreement, entitled “Governing Law,” is deleted in its entirety and the following is substituted in its place:

Except to the extent governed by the Federal Arbitration Act, United States Trademark Act of 1946 (the Lanham Act, 15 U.S.C. §§ 1051 *et seq*) or other federal law, and except as otherwise required by law for claims arising under the Rhode Island Franchise Investment Act, this Agreement will be construed and interpreted, and our relationship with you and the rights and obligations of the parties governed, in accordance with the laws of the State of Texas (other than the choice of law provisions thereof).

4. **Acknowledgements.** Section 15.12 of the Franchise Agreement, entitled “Acknowledgements” is amended in part to omit provisions requiring you to acknowledge certain statements which are prohibited by Rhode Island law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. This Section of the Franchise Agreement is also amended to omit provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor’s disclosure obligations under federal or state law to you.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

Address:

Telephone: _____

Address:

9433 Bee Caves Road
Building 3, Suite 210
Austin, TX 78733
(800) 399-2648

Franchisee

(Signature)

(Print name)

Franchisor:

CMIT Solutions, LLC

By: _____

Title: _____

**RIDER TO THE
CMIT SOLUTIONS, LLC
FRANCHISE AGREEMENT
FOR USE IN VIRGINIA**

This Rider is entered into this ____ day of _____, 20__, by and between CMIT SOLUTIONS, LLC, a Texas limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

1. **Background.** We and you are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because you will operate the CMIT Solutions Business in Virginia.

2. **Acknowledgements.** Section 15.12 of the Franchise Agreement, entitled “Acknowledgements” is amended in part to omit provisions requiring you to acknowledge certain statements which are prohibited by Virginia law, including acknowledgements that: you have read or understand the franchise disclosure document or any exhibit; you understand the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on you; and you have had the opportunity to consult with professional advisors. This Section of the Franchise Agreement is also amended to omit provisions that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor’s disclosure obligations under federal or state law to you.

IN WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

Address:

Telephone: _____

Address:

9433 Bee Caves Road
Building 3, Suite 210
Austin, TX 78733
(800) 399-2648

Franchisee

(Signature)

(Print name)

Franchisor:

CMIT Solutions, LLC

By: _____

Title: _____

**RIDER TO THE
CMIT SOLUTIONS, LLC
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON**

This Rider is entered into this ____ day of _____, 20____, by and between CMIT SOLUTIONS, LLC, a Texas limited liability company (“we,” “us,” or “our”), and _____ (“Franchisee,” “you,” or “your”).

1. ~~The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 to 19.100.940. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:~~

- a. ~~The state of Washington has a statute, RCW 19.100.180, which may supersede the 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 Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.~~
- b. ~~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 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.~~
- c. ~~In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.~~
- d. ~~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.~~
- e. ~~Transfer fees are collectable to the extent that they reflect the Franchisor’s reasonable estimated or actual costs in effecting a transfer.~~

2. ~~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.~~

~~3. 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.~~

~~4. Washington law prohibits a franchisor from including provisions in the franchise agreement or elsewhere requiring a franchisee to acknowledge certain statements. Statements or acknowledgments in the franchise agreement or elsewhere that require the franchisee to acknowledge that: franchisee understands the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on franchisee; and franchisee has had the opportunity to consult with professional advisors. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~

~~5. Washington law prohibits a franchisor from including provisions in the franchise agreement or elsewhere that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to the franchisee. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~

~~6. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Washington law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.~~

{Signature Page to Follow}

~~IN WITNESS WHEREOF~~, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

FRANCHISOR:

CMIT Solutions, LLC
a Texas limited liability company

By: _____
Name: _____
Title: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

**RIDER TO THE
CMT SOLUTIONS, LLC
MULTI-UNIT AGREEMENT
FOR USE IN WASHINGTON**

This Rider is entered into this ____ day of _____, 20____, by and between CMT SOLUTIONS, LLC, a Texas limited liability company (“we,” “us,” or “our”), and _____ (“you,” or “your”).

WASHINGTON LAW MODIFICATIONS

1. ~~The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 to 19.100.940. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:~~

a. ~~The state of Washington has a statute, RCW 19.100.180, which may supersede the 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 Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.~~

b. ~~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 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.~~

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

d. ~~A release or waiver of rights executed by a Developer 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.~~

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

2. ~~Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a developer, 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 developer 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 development agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.~~

3. ~~RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a developer from (i) soliciting or hiring any employee of a developer of the same franchisor or (ii)~~

~~soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the development agreement or elsewhere are void and unenforceable in Washington.~~

~~4. Washington law prohibits a franchisor from including provisions in the franchise agreement or elsewhere requiring a franchisee to acknowledge certain statements. Statements or acknowledgments in the franchise agreement or elsewhere that require the franchisee to acknowledge that: franchisee understands the risks associated with the purchase of the franchise; no representations outside of or different from any representation in the disclosure document or any exhibit are binding; the success of the franchise is dependent solely or primarily on franchisee; and franchisee has had the opportunity to consult with professional advisors. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~

~~5. Washington law prohibits a franchisor from including provisions in the franchise agreement or elsewhere that reiterate or duplicate representations or statements already made in the disclosure document and provisions that may have the effect of shifting the franchisor's disclosure obligations under federal or state law to the franchisee. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.~~

~~6. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Washington law applicable to the provision are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.~~

~~IN WITNESS WHEREOF, the parties have executed this Rider to the Multi Unit Agreement on the date stated on the first page.~~

FRANCHISOR:

CMIT Solutions, LLC
a Texas limited liability company

By: _____
Name: _____
Title: _____

DEVELOPER:

By: _____
Name: _____
Title: _____

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California*	Exempt
Illinois*	Exempt
Indiana*	Exempt
Maryland*	
Michigan	
Minnesota	
New York*	Exempt
Rhode Island*	Exempt
Virginia*	
Washington*	Pending
Wisconsin	April 29, 2024

[*Large Franchise Exemption](#)

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.



EXHIBIT J

RECEIPTS

RECEIPT

(Your Copy)

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

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

If CMIT Solutions, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency (as identified on Exhibit A to this disclosure document).

The franchisor is CMIT Solutions, LLC, located at 9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733. Its telephone number is 800-710-CMIT (2648).

We authorize the respective state agencies identified on Exhibit A to receive service of process for us if we are registered in the particular state.

Issuance Date: April 29, ~~2024~~2025.

The name, principal business address and telephone number of each franchise seller offering the franchise are:

Franchise Seller	Business Address	Telephone
Roger Lewis☐	9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733	(512) 879-4556
Mike Minkler☐	12977 North Forty Drive, Ste. 219, St Louis, MO 63141	(314) 222-1364
Lisa Montanio☐	9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733	(800) 510-2648
Bruce Newman☐	14700 N. Airport Drive, Suite 216, Scottsdale, AZ 85260	(480) 419-3931
Chris Kirk☐	9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733	(512) 879-4501
Anne Marie Hervas☐	9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733	(512) 879-4541
Jason Arabian☐	9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733	(512) 879-4541

I received a disclosure document dated April 29, ~~2024~~2025, that included the following Exhibits:

- A. List of State Agencies and Administrators, and Agents for Service of Process
- B. Financial Statements
- B-1. Guarantee of Performance
- C. Table of Contents of the General Operating Policies and Procedures Manual
- D. Lists of Franchisees and Franchisees Who Left the System

- E. Multi-Unit Agreement
- F. Franchise Agreement
- G. General Release Form
- H. Statement of Prospective Franchisee
- I. State Appendix
- J. Receipts

_____ Date	_____ Signature	_____ Printed Name
_____ Date	_____ Signature	_____ Printed Name

KEEP THIS COPY FOR YOUR RECORDS.

RECEIPT

(Our Copy)

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

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

If CMIT Solutions, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency (as identified on Exhibit A to this disclosure document).

The franchisor is CMIT Solutions, LLC, located at 9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733. Its telephone number is 800-710-CMIT (2648).

We authorize the respective state agencies identified on Exhibit A to receive service of process for us if we are registered in the particular state.

Issuance Date: April 29, ~~2024~~2025

The name, principal business address and telephone number of each franchise seller offering the franchise are:

Franchise Seller	Business Address	Telephone
Roger Lewis☐	9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733	(512) 879-4556
Mike Minkler☐	12977 North Forty Drive, Ste. 219, St Louis, MO 63141	(314) 222-1364
Lisa Montanio☐	9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733	(800) 510-2648
Bruce Newman☐	14700 N. Airport Drive, Suite 216, Scottsdale, AZ 85260	(480) 419-3931
Chris Kirk☐	9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733	(512) 879-4501
Anne Marie Hervas☐	9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733	(512) 879-4541
Jason Arabian☐	9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733	(512) 879-4541

I received a disclosure document dated April 29, ~~2024~~2025, that included the following Exhibits:

- A. List of State Agencies and Administrators, and Agents for Service of Process
- B. Financial Statements
- B-1. Guarantee of Performance
- C. Table of Contents of the General Operating Policies and Procedures Manual
- D. Lists of Franchisees and Franchisees Who Left the System

- E. Multi-Unit Agreement
- F. Franchise Agreement
- G. General Release Form
- H. Statement of Prospective Franchisee
- I. State Appendix
- J. Receipts

Date	Signature	Printed Name
Date	Signature	Printed Name

Please sign this copy of the receipt, date your signature, and return it to CMIT Solutions, LLC
9433 Bee Caves Road, Building 3, Suite 210, Austin, TX 78733.

Summary report: Litera Compare for Word 11.9.1.1 Document comparison done on 4/29/2025 1:12:33 PM	
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Move From	25
<u>Move To</u>	25
<u>Table Insert</u>	40
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Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	3
Embedded Excel	0
Format changes	0
Total Changes:	2981