

**PAUL DAVIS RESTORATION, INC.**

**FRANCHISE DISCLOSURE DOCUMENT**

~~2024~~2025

## FRANCHISE DISCLOSURE DOCUMENT



PAUL DAVIS RESTORATION, INC.  
a Florida Corporation  
7251 Salisbury Road, Suite 6  
Jacksonville, FL 32256  
U.S.A.  
Telephone: (904) 737-2779  
[www.pauldavis.com](http://www.pauldavis.com)

Paul Davis Restoration, Inc. ("PDRI") licenses franchise rights to use PDRI's trade name, logo, Operations Manual, business systems and computer programs for the operation of a general contracting business specializing in structural reconstruction and emergency services, including drying, cleaning, loss mitigation and mold remediation, primarily in the insurance restoration market. The basic reconstruction and emergency services provided under the name "Paul Davis Restoration®" are promoted to the insurance restoration markets and the general partner.

The total investment necessary to begin operating of a PDRI franchise is ~~\$285,800~~298,800 to ~~\$737,400~~804,900. This includes ~~\$57,500~~65,000 to ~~\$184,000~~208,000, that must be paid to the franchisor or an affiliate prior to opening (based on the population of your territory).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

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

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

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

The Issue Date of this Disclosure Document is: March ~~22~~25, ~~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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit A.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit B-1 includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Paul Davis Restoration, Inc. business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchise have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy
<b>What's it like to be a Paul Davis Restoration, Inc. franchisee?</b>	Item 20 or Exhibit A lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this 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 that franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit E.

Your state may also 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. Dispute Resolution. The franchise agreement permits the franchisee to arbitrate with PDRI and with other franchisees only in the location designated by the arbitrators, who are franchisees, in accordance with the arbitration rules in the franchise agreement. Out of state arbitration may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate with PDRI in the designated location than in your home state.
2. Personal Guaranty. If the franchisee is a business entity, each shareholder/partner/member/manager of franchisee must personally guarantee the obligations of franchisee under the franchise agreement. This places the personal assets of each individual at risk.

Certain states may require other risks to be highlighted. If so, check the “State Specific Addenda” pages for your state.

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

To simplify this disclosure document, “PDRI” or “Franchisor” means Paul Davis Restoration, Inc., the franchisor. “You” means the franchisee, and includes a corporation, partnership or other legal entity and the individual owner(s) of the entity.

### CORPORATE HISTORY

PDRI was incorporated in Florida in 1967. Prior to February 2, 2000, PDRI did business under the name of “Paul W. Davis Systems, Inc.” and under the trade name “Paul Davis Systems®”. On January 1, 2000, PDRI adopted the trade name “Paul Davis Restoration®” and on February 2, 2000, PDRI changed its corporate name from Paul W. Davis Systems, Inc. to “Paul Davis Restoration, Inc.” Our parent is FSB Holdings, Inc. and Delaware corporation, which is wholly owned by FS Brands, Inc., a Delaware corporation, both with a principal place of business at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403. FS Brands, Inc. is wholly owned by FirstService CAM Holdings, Inc., a Delaware corporation, with an address at 103 Foulk Road, Suite 202, Wilmington, DE 19803. FirstService CAM Holdings, Inc. is owned by FirstService Corporation, an Ontario corporation, with an address at 1255 Bay Street, Suite 600, Toronto, Ontario Canada MSR 2A9. PDRI has no predecessors.

PDRI began its operations as an insurance restoration structural renovation specialist in 1967. It created its first two Paul Davis Restoration® franchises in January 1970. Both franchises were substantially the same as those offered in this disclosure document except that they did not include the “Optional Programs”, discussed below. As of December 31, ~~2023~~2024, PDRI had ~~254~~272 Paul Davis Restoration franchises of which ~~245~~266 were in operation. All of these franchises are substantially similar to the franchise described in this disclosure document.

In 2009, PDRI began offering franchises for the operation of a business specializing in emergency services, including drying, cleaning, decontamination, repair, board-up, demolition, loss mitigation, mold remediation, and other emergency services for residential and commercial buildings, structures and contents (the “Paul Davis Emergency Services Business”). Currently, Paul Davis Emergency Services Businesses can convert to a full Paul Davis Restoration® franchise by paying a transfer fee as required in their franchise agreement and agreeing to comply with all operational requirements of the Paul Davis Restoration® franchise. As of December 31, ~~2023~~2024, PDRI had ~~36~~26 Paul Davis Emergency Business franchisees, all of which were in operation.

Paul Davis Restoration Inc. (“PDRI Canada”) is a corporation incorporated under the laws of the Province of Ontario, Canada, with its principal place of business at ~~2180 Meadowvale Boulevard~~2233 Argentia Rd., Suite ~~200A~~100, Mississauga, Ontario, Canada, L5N ~~5S3~~2X7. On May 30, 2014, PDRI Canada acquired the assets of 1739815 Ontario Ltd. (formerly named Paul Davis Systems Canada, Ltd.) (“PDSC”), the former franchisor of general contracting franchises specializing in insurance restoration under the Paul Davis Systems name in Canada. PDRI Canada has offered and sold Paul Davis Systems franchises since the completion of the acquisition on May 30, 2014. Prior to the acquisition, PDSC offered and sold Paul Davis Systems since 1986. As of December 31, ~~2023~~2024, there were ~~61~~64 Paul Davis Systems franchises with ~~60~~63 in operation in Canada.

In 2015, PDO Holdings, Inc., an affiliate of PDRI, began acquiring a majority ownership in certain Paul Davis Restoration® franchises. As of December 31, ~~2023~~2024, there were ~~21~~twenty-two (22) Paul Davis Restoration® franchises in operation that are 80% or more owned by PDO Holdings, Inc., ~~nineteen~~twenty (20) of which are in the US and two (2) of which are in Canada. One of PDO Holdings, Inc.'s subsidiaries, Paul Davis National, LLC, a Wisconsin limited liability company, is not currently in operation. PDR Holdings, LLC, another affiliate of PDRI, also owns 50.1% or less of ~~26~~31 Franchises in the US. Both PDR Holdings, LLC. and PDO Holdings, Inc. are subsidiaries of FSB Holdings, Inc. The US stores are listed as “franchised” locations in Item 20 of this disclosure document because all ~~47~~53 are operated pursuant to a current franchise agreement.

In 2020, our affiliate, Paul Davis Commercial Division, Inc., a Delaware corporation with an address at 7251 Salisbury Road, Suite 6, Jacksonville, FL 32256, was formed as a subsidiary of FSB Holdings, Inc., in order develop, refer and provide services to commercial restoration customers.

### **BUSINESS ADDRESSES**

The address of PDRI's principal place of business is 7251 Salisbury Road, Suite 6, Jacksonville, FL 32256. PDRI's telephone number is (904) 737-2779.

PDRI's Agent for Service of Process in your state is disclosed in Exhibit E.

### **THE PDRI FRANCHISED BUSINESS**

PDRI licenses franchise rights to use PDRI's trade name, logo, Operations Manual, business systems and certain computer programs for the operation of a general contracting business specializing in structural reconstruction and emergency services, including drying, cleaning, loss mitigation and mold remediation, of residential and commercial structures and contents. Catastrophe response to service customers may be requested from time to time. Some existing franchises also offer remodeling services. The basic structural reconstruction and emergency services provided under the name “Paul Davis Restoration®” are promoted to the insurance restoration markets and the general public. Services were deemed essential by the relevant state and local authorities and the Businesses remained open and operating throughout 2022.

In 2020, PDRI developed an Optional Commercial Loss Lead Program that Franchisees may opt into by an Amendment to the Franchise Agreement. A copy of the Commercial Program Agreement can be found at Exhibit D to this document. This Commercial Loss Lead Program continued throughout ~~2023~~2024.

PDRI or its affiliates may develop and offer Optional Programs in the future. You may also choose to participate in any of these Optional Programs by executing an Attestation or Addendum to your Franchise Agreement, but additional fees, training and other qualifications may be required. In addition, your election to participate in an Optional Program may affect your requirements for inventory, equipment, supplies, personnel and operating capital.

The franchise training and software are intended to increase the speed and efficiency with which you, acting as general contractor, may restore and clean damaged facilities, and engage in

other construction activities and various cleaning and other services. You will compete with other general contractors and specialty contracting businesses in your local area for insurance restoration, cleaning work and other specialty contracting work. You will receive a Paul Davis Restoration® Operations Manual (the “Operations Manual”). You must comply with certain procedures in the Operations Manual, but PDRI may provide to you, from time to time, suggested procedures for you to consider in the operation of a Paul Davis Restoration® insurance restoration franchise. If you choose to participate in any Optional Programs you may be required to comply with additional obligations such as maintaining designated PDRI-trained personnel.

PDRI has designated a common software system called Restoration Management Software by CoreLogic that integrates with required third-party software (collectively the “Common Software”) which enables the user to estimate the cost of restoring damaged facilities and remodeling existing facilities, engage in other construction activities and provide various cleaning services; produce detailed work orders showing production costs for each phase of any construction activity; maintain current cost figures, sales records, commission accounts, records of customers and associates, and other business records; and maintain detailed records for each construction activity (including work orders, draw requests, change orders, jobs in progress, accounts receivable, accounts payable, workman’s compensation audits, check writing, and job closings) for estimating and managing restoration work projects. If you acquire a franchise, you will be required to use the Common Software. Specific functionality of the software programs is subject to change, at PDRI’s discretion, as are business practices, operating procedures, and other technology. The Common Software integrates and requires the use of a designated third party estimating system; a designated third party project management system; a third party CRM marketing platform and a designated third party accounting package that must be purchased independently by each Paul Davis Restoration® franchise. In addition, some insurance companies may require the use of other third party software, including but not limited to, generating and submitting estimates. You must acquire a computer system, including Internet access, compatible with the Common Software. See Item 11 for further details regarding the software and also for computer hardware specifications.

You will be a member of the PDRI Franchise Councils (described in Item 6), and you may, through such Councils and subject to PDRI’s consent, effect changes in the Operations Manual. See Item 11 for more information.

PDRI and its affiliates retain the right to operate one or more Paul Davis Restoration® businesses as company outlets. As of the date of this disclosure document, PDRI has no company outlets. PDRI and its affiliates reserve the right to participate in other businesses, including related businesses.

### **SPECIAL INDUSTRY REGULATIONS**

PDRI franchisees must comply with state and local laws that regulate general contractors. Many states require a general contractor license and some localities also require licensing. As a general contractor, you may have worker’s compensation liability for employees of your subcontractors if they fail to maintain the Worker’s Compensation Insurance required by state law. You must comply with other laws in your state regulating general contractors. It is solely your responsibility to investigate all laws and regulations applicable to the operation of your franchised

business, and you alone are responsible for compliance despite any advice or information that we may give you. We have not researched any of these laws or regulations to determine their specific applicability to your business. You should consult an attorney in the locality where you intend to operate your franchise to ensure compliance with all applicable state, local and federal laws.

### **PDRI'S AFFILIATES**

The following is a list of PDRI's affiliates including the principal address, a description of the business, and the number of franchises of each. Other than the Paul Davis Emergency Services Business and as disclosed below, neither PDRI nor its predecessors nor affiliates presently operate businesses of the type that they franchise, offer franchises in any other line of business or engage in any other type of business.

<b><i>Company/Address</i></b>	<b><i>Type of Business/Year Began Offering Franchises</i></b>	<b><i>Number of Franchises as of December 31, <del>2023</del>2024</i></b>
California Closet Company, Inc., a California corporation  2001 W. Phelps Road, Suite 1 Phoenix, AZ 85023	Residential and commercial customized closet, office, garage, and storage space design, production, and installation services and related products / 1980	<del>37</del> 38 (United States)* 5 (Canada) 2 (International)
Certa ProPainters, Ltd., a Massachusetts corporation  2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403	Residential and commercial painting and decorating franchises / 1992	<del>326</del> 303 (United States)
Certa Pro Painters Ltd., a Canadian corporation  1140 Bay Street, Suite 4000 Toronto, Ontario M5S 2B4 Canada	Residential and commercial painting and decorating franchises / 1990	<del>28</del> 26 (Canada)
Floorcoverings International, Ltd., a Georgia corporation  5390 Triangle Parkway Suite 125 Norcross GA 30092	Mobile retail floor covering and window blind business / 1998	<del>252</del> 288 (United States) 8 (Canada)
Paul Davis Restoration, Inc., a Canadian corporation  <del>2180 Meadowvale</del> <del>Boulevard</del> 2233 Argentia Rd., Suite <del>200A</del> 100, Mississauga, Ontario, Canada, L5N <del>5S3</del> <del>Canada</del> 2X7Canada	Structural reconstruction and emergency services, including drying, cleaning, loss mitigation and mold remediation, of residential and commercial structures and contents / 2014	<del>64</del> 63 (Canada)

<b>Company/Address</b>	<b>Type of Business/Year Began Offering Franchises</b>	<b>Number of Franchises as of December 31, <del>2023</del>2024</b>
Pillar To Post Inc., a Delaware corporation  14502 N. Dale Mabry Highway Suite 200 Tampa, FL 33618	Residential inspection services for single family and some various smaller multi-family residences / 1995	<del>445</del> <u>412</u> (United States)
Pillar To Post Inc., a Canadian corporation  5399 Eglinton Ave W Suite 110 Etobicoke, Ontario M5C 5K9 Canada	Residential inspection services for single family and various multi-family homes / 1994	<del>47</del> <u>43</u> (Canada)
<b>AFFILIATES WHICH MAY FROM TIME TO TIME PROVIDE PRODUCTS OR SERVICES TO THE FRANCHISOR AND/OR ITS FRANCHISEES:</b>		
Tele-Link Services Inc., an Ontario corporation  700 Richmond Street, Suite 416 London, Ontario N6A 5C7 Canada	Answering services and telemarketing and customer survey services for the franchisor and its franchisees	N/A

## ITEM 2: BUSINESS EXPERIENCE

Chief Executive Officer and Director: Richard D. Wilson

Mr. Wilson has been Chief Executive Officer and Director of PDRI in Jacksonville, Florida since March 2015.

Chief Financial Officer: Barry Floyd

Mr. Floyd was named Chief Financial Officer of PDRI in Jacksonville, Florida in March 2013.

Chief Operating Officer: Mike Hopkins

Mike Hopkins began his career with Paul Davis Restoration in December 2015 and has served as Chief Operating Officer since January 2019. Previously, he held positions as EVP of Operations for the network, and Regional Business Consultant.

Director: Charles E. Chase

Mr. Chase is currently the ~~Chief Executive Officer~~President of FS Brands, Inc. in Audubon, Pennsylvania, and has been employed by PDRI's affiliates in various positions for a number of years. Since June 2010, Mr. Chase has been employed as the President of FS Brands, Inc., in Audubon, Pennsylvania. In July

2011, Mr. Chase was appointed as a Director of PDRI. Since 2020, Mr. Chase serves as President and CEO of our affiliate, California Closet Company, Inc. Mr. Chase also serves as a Director for FS Brands, Inc. and various of the affiliates disclosed in Item 1.

~~Director: Douglas G. Cooke~~

~~Mr. Cooke has been employed by FirstService Corporation in Toronto, Ontario, Canada as Corporate Controller since 1995 and as Vice President since 2005. Mr. Cooke also serves as Director for Super Restoration Service Co., LLC.~~

Secretary, Treasurer and Director: Brian M. McDonough

Mr. McDonough has served as our Secretary, Treasurer and Director since January 2022. Mr. McDonough previously served as our Assistant Secretary in 2021. Mr. McDonough has served as FS Brands, Inc.'s Vice President of Finance since January 2021. Previously, Mr. McDonough was FS Brands, Inc.'s Director of Finance from January 2019 until January 2021. From 2014 until 2019, Mr. McDonough was the Controller at College Pro Painters (US) Ltd. with an address at 35 Pond Park Road, Unite 10, Hingham, MA 02043. Mr. McDonough also serves as a director for various of the affiliates listed in Item 1.

Rotating Director (Franchisee Representative): ~~Bob Hillier~~Brady Chuckel

An additional seat on the Board of Directors is reserved for the current President of the Paul Davis Franchisee National Executive Council, the franchisee governing body. The seat is currently held by ~~Bob Hillier~~Brady Chuckel, the owner of ~~multiple two~~ franchises in ~~Houston, TX, Nashville, TN, Raleigh/Durham, NC and Richmond, VA.~~ Mr. Hilliers Illinois and Wisconsin. Mr. Chuckel was elected president of the Paul Davis Franchisee National Executive Council effective January 1, ~~2024~~2025.

Vice President of Franchise Development: Jacqueline M. Fairfax

Ms. Fairfax has served on the Franchise Development Team since 2003 and was named Vice President of Franchise Development in 2023. She served as our Assistant Vice President of Franchise Development from 2019 to 2022. Ms. Fairfax has been employed by PDRI since 1998. Her office is located in Carmel, Indiana.

Director of Franchise Development: John Conway

Mr. Conway was named Director of Franchise Development in December, 2020. He has worked in franchising since 1993 and in Franchise Development since April, 1999. His office is in Phoenixville, Pennsylvania.

~~Director of Franchise Development: Ryan Showers~~

~~Mr. Showers was named Director of Franchise Development in 2022. His office is in Roswell, Georgia. Mr. Showers started with Paul Davis as a Regional Business Consultant in May, 2017. In September 2021, he was promoted to Franchise Launch Sales Director until his current role as Director of Franchise Development.~~



### ITEM 3: LITIGATION

#### PENDING LITIGATION

None.

#### CONCLUDED LITIGATION

~~Bruce Mills, Pamela Mills v Republic Fire and Casualty Insurance Company, PD National, Inc., Paul Davis Restoration, Inc., Daniel B. Druml, Kevin Crawford, John K. Murphy, Christopher Karpelis, CK Restoration, LLC, Bella Renovations & Flooring, LLC, et. al (24th Judicial District District Court of the Parish of Jefferson, State of Louisiana, Division F, Case No. 684664).~~

~~Plaintiffs, customers of a PDRI franchisee, filed a claim in October 2010 asserting claims for breach of insurance contract, breach of insurer's duty of good faith and fair dealing, and unjust enrichment against Republic and breach of unfair or deceptive trade practices and breach of contract and warranty against a franchisee and other defendants. Counsel for the plaintiffs was the same as in the Bell case listed above and filed against many of the same defendants. The claim against PDRI was based on the allegation that PDRI acted in concert and conspiracy with the other defendants, but PDRI asserts that there are no facts that would establish such a relationship. PD National's insurer, Cincinnati Insurance Companies, accepted tender of the claim for PD National and for PDRI as an additional insured. This claim was settled in July 2014 with respect to PDRI and, under that settlement, PDRI agreed to pay certain sums to the plaintiffs, without any admission of wrongdoing.~~

Alphonso Smith, Jasper Edwards, Glenn Johnson and Russell Warmouth v. Paul Davis Restoration, Paul Davis Restoration of Bloomington/Peoria; Gorsac, LLC, P & D Construction, Inc., Chris McConnell and Paul Davis Restoration, Inc. (Circuit Court of Cook County, Illinois, Case No. 2013L008964).

On August 13, 2013, plaintiffs filed a negligence claim alleging that the defendants, which included PDRI and one of its franchisees, did not provide a safe work environment for the plaintiffs, who were hired as temporary workers on a job site that was contaminated by the Histoplasma capsulatum fungus.

The Plaintiffs were hired by the franchise from Labor Ready. PDRI has provided notice and demanded indemnification from its franchisee for the claim. The franchisee reported the claim under its General Liability and Pollution policy. The Franchisee's insurers, Cincinnati Insurance Companies and RockHill denied coverage for the claim. PDRI filed a Declaratory Action against RockHill, the franchisee's insurance carrier for Bad Faith and on the coverage issue. Rockhill settled the case on November 25, 2015, for PDRI with PDRI contributing \$20,000 toward full releases, without any admission of wrongdoing.

Other than these actions, no litigation is required to be disclosed in this Item 3.



#### ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

#### ITEM 5: INITIAL FEES

You may acquire a Paul Davis Restoration® franchise with an initial (and renewable) term of five years, for a franchise fee of ~~\$0.23~~0.26 per person for each person in the population of the franchised territory. Accordingly, your franchise fee will depend on the size of your territory population. PDRI does not generally sell franchises that exceed populations in excess of 800,000. The franchise fee is payable with at least 50% in cash. For a standard size franchise of 500,000, the greater of \$50,000 or 50% of the initial franchise fee is due upon signing the Franchise Agreement. PDRI will finance the remaining portion of the initial franchise fee with a four-year promissory note at an APR of 7%, as described in Item 10 of this disclosure document.

PDRI participates in the IFA's VetFran Program which provides special incentives to qualified veterans of the US Armed Forces who otherwise meet the requirements of the VetFran program. PDRI reduces the initial franchisee fee by 25% for qualified veterans. In addition, for VetFran approved franchisees, PDRI may finance up to 67% of the reduced initial franchise fee for approved franchisees, as described in Item 10 of this disclosure document.

In the previous fiscal year (ending December 31, ~~2023~~2024), franchise fees ranged from ~~\$40,845.00~~17,147.90 to ~~\$177,202.12~~176,698.42.

PDRI uses a third-party software system called ESRI by ARC GIS to determine the population of franchise territories, by zip code.

At the sole option of PDRI, PDRI reserves the right during classroom training, or at any point prior to opening, to rescind the Franchise Agreement and refund to you within 5 business days all or a portion of the franchise fee paid by you to PDRI if, in the reasonable determination of PDRI, you fail to meet PDRI's performance standards evidenced through evaluations determined by classroom training and personal interviews. PDRI will not refund any portion of

the franchise fee associated with training that has been completed. PDRI will not refund any portion of the franchise fee under any other circumstances. In the event of such termination, you would be bound by the covenant not to compete, trade secret covenants and arbitration provisions described in Item 17.

## ITEM 6: OTHER FEES

Type of fee	Amount	Due Date	Remarks
Royalty Fee	4% of Gross Sales.	Payable monthly on the 25 <sup>th</sup> day of each month, for Gross <u>Sales invoiced during the preceding month.</u>	<p>“Gross Sales” includes the total amount of all invoiced sales or other revenue for labor, material, and services performed or rendered (a) by you or (b) by <u>third party vendors and subcontractors who provide services or materials for your clients as a part of your services and pay</u></p> <p><u>Gross Sales does not include the amount of any applicable sales tax imposed by any federal, state, municipal or other governmental authority if such taxes are stated separately when the customer is charged and you pay such amounts as and when due to the appropriate taxing</u></p> <p><u>Gross Sales includes all items invoiced on an estimate or work authorization including items paid for directly by the client or insurer. In the case of jobs involving multiple franchisees, each franchise will be responsible to report Gross Sales to the extent the franchisee invoices, or is paid by, the ultimate customer or</u></p> <p><u>PDRI has some older franchise agreements under which those franchisees pay lower royalty rates.</u></p>

Type of fee	Amount	Due Date	Remarks
		Sales invoiced during the preceding month.	<p>third-party vendors and subcontractors who provide services or materials for your clients as a part of your services and pay you a fee of any kind. Gross Sales does not include the amount of any applicable sales tax imposed by any federal, state, municipal or other governmental authority if such taxes are stated separately when the customer is charged and you pay such amounts as and when due to the appropriate taxing authority. Gross Sales includes all items invoiced on an estimate or work authorization including items paid for directly by the client or insurer. In the case of jobs involving multiple franchisees, each franchisee will be responsible to report Gross Sales to the extent the franchisee invoices, or is paid by, the ultimate customer or</p> <p>PDRI has some older franchise agreements under which those franchisees pay lower royalty rates.</p>
Minimum Royalty	Annual minimum sales rate multiplied by the population in the territory multiplied by the 4% royalty rate. The minimum sales rate equals \$0 for the partial year	Due annually, within 30 days of notice of amount due.	Only applies to extent actual royalties paid to PDRI do not meet your minimum royalty obligation.

<u>Minimum Royalty</u>	<u>Annual minimum sales rate multiplied by the population in the territory multiplied by the 4% royalty rate. The minimum sales rate equals \$0 for the partial year following the opening of the new Franchise, \$1.00 for the first full calendar year, \$2.00 for the second full calendar year, \$3.00 for the third full calendar year, \$3.50 for the fourth full calendar year, \$4.00 for the fifth full calendar year; \$4.50 for the sixth full calendar year; \$5.00 for the seventh full calendar year; \$5.50 for the eighth full calendar year; and \$6.00 for the ninth full calendar year and following years. The minimum sales rate is adjustable on annual basis based on changes to the Consumer Price Index. The annual Minimum Royalty amount may be prorated for any partial years the franchised business is held. Resales minimum royalty will be adjusted by PDRI based on market penetration as of the date of closing.</u>	<u>Due annually, within 30 days of notice of amount due.</u>	<u>Only applies to extent actual royalties paid to PDRI do not meet your minimum royalty obligation.</u>
<u>Guarantee Fund Contribution</u>	<u>0.5% (1% in the case of a resale of an existing franchise) of Gross Sales until the fund balance equals \$25,000 for the first 500,000 of population within the territory and an additional \$2,000 for each additional 100,000 or portion thereof above 500,000, or such greater amount as may be established by Completion Services, Inc. Adjusted annually by the Consumer Price Index.</u>	<u>Monthly. See Note 1.</u>	<u>Paid as a deposit to Completion Services, Inc., a corporation owned by all franchisees. Used to fund warranty work performed by franchisees. May be returned to Franchisee 2 years after termination in the event there are no post termination claims paid.</u>
<u>Indemnity Fund Fee</u>	<u>0.10% of Gross Sales of \$0 to \$2,000,000;  0.08% of Gross Sales of \$2,000,000.01 to \$4,000,000;</u>	<u>Monthly. See Note 1.</u>	<u>Paid to Completion Services, Inc., a corporation owned by all franchisees. Used to fund insurance policy indemnifying program carriers on work performed by franchisees. This</u>

Type of fee	Amount	Due Date	Remarks
	<del>\$6.00 for the ninth full calendar year and following years. The minimum sales rate is adjustable on annual basis based on changes to the Consumer Price Index. The annual Minimum Royalty amount may be prorated for any partial years the franchised business is held. Resales minimum royalty will be adjusted by PDRI based on market penetration as of the date of closing.</del>		
Guarantee Fund Contribution	<del>0.5% (1% in the case of a resale of an existing franchise) of Gross Sales until the fund balance equals \$25,000 for the first 500,000 of population within the territory and an additional \$2,000 for each additional 100,000 or portion thereof above 500,000, or such greater amount as may be established by Completion Services, Inc. Adjusted annually by the Consumer Price Index.</del>	<del>Monthly. See Note 1.</del>	<del>Paid to Completion Services, Inc., a corporation owned by all franchisees. Used to fund warranty work performed by franchisees.</del>
Indemnity Fund Fee	<del>0.100.06% of Gross Sales of \$0 to \$2,000,000;</del> <del>0.08% of Gross Sales of \$2,000,000.01 to \$4,000,000;</del> <del>0.06% of Gross Sales of \$4,000,000.01 to \$8,000,000; and</del> <del>0.04% of Gross Sales of \$8,000,000.01 or greater.</del>	<del>Monthly. See Note 1.</del>	<del>Paid to Completion Services, Inc., a corporation owned by all franchisees. Used to fund insurance policy indemnifying program carriers on work performed by franchisees.</del> <u>not a deposit and non-refundable once paid.</u> After the first year, PDRI may base the monthly fee on the prior year indemnity fund requirement (the “true-up) to allow for a set monthly payment.
Computer Software Support Fee	\$75 per month.	Payable monthly. See Note 1.	
Additional Training Fee	<del>\$5,000</del> <u>\$8,000</u> per additional person for PDRI Full Owner School.	Before training.	Franchisee Fee includes training for one person.

<u>Call Center Fee (Lead Dispatch Fees)</u>	<u>\$38 - \$70</u>	<u>Payable monthly.</u>	<u>Fee for calls received and losses dispatched through Paul Davis Brand Experience Center. The Lead Dispatch Fee is a Variable Rate calculated by the total monthly cost divided by the number of claims processed in that same period.</u>
<u>Call Center Fee (AnswerNet Monthly Fee)</u>	<u>\$50 per month.</u>	<u>Payable monthly</u>	<u>Covers cost of dedicated Account Manager and Quality Assurance Manager for National Lines.</u>
<u>Call Center Fee (AnswerNet Usage Fees)</u>	<u>\$1.10 per call plus \$.02 per minute transfer rate</u>	<u>Payable monthly</u>	
<u>QA Assist/Validate</u>	<u>\$15.75 per claim/loss</u>	<u>Payable monthly</u>	

Type of fee	Amount	Due Date	Remarks
<del>Call Center Fee</del> <u>ProAssist/Engage</u>	<del>Actual cost per call plus a 20% administrative charge.</del> <u>\$50 per month</u>	Payable monthly.	<del>Fee for calls received and losses dispatched through Paul Davis Brand Experience Center</del>
Joint Quality Business Review	\$50 per month.	Payable monthly.	Conducted by PDRI representatives.
Renewal Fee	\$5,000	Due upon renewal.	You must also meet other conditions in order to renew your Franchise Agreement.
Transfer Fee	\$10,000 (for majority transfer) or \$5,000 (for minority transfer), plus a re-sale fee equal to 2.5% of the sale price to cover PDRI's due diligence expenses and vetting fees, as applicable.	Due before transfer. See Note 3.	The re-sale fee is capped at <del>\$25,000</del> <u>40,000</u> . See Franchise Agreement for restrictions and requirements.
Strategic Marketing Plan ("SMP") Fee	\$500 per month plus 0.75% of Invoiced Sales subject to an annually CPI adjusted SMP Sales cap as described in Booklet 1 of the Paul Davis Operations Manual. Such calculation may be subject to change based on a 2/3rds vote of the General Council authorizing such change.	Payable monthly. See Note 1.	
Bankruptcy Costs and Attorneys' Fees	As incurred.	As incurred.	In the event of a bankruptcy by a franchisee, the franchisee is liable to PDRI for all of PDRI's costs and attorneys' fees associated with the bankruptcy.
Promissory Note Collection Costs and	As incurred.	As incurred.	PDRI offers financing for up to 50% of your initial franchise fee. If PDRI needs to collect or enforce its payment rights, you are required to pay PDRI for all <u>costs and expenses</u> .

Type of fee	Amount	Due Date	Remarks
Attorneys' Fees			<del>costs and expenses, including</del> attorneys' fees, incurred. See Item 10 for more information on financing.
Re-certification Training	Our then-current re-certification training fee.  Currently, our re-certification training fee is <del>\$5,000</del> <u>8,000</u>	Prior to training.	See Item 11 for additional information.
Program <del>Account</del> <u>Review</u> <u>Management</u> Fee	Actual cost per <del>call</del> <u>assignment/estimate</u> plus a 20% administrative charge.	As incurred. See note 4	If PDRI establishes referral programs with insurance companies which require estimate and invoicing standards, PDRI may provide review services in connection with such programs for franchisees. The cost of such services is expected to be 2% of the amount of the job for <del>2023</del> <u>2025</u> .
Optional Program Fees	Per the Program and may include the Program Account fee noted above. Commercial Program is currently 5% of the job.  FAST <del>Central</del> <u>Remote</u> Estimating for mitigation is currently 1% of <del>the estimate subtotal for all estimate and job types</del> .	See Note 4	Royalty is not charged on administrative fees, however a royalty is charged on the net invoice for each Optional Program provided (less the Optional Program Fees).
Verisk Xactimate™ Software License Fee	Basic/Standard: Up to <del>\$94.67</del> <u>105.00</u> per license; Pro: <del>\$134.06</del> <u>149.10</u> /license. All license fees include tax and 2% administrative fee. An Xactanalysis per claim fee may be charged up to \$9.00 per assignment.	Payable monthly.	Paid to PDRI for payment to Xactimate™. PDRI handles the billing in order to secure favorable pricing for franchisees. This pricing is subject to change.



Type of fee	Amount	Due Date	Remarks
Symbility, Validate  Core Logic Software Fee	Per claim fee of \$15.75 each.	Payable per claim as incurred.	Some Programs are moving to the Symbility estimating System, which may be required to do some Program work.
Microsoft 365 Software License Fee	Franchisees are charged for each individual Microsoft license. The fees per license are:  Office 365 E1 license <del>\$8.00</del> <u>7.00</u> (web based only); Office 365 E3 <del>\$20.00</del> <u>25.00</u> downloaded to your workstation, Office 365 E5 <del>\$30.00</del> <u>43.00</u> full suite, Spanning backup <del>\$4.00</del> <u>2.5</u> /month; Power BI Pro <del>\$10.00</del> <u>8.00</u> , , <u>Project Plan 1 \$8.00</u> , Project Plan 3 <del>\$30.00</del> <u>18.00</u> , Security E3 \$8.00, Security E5 \$15.00, Visio Plan 1 <del>\$6.00</del> <u>4.00</u> , Visio Plan 2 <del>\$18.00</del> <u>12.00</u> , and Enterprise Mobility <u>and Security E5 \$8.15</u>	Payable monthly.	Billed by PDRI. Prices may change by Microsoft.
Quickbooks Software License Fee	QB On Line with 5 available users – monthly fee per current pricing. The current listed non-promotional price is <del>\$80</del> <u>99</u> USD/Month (5-users per environment) for a single EIN (aka QuickBooks file)	As incurred.	Additional licenses must be purchased by the Franchisee and is payable to Intuit. PDRI may have secured favorable pricing for franchisees.
New Franchisee Training at Resale	New Owners - No previous Paul Davis or IICRC training/GM Training Fees <ul style="list-style-type: none"> <li><del>\$18,000</del><u>22,000</u> (Training Program B) this includes:</li> <li>Owner/GM FULL training &amp; Full Launch experience.</li> </ul> <u>Resale Owners - Some prior training/GM Training Fees:</u>	Before training.	Payable if you purchase your franchise from an existing franchisee and do not pay any initial franchise fee to PDRI. See Item 11 for more information about training.

Type of fee	Amount	Due Date	Remarks
	<p><del>Resale Owners—Some prior training/GM Training Fees:</del></p> <ul style="list-style-type: none"> <li>• <del>\$11,000</del><u>15,000</u> (Training Program A) this includes:</li> <li>• Owner/GM Partial Owners School training (<del>\$5,000</del><u>8,000</u>) and,</li> <li>• Launch Coaching, Support &amp; Field Launch/Training (<del>\$6,000</del><u>7,000</u>)</li> </ul> <p>GM (only) Training Fees:</p> <ul style="list-style-type: none"> <li>• <del>\$5,000</del><u>8,000</u> (Training Program A or B)</li> <li>• This includes Owner/GM FULL or Partial training and,</li> <li>• Launch coaching through Owners School Graduation.</li> </ul>		
Dishonored Check and EFT Denial Fee	\$100 per dishonored check or electronic funds transfer denial.	As incurred.	
<del>MICA</del> <u>Mitigate</u> Software	Up to \$100.00 per account per month. A per-claim charge may apply for some carriers. Reductions in fees to Paul Davis Franchisees by <del>MICA</del> <u>Corelogic</u> may apply.	Payable monthly.	Paid to CoreLogic. Prices may change as initiated by the Third Party Software.
Common Software Fee - RMS	<p>For a primary office: <del>\$495</del><u>\$525</u>/month.</p> <p>For a secondary office there will be a monthly fee of <del>\$250</del><u>300</u>.</p>	As incurred. See Note 2.	Paid to PDRI for payment <u>of software fee</u> to CoreLogic. <u>Includes support for the common software.</u>
Conference Registration		Within 30 days of	PDRI may from time to time hold franchisee conferences. You must pay a conference registration fee determined for each conference, <u>presently \$540, but</u> not to exceed <del>\$500</del> <u>1,000</u> . PDRI reserves the right to charge this fee in the event that you or your management <u>representative fail</u>

Fee	Up to \$1,000	billing	<a href="#">to attend the conference.</a>
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Type of fee	Amount	Due Date	Remarks
			representative fail to attend the conference.

## **NOTES TO ITEM 6:**

The preceding chart shows recurring or isolated fees or payments that you must pay either to PDRI or that PDRI imposes or collects on behalf of a third party. All fees are imposed by and payable to PDRI unless otherwise stated. All fees are nonrefundable and are uniformly imposed on all franchisees except as otherwise described below. Late payment is assessed at 1 1/2% per month. Please see the notes below for additional information about these fees.

Note 1: The Guarantee Fund Contribution, the Computer Software Support Fee, the Strategic Marketing Plan Fee, and the Indemnity Fund Fee have been voted into the Paul Davis Restoration® Operations Manual by the Councils and will remain in effect until removed or changed by Council vote.

All franchisees of PDRI are members of the Paul Davis Restoration® General Council and of one District Councils. The General Council of all PDRI franchisees meets on an annual basis, generally at the Annual Conference. Each of the District Councils, composed of all franchisees whose franchise territories are located in the geographically defined districts, meet twice each year. The District Councils vote on proposed changes to the Paul Davis Restoration® Operations Manual. In this disclosure document, references to Council mean the District Councils.

Note 2: The fees associated with the RMS will be \$~~495~~525 per month for the Primary office. If you own additional offices (common ownership), there will also be a monthly fee of \$~~250~~300 for these secondary offices. See Item 11 for more information regarding software and other relevant technology.

Note 3: PDRI will facilitate the vetting and review of your re-sale candidate. The cost to perform these services is 2.5% of the sale price, but in any event the resale fee will not exceed \$~~25,000~~40,000, payable at closing. A transfer fee of \$10,000 for a majority transfer and \$5,000 for a minority transfer will also be charged. Additionally, PDRI can assist qualified franchisees with Lead Generation assistance in the sale of their franchise. The exact amount of the Lead Generation fees for any particular case will be disclosed at the time of agreement and includes broker fees. Lead Generation assistance is optional and voluntary. Franchisee will be responsible for all Broker Fees associated with a candidate produced by PDRI and provided to you that closes on a sale of your franchise. The range of Broker Fees payable per franchise sale is between \$30,000 and \$50,000. This fee may be more if you are selling multiple franchises.

Note 4: PDRI may offer Optional programs such as the National Commercial Sales Program and FAST (central mitigation estimating) and other Direct Repair Programs that may require additional training and/or administrative fees associated with the Program. The

administrative fees will be deducted from the invoice amount with the Royalty Fee charged on the net invoice. Other requirements may apply, but participation is optional by the Franchisee.

**ITEM 7: ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Franchise Fee	<del>\$0.23</del> <u>0.26</u> per person.  The maximum population of a single franchise unit is 800,000.  <del>\$57,500</del> <u>65,000</u> - <del>\$184,000</del> <u>208,000</u> (Note 1)	Lump sum or as arranged	The greater of <del>\$57,500</del> <u>65,000</u> or 50% in cash due when Franchise Agreement signed; 50% balance may be financed in the form of a four year promissory note with an APR of 7%.	PDRI
Real Property and Improvements (2)	\$1,800 - \$6,000 (Note 2)	As incurred	Monthly (Note 2)	Landlord (Note 2)
Marketing and Advertising (3)	\$12,000 - \$72,000	As incurred	As arranged	Third Party Vendors
Equipment, Computer, Copier (4)	\$13,000 - \$30,000	As incurred	Before Training	Third Party Vendors
Computer Software Licensing	\$7,000 - \$12,000	Lump sum or as incurred	Before opening and billed monthly	Third Party Vendors or PDRI on behalf of Vendors
Office Furniture	\$2,000 - \$6,000	As incurred	Before Opening	Third Party Vendors
Branded or Compliant Vehicle (5)	\$10,000 - \$121,000	Lump sum or as arranged	Before Opening	Third Party Vendors
Equipment & Chemical Package	\$5,000 - \$54,000	Lump sum or as arranged	Before Training	Third Party Vendors
Travel and Living Expenses While Training (7)	\$5,000 - \$7,500	As incurred	During Training	Third Parties
Insurance (8)	<del>\$15,000</del> <u>20,500</u> - <del>\$20,000</del> <u>63,500</u>	As incurred	Before Opening	Insurance Companies
Licensing (9)	(Note 9)	As incurred	(Note 9)	(Note 9)
<u>Phone Installation and Utility Deposits</u>	<u>\$1,000 - \$2,900</u>	<u>As incurred</u>	<u>At opening</u>	<u>Phone company and utility companies</u>

<del>Phone Installation and Utility Deposits</del> <u>Type of Expenditure</u>	<del>\$1,000 - \$2,900</del> <u>Amount</u>	<del>As incurred</del> <u>Method of Payment</u>	<del>At opening</del> <u>When Due</u>	<del>Phone To Whom company and Payment Is to utility companies Be Made</del>
Rent Deposit (12)	\$5,000 - \$18,000	Lump sum	At signing of lease	Landlord
CPA Fees - Initial Work (10)	\$1,000 - \$2,200	As incurred	At startup	CPA
Legal Fees – Incorporation	\$500 - \$1,800	Lump sum	At incorporation date	Attorney
Additional Funds, working capital - First 3 Months	\$150,000 - \$200,000	As incurred	1/3 each month as incurred	Employees, Suppliers, Utilities, PDRI
<b>TOTAL</b>	<del>\$285,800</del> <del>298,800</del> - <del>\$737,400</del> <u>804,900</u>			

#### NOTES TO ITEM 7:

The preceding table sets forth your estimated initial investment in a base territory with a population of 500,000. All fees paid to PDRI are not refundable unless otherwise indicated. You should be aware that fees paid to third parties may not be refundable. We note that the higher range estimated above contemplates the start-up costs of a franchise located in a state with a higher cost of living, such as California, or a large urban market. Your result will vary depending on the geographic location of your business.

(1) For territories, the franchise fee is ~~\$0.23~~0.26/person of population. The franchise fee is payable with at least 50% in cash upon signing the franchise agreement and the balance may be financed in the form of a four-year promissory note with an APR of 7%. See Item 10 for more on financing. PDRI does not set a maximum franchise fee, as the franchise fee is based on the size of the population in the territory. However, PDRI does not sell a single franchise unit with a territory having a population in excess of 800,000. PDRI reduces the initial franchisee fee by 25% for qualified veterans. In addition, for VetFran approved franchisees, PDRI may finance up to 67% of the reduced initial franchise fee for approved franchisees, as described in Item 10 of this disclosure document.

See Item 5 above.

At the sole option of PDRI, PDRI reserves the right during classroom training described in Item 11, or at any point prior to opening, to rescind the Franchise Agreement and refund to you within 5 business days all of the franchise fee paid by you to PDRI if, in the reasonable determination of PDRI, you fail to meet PDRI's performance standards evidenced through evaluations determined by classroom training and personal interviews. PDRI will not refund any portion of the franchise fee under any other circumstances. In the event of such termination, you would be bound by the covenant not to compete, trade secret covenants and the arbitration provisions described in Item 17.

(2) There are no real estate or build out requirements. PDRI requires you to maintain an office in your franchise territory dedicated solely to the operation of the franchise. Franchisees usually rent offices in strip centers, light industrial parks with 3,000 sq.ft. office space and 8,000 sq. ft. industrial (11,000 sq. ft total), or suburban office parks. Typical rent for a start-up office is \$5,000 to \$15,000 per month. If you operate an existing restoration business, PDRI does not have a formal conversion program, but PDRI will work with you to convert your existing business into a PDRI franchise.

(3) We strongly advise and encourage you to spend a significant amount on marketing and advertising your franchise in connection with its grand opening, however, you are not required to spend a minimum amount. Your actual costs in marketing and advertising your franchise will significantly vary based upon the market you are in, and the extent and type of advertising you elect to purchase. We may, in our sole discretion and as we deem appropriate, provide you with assistance or guidance in marketing and advertising the opening of your business. All marketing and advertising must comply with PDRI's standards and specifications, as more fully described in Item 11 of this Disclosure Document.

(4) You must buy or lease a computer system that is compatible with the PDRI Common Software. PDRI reserves the right to designate the hardware platform including the brand, the application software and the operation software. You may purchase or lease from any available supplier. Currently, you may purchase a compatible system for between \$13,000 and \$25,000, which includes a server computer and two PC workstations, one printer and PC software. Franchisees are often able to obtain lease terms for the computer system based on their financial position. You must also purchase or lease a fax machine, a photocopier, and a scanner and an Internet connection is required. In addition, you are required to immediately provide emergency services as part of your franchise operation. The low figure in this chart reflects the initial payment required for a lease or installment purchase of the computer system and emergency services equipment, while the high figure reflects purchase of the equipment. See Items 8 and 11 for a description of the computer system. You are required to use the Common Software designated by PDRI in conjunction with the Xactimate™ or Symbility estimating systems. (See Items 6 and 8 for more information). While PDRI has assumed the billing responsibility from Xactimate™ to secure favorable pricing for the Network, you are responsible for costs of obtaining, installing and maintaining the Xactimate™ estimating system, including all license fees associated with its possession, use or operation. See Item 11 for more information about computer software and hardware.

(5) You must lease or purchase a full-sized extended van which must be delivered to you before you open your franchise. The low-end estimate provided is for the cost of three monthly lease payments and the down payment for a new vehicle, with a four year lease term. The cost of the vehicle will vary depending upon the make, model and age of the vehicle; and, as of the date of this disclosure document, the purchase price of a three-quarter ton van should range from \$50,000 to \$91,000, including the purchase and installation of the decals and storage racks for holding your equipment in accordance with PDRI's specifications. The range in prices is dependent on the options you choose. The high-end estimate includes the purchase price described above as well as the purchase of a vehicle mount, which is optional and costs between \$15,000 and \$30,000. As you will transport drying equipment in the van, the van must be large enough to



hold the drying equipment and other supplies and equipment, as well as the storage racks installed to hold the drying equipment. The current negotiated rates with our partners at GM, Ford and Mercedes Benz are as follows: Full-Size Extended Van - 2023 3500 Express Extended Van GM: \$40,900 (2024 price: \$46,500); and 170 Extended MB Sprinter (Plus Options): \$61,000.

(6) You must purchase a start-up equipment package to operate your business before you open your franchise. PDRI has arranged with multiple suppliers to have PDRI's standard equipment and proprietary chemical package from our chemical partner available to franchises, but the equipment is available from any supplier. Some suppliers may permit you to finance the cost of the equipment depending on your credit rating. While the exact terms and rates of such financing will depend on your supplier and your credit rating, you will generally be required to make a down payment of at least 10% of the purchase price of the equipment.

(7) You will incur significant travel and lodging expenses during the training program period, including round trip airfare to Jacksonville, car rental, hotel, and meals for three weeks. PDRI estimates your travel and living expenses during the three-week training period will be \$5,000 - \$7,500.

(8) Insurance costs due at start-up will range from approximately ~~\$15,000~~20,500 to ~~\$20,000~~63,500 based on the current insurance market, which fluctuates considerably. Franchises in the State of California and the State of New York will have higher requirements based on California and New York law, which could increase this estimate. Other states may also implement similar requirements, and we strongly recommend that you investigate the impact of applicable state laws on your insurance costs prior to entering into a Franchise Agreement. ~~During the pandemic, we~~We recommend that you begin your search for insurance as soon as possible due to potential delays in obtaining the required insurance.

(9) The requirements for individual or company licensing and/or certification vary substantially from state to state and may further vary from city to city, or county to county, within a state. There also may be delays in obtaining the proper licensing due to issues raised in some jurisdictions related to the pandemic. You should determine what licensing or certification requirements are imposed by the various governmental bodies in the locations where you expect to establish a Paul Davis Restoration ® franchise. These licenses may require examinations and/or significant fees. It is your responsibility to determine what licensing requirements are applicable, as all applicable licenses must be in place before you open your franchise.

(10) Initial CPA fees to set up the accounting for a franchise will generally range between \$1,000 and \$2,000. The CPA may waive or reduce the initial set-up charge as an incentive to get a new client. CPA fees on a resale may be higher.

(11) This estimate represents the necessary working capital in the first three months of operations. PDRI estimates that you should have minimum working capital of \$500,000 per franchise territory at any time to manage jobs, including the first year. Working capital is the difference between current assets and current liabilities but may include unused lines of credit. PDRI reserves the right to require additional capital or any line of credit that is at a high interest rate. Working capital needs are heavily influenced by draws on jobs, size of jobs, consistent collection of receivables and good business practices with respect to payables. Because of the

nature of cash flow in the insurance-related construction business, you need to have sufficient working capital, or a line of credit, to cover payments for material, labor and commissions on jobs that are too small for a draw schedule or for insurance companies that don't give draws. The amount of the credit or working capital required will fluctuate as your business grows. Following the initial year of operations, you are expected to maintain working capital, including established and unused lines of credit, equal to 10% of the previous year's sales or \$500,000, whichever is greater. Working capital needs may be higher on a resale, depending on the business.

Salary or wages for a job cost accountant are forecast to range between \$2,500 and \$5,000 per month plus 10% for payroll taxes and other benefits.

As a new franchisee, you must assess whether or not you intend to take a salary or draw from the business during the startup period. If funds are available outside the business to cover personal living expenses, we recommend that you take no salary or draw. However, if the new franchisee is dependent on salary or draw from the business to cover personal living expenses, you must include these in startup costs. We have estimated up to \$3,000/month plus 10% for taxes and benefits. You would have to adjust the startup costs upward for any withdrawals in excess of \$3,000/month.

(12) In commercial leases, a security deposit is typically equal to one (1) month of rent – this can be higher depending on the landlord and is paid upfront when a tenant signs the lease. The security deposit is typically refunded upon termination of the lease barring any significant damage or past due balances. Security deposits vary by state, it is up to the franchise candidate to understand the requirements for their state.

In addition, you will be responsible for certain monthly fees including the Computer Software Fee, Joint Quality Review Fee, Strategic Marketing Plan Fee, Web Site Hosting Fee, Call Center Fee, Program estimating (FAST), [Validate \(QA Assist\)](#), and QA Fees. (See Item 6 for additional information). You are also responsible for local IT support.

The estimates in this Item 7 are based on our experience as a franchisor and our general experience in the industry.

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

You must purchase or lease computer hardware to operate the Common Software. This hardware is described in detail in Item 11. You may purchase or lease from any supplier of the required hardware. This hardware is "off the shelf" in its configuration, so it is available from many different sources. You pay an on-going software support fee of \$75 per month to PDRI, in addition to the required third-party software fees. ~~In 2023, PDRI billed \$182,625 to its franchisees for use of required software. This represents 0.32% of the total 2023 PDRI revenues of \$56,382,906.~~

In connection with your use of the PDRI Common Software, you are required to obtain the Xactimate™ estimating software from Xactware, Inc. While PDRI has assumed the billing

responsibility from Xactware to secure favorable pricing for those in the network, you are responsible for all costs and license fees associated with the Xactimate™ software.

PDRI has negotiated national accounts with several suppliers of materials that you may use in the course of your business. None of PDRI's officers own an interest in any of these suppliers. Current agreements with suppliers provide discounts and rebates on various materials which you and your subcontractors may use. In ~~2023~~2024, rebates were paid to Paul Davis franchisees by Sherwin Williams in the amount of ~~\$64,100~~75,034; and Lowes in the amount of ~~\$382,195~~427,428; and Aramsco in the amount of ~~\$137,439~~169,029; and Jon Don in the amount of \$106,642; and Home Depot in the amount of \$66,685. Your use of these supplies from these suppliers is voluntary. PDRI also receives rebates from some vendors which are calculated on a percentage of total purchase and range from 0.5% to 5% of franchisee purchases.

As of our fiscal year ended December 31, 2024, PDRI derived \$5,827,294 or 9.33% of its total revenue of \$62,442,294 from franchisee required purchases and leases.

Although PDRI negotiates national accounts with several suppliers, PDRI does not itself provide any material benefits to you based on your use of those accounts, but franchisees may also receive rebates under these programs. The benefit to you is derived from the discount offered by the supplier, not PDRI.

Because the use of a supplier is voluntary, PDRI does not have a procedure in place for supplier approval or disapproval. As such, there is no set time period for when you would receive notification of approval or disapproval.

PDRI reserves the right to require that you take all steps, including but not limited to those related to visibility and management of your business, that are necessary to ensure that your business is compliant with all data privacy and security laws and Payment Card Industry Data Security Standards (PCI DSS) requirements, as such standards may be revised and modified by the PCI Security Standards Council (see [pcisecuritystandards.org](https://www.pcisecuritystandards.org)), or such successor organization or standards that we may reasonably specify. PDRI's standards and specifications are described in the Franchise Agreement, the Operations Manual, and other written documents. PDRI has the right, under the Franchise Agreement, to change the standards and specifications applicable to operation of the franchise, including standards and specifications for approved services and products, equipment, signs, furnishings, supplies, fixtures, inventory, computer systems (hardware, software, applications, data network and internet connection minimum bandwidth capacities), privacy policies, encryption requirements, data and IT security policies - including implementation of phishing and other security awareness programs and training, cyber incident notification requirements, and Artificial Intelligence policies by written notice to you or through changes in the Operations Manual or other policies and procedures that PDRI may issue from time-to-time. You may incur an increased cost to comply with these changes at your own expense.

You must procure and maintain insurance policies meeting PDRI's minimum coverage requirements. We currently require the following insurance policies:

(a) Worker's Compensation Insurance coverage for the Owner and Franchisee's employees notwithstanding the statutory requirements of the state in which Franchisee operates.

(b) Employer's Liability Insurance with limits of not less than \$500,000 each occurrence and in aggregate.

(c) Commercial General Liability Insurance, including products liability and broad form contractual liability, with limits of not less than \$1 million per occurrence and \$2 million aggregate.

(d) Contractor's Pollution Liability Insurance with limits of not less than \$1 million per occurrence and in aggregate.

(e) Business Automobile Liability Insurance (including Automobile Non-Ownership Liability) with a combined single limit of not less than \$1 million per occurrence.

(f) Umbrella or Excess Liability Insurance with limits of not less than \$4 million each occurrence and in aggregate.

(g) Bailee Insurance for personal property in the care, custody or control of Franchisee with limits of not less than \$250,000 per occurrence and in aggregate.

We may require additional coverage limits, or bond requirements, in connection with servicing losses exceeding \$500,000 (a “Complex Loss”). Each policy shall provide a separate endorsement naming PDRI and its designees as additional named insureds; shall provide that the policy is primary over the coverage of PDRI; cannot be canceled without 30 days prior written notice to PDRI; and shall insure your contractual liability. Any failure to have the appropriate insurance shall be considered a material breach of the Franchise Agreement. Prior to the commencement of operations, you must furnish a Certificate of Insurance reflecting that the required insurance coverage is in effect and, if requested, a copy of all such insurance policies. All policies shall be renewed, and you must provide PDRI with a renewal Certificate of Insurance for each policy prior to the expiration of the prior policy. PDRI uses a Third Party Vendor, Profile Gorilla, as a repository for all proof of insurance, licensing, IICRC, Mold and Lead certificates as well as background checks for your employees and subcontractor employees.

You must also procure and maintain cyber insurance coverage, including for technology errors and omissions, network security/privacy covering liability for loss or damage due to an act, error, omission, or negligence by Franchisee and for claims arising from unauthorized access, with limits of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate, and coverage for wage and hour defense costs of up to \$100,000 and general casualty insurance, including fire and extended coverage, vandalism, theft burglary and malicious mischief insurance for replacement value of the franchised business and its contents.

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

You are not required to purchase any goods or services from PDRI or any of its affiliates and neither PDRI nor its affiliates are currently approved suppliers. PDRI affiliates do not derive any income from required purchases or leases, unless as stated above. Except for the on-going software support fee described in this Item 8, PDRI receives no revenue, rebates or other material consideration as a result of required purchases or leases. There are no purchasing or distribution cooperatives.

PDRI estimates that the total amount of your required purchases or leases for goods and services from approved suppliers or in accordance with our specifications will range from 75% to 85% of your purchases in establishing your business and 30% to 40% of your overall purchases in operating your business.

## ITEM 9: FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Agreement	Disclosure Document Item
A.	Site selection and acquisition/lease	Article 4	Item 11
B.	Pre-opening purchases/leases	Article 9	Item 11
C.	Site development and other pre-	Article 6	Item 11
D.	Initial and ongoing training	Article 8	Item 11
E.	Opening	Article 6	Item 11
F.	Fees	Article 2, 3	Item 5, 6
G.	Compliance with standards and	Article 6, 10	Item 11
H.	Trademarks and proprietary	Article 1	Item 13
<u>I.</u>	<u>Restrictions on products/services</u>	<u>Article 6</u>	<u>Item 8</u>
<u>J.</u>	<u>Warranty and customer service</u>	<u>Article 3, 6</u>	<u>Not Applicable</u>
<u>K.</u>	<u>Territorial development and sales</u>	<u>Article 4</u>	<u>Item 12</u>
<u>L.</u>	<u>Ongoing product/service purchases</u>	<u>Article 9</u>	<u>Item 8</u>
<u>M.</u>	<u>Maintenance, appearance and</u>	<u>None</u>	<u>Not Applicable</u>
<u>N.</u>	<u>Insurance</u>	<u>Article 12</u>	<u>Item 7</u>
<u>O.</u>	<u>Advertising</u>	<u>Article 11</u>	<u>Item 6, 7</u>
<u>P.</u>	<u>Indemnification</u>	<u>Article 13</u>	<u>Not Applicable</u>

	Obligation	Section in Agreement	Disclosure Document Item
<del>I.</del>	<del>Restrictions on products/services</del>	<del>Article 6</del>	<del>Item 8</del>
<del>J.</del>	<del>Warranty and customer service</del>	<del>Article 3, 6</del>	<del>Not Applicable</del>
<del>K.</del>	<del>Territorial development and sales</del>	<del>Article 4</del>	<del>Item 12</del>
<del>L.</del>	<del>Ongoing product/service purchases</del>	<del>Article 9</del>	<del>Item 8</del>
<del>M.</del>	<del>Maintenance, appearance and</del>	<del>None</del>	<del>Not Applicable</del>
<del>N.</del>	<del>Insurance</del>	<del>Article 12</del>	<del>Item 7</del>
<del>O.</del>	<del>Advertising</del>	<del>Article 11</del>	<del>Item 6, 7</del>
<del>P.</del>	<del>Indemnification</del>	<del>Article 13</del>	<del>Not Applicable</del>
Q.	Owner's participation/ management/	Article 6	Item 15
R.	Records/reports	Article 6	Item 21
S.	Inspections/audits	Article 6	Not Applicable
T.	Transfer	Article 20	Item 6, 17
U.	Renewal	Article 5	Item 6, 17
V.	Post-termination obligations	Article 19	Item 17
W.	Non-competition covenants	Article 22	Item 17
X.	Dispute resolution	Article 23	Item 17

## ITEM 10: FINANCING

PDRI offers financing for up to 50% of the amount of the initial franchise fee, or up to 67% of the reduced initial franchise fee for qualified veterans, with the remainder of the fee paid in cash. Financing will be extended for a 4-year period at an APR of 7%.

See Item 5 for determination of initial franchise fee. A copy of the Promissory Note showing the financing terms is attached as Exhibit F. Other than the Promissory Note, PDRI does not require any additional security interest in connection with the financing. Each owner of a franchise must individually sign the Promissory Note. The balance of the Promissory Note may be prepaid in whole or in part at any time without penalty or premium. If you do not pay on time or if you default on the Franchise Agreement or if you fail to abide by the terms of the PDRI Operations Manual, then you will be in default under the Promissory Note and you will automatically be in default under the Franchise Agreement. If you are in default under the Promissory Note or if you sell a portion or all of your interest in the Franchise Agreement, PDRI can call the Promissory Note and demand immediate payment of the full outstanding balance and obtain court costs and attorney's fees if a collection action is necessary. You will also pay all costs and expenses including reasonable attorney's fees and costs incurred by PDRI in connection with an appeal of any proceeding respecting the payment or enforceability of the Promissory Note. You

waive your rights to presentment, protest, notice of protest, and notice of dishonor under the Promissory Note. The terms of the Promissory Note do not bar you from asserting a defense against PDRI.

PDRI does not arrange financing from other sources. Commercial paper from franchisees has not been and is not sold or assigned to anyone, and PDRI has no plans to do so. PDRI does not receive direct or indirect payments for placing financing. PDRI does not guarantee your obligations to third parties.



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

**Except as listed below, PDRI is not required to provide you with any assistance.**

### **Pre-Opening Assistance**

Before you open your business, PDRI will:

- A. Designate your franchise territory (Franchise Agreement, Section 4.1);
- B. Provide you with access to the Common Software (Franchise Agreement, Section 9.1);
- C. Provide you with a Paul Davis Restoration® initial printing, sales and marketing supplies package (Franchise Agreement, Section 9.2) [not applicable to a resale or renewal of an existing franchise];
- D. Assign you to a District Council in your area of the U.S. (Franchise Agreement, Sections 10.1 and 10.2);
- F. Establish a franchise specific web site with a unique URL for your use. The Strategic Marketing Fund will be responsible for the on-going monthly web site hosting fees which are currently \$30 - \$60 per month (Franchise Agreement Section 11.); and
- G. Provide your designated representative with access to the online training and the classroom training described below.
- H. Provide you with an iPad to begin your on-line training and for use at owner's school. You will also be provided a disto meter.
- I. Provide you with training on the Paul Davis Learning Management System (Paul Davis University). You will be asked to complete training on the PD Way and Personal Protective Equipment prior to opening. [Additional training requirements may be assigned by PDRI.](#)

The typical length of time between the earlier of signing the Franchise Agreement or paying the initial franchise fee and the opening of a start-up PDRI franchise is less than 4 months.

The principal time constraints will be your ability to complete the online training and attend the next available training class, and your ability to obtain a contractor's license in the state where you will do business. You are solely responsible for obtaining the insurance, licenses and permits required to operate the business in your territory and ensuring your compliance with all applicable laws and regulations. You are required to be ready to operate your franchise within eight (8) weeks after you finish your classroom training program (Franchise Agreement, Sections 6.1 and 17.2(c)). PDRI may extend your opening at its discretion should there be unforeseen delays.

### **Post-Opening Assistance**

During the operation of the franchise business, PDRI will provide the following:

1. (a) Field training will be administered at your place of business for a period of up to forty (40) man hours. These hours may not be consecutive and will be divided amongst multiple trainers responsible for field launching franchises. Field trainers will provide start-up field operations, marketing and/or financial training assistance to you.

(b) PDRI will also provide a job cost accounting trainer who will train your job cost accountant on the Common Software and assist in setting up the office via computer streaming or, at the option of PDRI, by an on-site visit to your location (for a period of thirty-two (32) hours over multiple working days). Your job cost accountant is required to receive this training (Franchise Agreement, Section 8.5).

2. Upon completion of the classroom and on-site training and during your initial 8 week period of operation (this initial 8 week period may be extended at PDRI's discretion), PDRI may review and approve your estimates or require the use of FAST ~~at no cost to you during this initial period~~. You must submit copies of all estimates prepared in the course of your business during this period (Franchise Agreement, Section 8.4).

3. Provide you with access to an electronic copy of its Operations Manual, which contains required operational standards and procedures that apply to all franchisees. The Operations Manual is proprietary and remains the property of PDRI. PDRI can modify the Operations Manual with the approval of a majority of the operating franchises, working through the District Councils (Franchise Agreement, Section 10.1). The table of contents of the Operations Manual is contained in Exhibit H.

## TRAINING

### OWNER'S TRAINING PROGRAM

	Hours of Classroom Training	Hours of On- the-Job Training	Location
<b>20242025 PDR Training Topics</b>			
Estimating, Project Management, Job Management (RMS) and General Operations	73 (57 of these hours are online training)	8	Jacksonville, FL or Designated Location

<del>2021</del> <u>2025</u> PDR Training Topics	Hours of Classroom	Hours of On-	Location
	Training	the-Job Training	
The Paul Davis Brand	6 (2 of these hours are online training)	2	Jacksonville, FL or Designated Location
IICRC WRT/ASD combo	40		Jacksonville, FL or Designated Location
Mold Remediation	8		Jacksonville, FL or Designated Location
Marketing and Sales	15 (7 of these hours are online training)	16	Jacksonville, FL or Designated Location
Lead	8		Jacksonville, FL or Designated Location
IICRC FSRT – Fire	16		Jacksonville, FL or Designated Location
GM/FinMgmt/JCA/HR/QA	<del>36</del> <u>38</u> (6 of these hours are online training)		Jacksonville, FL or Designated Location
IT Systems and Loss Document Process Training	20 (18 of these hours are online training)		Jacksonville, FL or Designated Location
On-site field training by Franchise Launch – <u>Mentor</u>		40	Designated Franchisee location
On-site field Launch by Franchise Launch		40	Franchise Location
<b>Total</b>	<del>222</del> <u>224</u>	<b>106</b>	Jacksonville, FL or Designated Location

<p align="center"><b>JCA Training</b></p> <p>16 hours of classroom</p> <p><del>16</del><u>6</u> hours online</p> <p><del>16-24</del><u>16</u> hours onsite – Launch Week</p>
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The initial training program is mandatory for each new franchisee (including resales of existing franchises), regardless of the population size of the territory. Before you begin operations, you must complete the classroom training to the satisfaction of PDRI. Some of the classroom training noted above is completed online. Operations are deemed to begin when you first offer your services to the public, which would include one or more of the following: having telephone or mail service in your name; contracting for services with third parties; or making estimates and contacting insurance adjusters or property owners. In addition, you must satisfactorily complete the on-site field training program and your Job Cost Accountant (“JCA”) must satisfactorily complete the web streaming or on-site job cost accountant training program, which will take place prior to and after you begin operations. In all cases, PDRI will determine whether or not training has been satisfactorily completed.

PDRI’s training program is conducted via online courses, onsite field training and classroom training offered approximately four times per year. All classroom training takes place at PDRI’s Jacksonville, Florida headquarters, at another suitable facility in Jacksonville, Florida, or at such other location, including virtually, as selected by PDRI. Generally, the training program

consists of: (i) up to three weeks of new owner training school conducted in Jacksonville, Florida; (ii) one week of new owner field Launch training conducted at the franchise location; (iii) one week of new owner field mentor training conducted at an existing franchise location to be determined by PDRI; (iv) up to three weeks of online training prior to attending training school; and, (v) PDRI may, at its discretion, require a three day advanced new owner training class in Jacksonville approximately six months after completion of new owner school. For new franchises (not transfers or resales) PDRI does not charge a separate fee for the initial training program for you and your Job Cost Accountant, as it is included in your initial franchise fee. However, you must pay all personal expenses, including travel, meals, lodging, and transportation, incurred during the classroom training program. You may choose to have additional personnel attend the initial training program. Classroom JCA training is available for no additional cost. However, for each additional person who attends Owner's School, you must pay a training fee of \$5,000 per person to PDRI. If you purchased your franchise from an existing franchisee, for which you did not pay any initial franchise fee to PDRI, you must pay an Owner's training fee to PDRI for your training program as follows:

New Owners/GM Training Fees:

- ~~\$18,000~~22,000 (Training Program B) this includes:
- Owner/GM FULL training & Full Launch experience.

Resale Owners/GM Training Fees:

- ~~\$11,000~~15,000 (Training Program A) this includes:
- Owner/GM Partial Owners School training (~~\$5,000~~8,000) and,
- Launch Coaching, Support & Field Launch/Training (~~\$6,000~~7,000)

GM (only) Training Fees:

- ~~\$5,000~~8,000 (Training Program A or B)
- This includes Owner/GM FULL or Partial training and,
- Launch coaching through Owners School Graduation.

~~Training During COVID. Paul Davis reserves the right to modify the above training schedule to ensure your safety during the COVID pandemic. During part of 2022, a modified owner school included the following:~~

- ~~a. Week 1 Owner School in Jacksonville, Florida. (ASD/WRT Training).~~
- ~~b. Week 2 Owner and General Manager School modified with Virtual Training options.~~
- ~~c. Week 3 Owner and General Manager School modified with Virtual Training options.~~

The following are PDRI's instructors:

Denna Wright instructs PDRI's franchisees in job costing. Ms. Wright has ~~32~~33 years of experience with PDRI and ~~40~~41 years of experience in the field.

Imzan Ogeer is a Controller and instructs PDRI's franchisees in franchise financial management. Mr. Ogeer has ~~9~~10 years of experience with PDRI and ~~29~~30 years of experience in the field.

Leslie Anderson is the Senior Vice President of Training and Franchise Launch and instructs franchises in marketing, sales, biohazard, trauma, ASD, WRT, Lead, Mold, crime scene and hoarding classes. Ms. Anderson has ~~13~~<sup>14</sup> years of experience with PDRI and ~~24~~<sup>25</sup> years of experience in the field. [She currently holds the following position with IICRC: \(IICRC Instructor WRT, ASD, FSRT, TCST\):](#)

- [○ Chair Education and Examinations \(28 Certification Courses\)](#)
- [○ IICRC BOD](#)
- [○ IICRC Executive Committee - 1st Vice President](#)

- [IICRC S540 Standard Contributor First Edition 2017 and Second Edition 2023](#)
- [IICRC TCST Exam Committee](#)
- [TCST Standard Vice Chair 2017-2024](#)

Aaron Bandy is the VP of Franchise Launch assisting PDRI's franchisees in all aspects of their operation, including franchise management and business planning. As a new franchisee, you will be enrolled in the Franchise Launch program, and the Launch team will assist you in the start-up of your franchise for the first three years. Mr. Bandy has ~~4~~5 years' experience with PDRI in launch and as a Regional Business Consultant. Mr. Bandy is an ~~accredited business consultant~~[Accredited Small Business Consultant and Certified Franchise Executive](#) with over ~~31~~32 years of experience in operations and franchising.

[Matthew Wildt is the Vice President of Training and instructs franchises in ASD, WRT, Mold, and estimating. Mr. Wildt has 6 years of experience with Paul Davis and 16 years of experience in the field. Mr. Wildt currently holds the following position with IICRC: \(IICRC instructor WRT & ASD\):](#)

- [Restoration Division General Category Chair](#)
- [ASD Chair](#)
- [RRT Vice Chair](#)
- [FSRT Vice Chair](#)

Billy Spilker is the Year 1 Launch Coach, coaching PDRI's franchisees in all aspects of their operation, including franchise management and business planning. As a new franchisee, Mr. Spilker will assist you from the initial launch of your franchise operation until the end of your first year of operation. Mr. Spilker has ~~2~~3 years' experience with PDRI, beginning with the [Claims Force \(Quality Assurance\)](#) team prior to joining the Launch Team, and over ~~15~~16 years of experience in the restoration industry, [including owning his own restoration business.](#)

[Shelli Bagwell is the Year 2 Launch Coach. She will continue the first year of coaching in all critical areas of business success as you work toward your second-year goals. She has over 17 years of experience in restoration and construction as well as being a small business owner herself.](#)

Keith Becher is the Regional Launch Director coaching PDRI's franchisees in all aspects of their operation, including franchise management and business planning. As a new franchisee, Mr. Becher will assist you beginning on year ~~2~~3 of your franchise operation. Mr. Becher has over ~~6~~7 years' experience with PDRI in launch and as a Regional Business Consultant and ~~23~~24 years of experience as a Paul Davis franchise owner. [Mr. Becher will be your transition guide as you move from Launch to the next phase of growth.](#)

Katie Stiles, Director of Launch Sales & Marketing, coaches franchisees on creating customized sales plans and in-depth marketing strategies to ensure you meet your location specific goals. Katie has nearly ~~44~~12 years of experience in sales and marketing, ~~23~~23 of those with the Launch team at PDRI.

~~Shelli Bagwell is the Year 3 Launch Coach. She will continue the first two years of coaching in all critical areas of business success as you work toward your third year goals. Mrs. Bagwell will be your transition guide as you move from Launch to the next phase of growth. She has over 16 years of experience in restoration and construction as well as being a small business owner herself.~~

Brenda Kornelson instructs PDRI's franchisees in job costing. Mrs. Kornelson has 15 years of experience with PDRI and over 30 years of accounting experience.



Various members of the PDRI Operations, Technology, ~~QA~~Claims Force (Quality Assurance) and Marketing Teams also contribute to the training.

Once your franchise has reached \$1,000,000 in cumulative annual Gross Sales in any one calendar year or at the request of Franchise Launch or your Regional Business ~~Consultant~~Coach, you may be required to attend additional training in Jacksonville, Florida at the then prevailing rate.

Although PDRI does not currently require recertification training, PDRI reserves the right to implement such a program upon 60 days' notice. If PDRI implements such a program, you agree to attend a 3-5 day recertification training program at PDRI's place of business in Jacksonville, Florida at least once every 3 years and to pay PDRI's recertification training fees as

determined by PDRI, but not to exceed the daily training fee then charged to start up franchisees who are acquiring a franchise at the time of your training.

## **COMPUTER REQUIREMENTS**

In addition to the iPad and Disto meter PDRI will provide you prior to training, you must purchase or lease computer hardware for your office sufficient to operate the applications required to perform work as a Paul Davis franchise. Software applications required to perform work include, but not limited to, QuickBooks Online, RMS, Xactimate™, Xactanalysis, Symbility, ~~MICA~~[Mitigate by Corelogic](#), Symbility, Luxor, Qvinci, Matterport, ~~Webroot,~~ ~~Venage,~~[MS Defender](#) and MS Office 365. Whichever computer system you acquire, the operating system must be of the type that is still supported by the vendor and not on their end-of-life list. Check with the computer manufacturer for confirmation.

RMS is our job management and Common Software, which is completely web based. Therefore, any Windows or Mac based computer, supported by Microsoft or Apple, with internet access is appropriate. The Common Software also includes a mobile application. A smart phone such as iPhone or Android is required at your expense.

Xactimate™ and Symbility are third party estimating software applications. Both are available as web based applications which may be appropriate for your business. If you decide on the desktop version of the software instead, then consult with the vendor for minimum computer requirements.

~~MICA~~[Mitigate by Corelogic](#) is a third party dry tracking software application. The software is available for both Windows and iPad devices. The vendor's website should be referenced for the latest minimum requirements.

QuickBooks Online is our web based accounting software. The number of people requiring access to QuickBooks will determine the version most appropriate for your office. Qvinci is our financial reporting software that integrates with Quickbooks where an active connection is required between the two programs.

Email is how we communicate electronically. All franchises must subscribe to Microsoft Office 365 through PDRI to receive an "@pauldavis.com" email address. PDRI will provide the online email and Microsoft Suite of applications to you. at market rates.

Minimum computer requirements for software not specifically mentioned here should be acquired from the software vendor. PDRI recommends common best practices regarding the maintenance and support of your computer system. Best practices include establishing a relationship with a local computer technician to assist with computer problems. A backup and downtime plan should be established to protect your data, especially your QuickBooks financial data.

The data generated and stored on your computer system includes customer lists, sales volumes, job estimates and reports and other general information. PDRI does not have independent access to the information stored on your computer system.

You are required to obtain, at your expense, the Common Software designated by PDRI. The estimated annual costs associated with the Common Software (RMS) will total approximately ~~\$7,000~~[7,500](#), which includes the cost of the program, implementation, training and

support. You will also be required to pay the other software fees itemized in Item 6 of this document, including Xactimate,<sup>tm</sup> or SymbilityTM estimating software. Although these are the most commonly used third party estimating systems for estimating property claims, some customers may require you to use a different estimating system at your expense. PDRI has elected to designate a required software program to aggregate financial data to help you benchmark your financial data to other similarly situated franchisees. You must utilize the software designated by PDRI, currently Qvinci. Currently, PDRI pays for the cost of the software, but you may be required to pay any required fees or costs in the future.

PDRI will provide to you additional equipment specifications upon request. In many situations, you will need to exceed the specifications listed. PDRI estimates that the initial cost to purchase or lease such computer and other electronic equipment ranges between \$13,000 and \$25,000. Work with your selected vendor to create a computer system that provides you with solutions to your current needs and meets your planned growth.

### **ADVERTISING**

PDRI provides creative for advertising, promotional items, collateral and marketing support and coaching for you and your sales and marketing team. You will have access to a CRM marketing portal paid for by the Strategic Marketing Fund, where you will be able to manage your customer and client contacts, customize and send e-mail campaigns, customize and print marketing material, create optimized sales routes, log notes and set reminders from sales calls and communicate targeted local marketing campaigns. You may also develop advertising and promotional materials for your own use, at your own cost. PDRI or its designated representative must approve your advertising materials in advance and in writing. Such approval shall not be unreasonably withheld. PDRI does not require that you participate in any advertising program other than the Strategic Marketing Plan described below.

PDRI will establish a franchise specific web site for your use in operating the franchise. You will be responsible to maintain and update the web site with pre-approved PDRI content and the Strategic Marketing Plan will pay the monthly web site hosting fee.

You are required to participate in the Strategic Marketing Plan (~~the~~ “SMP”) established by the General Council, which is made up of all operating franchisees (See Item 6, Note 1, for more information about the General Council). In 2011, the General Council delegated to PDRI management of the fund with NEC oversight for three years. This was made permanent in 2016 and has been approved by the National Executive Committee and by District vote. The SMP is a cooperative program established by the General Council, which requires financial contributions from each ~~franchisee, as described in Item 6, under the heading “Strategic Marketing Plan Fee”~~. ~~You are required to contribute to the~~

Franchisee. The current SMP fee established by the General Council is a monthly payment of: (a) \$500.00 plus (b) three quarters of one percent (

~~SMP cooperative program an amount equal to 0.75%~~0.75% of invoiced ~~sales up to \$5,000,000 in sales plus 0.50% of invoiced sales at \$5,000,001 and above to the cap of \$12,078,825. The~~Gross Sales subject to an annual CPI adjusted SMP sales cap , as described in Booklet 1 of the Operations Manual. A maximum amount per franchise and/or common majority owned Franchised businesses in contiguous territories shall be ~~\$72,894~~adjusted by the trailing twelve (12) months Consumer Price Index until such time as the Network ~~increases the cap or otherwise~~ changes the funding of the SMP. Such calculation may be subject to change based on a 2/3rds vote of the General Council authorizing such change.

The General Council’s National Executive Committee (“NEC”) has the final approval of the budget proposed by PDRI. Changes to the SMP requires majority approval of the franchise members of the NEC and PDRI and may require two-thirds approval of the active representatives at District Council meetings. You may request an accounting of the SMP fund in writing from PDRI. PDRI will supply you with the accounting statements by first class mail. PDRI has used an outside regional advertising agency to create and place advertising in regional and national media.

The funds collected by the General Council as part of the SMP were used as follows for the fiscal year ended December 31, ~~2023~~2024:

Production	<del>815.8</del> <u>815.8</u> %
Media Placement	<del>149.7</del> <u>149.7</u> %
Administrative Expenses	<del>00.4</del> <u>00.4</u> %
Business Development and Field Marketing Staff	<del>6361.7</del> <u>6361.7</u> %
Other:	
Public Relations / Communications	<del>97.3</del> <u>97.3</u> %
Quality Surveys and Awards	<del>21.5</del> <u>21.5</u> %
Franchisee and Industry Training	<del>43.7</del> <u>43.7</u> %
TOTAL	<hr/> 100%

Advertising funds are not used to solicit new franchisees. Advertising funds that are not spent in the fiscal year in which they are collected, will be accrued and used in subsequent fiscal years.

~~PDRI does not have the power to require cooperatives to be formed, changed, dissolved or merged unilaterally. These actions require a two thirds vote of the franchisees and PDRI. Cooperatives may be established by all members of a Designated Marketing Area (DMA) with an Addendum to the Franchise Agreement. Franchisees who purchase a franchise from an existing Paul Davis franchisee that is a member of a marketing cooperative will be required to participate in the cooperative pursuant to the terms of the Addendum.~~

Franchisor has the right in its sole discretion, to designate any region or area in which one or more Franchised Businesses are operating as an advertising cooperative area (the “Cooperative”) and to determine if a Cooperative is applicable to Franchisee’s Franchised Business. If a Cooperative has been established applicable to Franchisee’s Franchised Business at the time Franchisee begins operating under this Agreement, Franchisee must immediately become a member of such Cooperative and make the required contributions to the Cooperative’s fund. If a Cooperative applicable to Franchisee’s Franchised Business is established at a later time during the term of this Agreement, Franchisee must become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative is formed. Franchisee must

comply with all guidelines and requirements applicable to the Cooperative, as set forth by PDRI or the Cooperative itself. PDRI may require a Cooperative to be formed, changed, dissolved, or merged in its sole and absolute discretion. If franchisees within a region desire to form a Cooperative, the Cooperative must first receive PDRI approval and adhere to PDRI's Cooperative Program standards as set and amended by PDRI from time to time. The Cooperative will conduct advertising campaigns for the Franchised Business(es) located in that region. Contributions to a Cooperative are determined by a majority vote of the Franchised Business(es). The Cooperatives are governed by written agreements and are available for review. The Cooperatives are not required by PDRI to prepare annual or periodic financial statements.

You may not use PDRI's name or trademarks in connection with any electronic commerce or other electronic transmission, including email communications or interactive web sites, without the prior written approval of PDRI or its designated representative. Such approval shall not be unreasonably withheld.

## **SITE SELECTION**

There are no real estate or build out requirements and PDRI does not approve the site for your Franchise Business. PDRI requires you to maintain an office in a commercial location within your territory dedicated solely to the operation of the franchise, but PDRI does not approve the location of your office or the area that you select for your office site. Franchisees usually rent offices in strip centers, light industrial parks, or suburban office parks.

## **ITEM 12: TERRITORY**

You conduct your franchise operations within a specific franchise territory described in the Franchise Agreement. While PDRI does not establish a minimum size for any territory, most territories are between 500,000 and 800,000 in population. The size and configuration of the franchise territory is based on population density, geographic location and other factors. The size of your franchise territory is determined by you and PDRI before you sign the Franchise Agreement (see Item 5, Initial Franchise Fee).

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that are owned by us or our affiliate, or from other channels of distribution or competitive brands that we or our affiliates control, as discussed more fully below. PDRI may enter into regional or national account program relationships with insurance companies, third party administrators, and property managers under which PDRI may assign jobs to franchisees. You do not have the right to enter into regional or national accounts without our prior written consent. If you do not participate, refuse assigned claims or do not qualify for any such regional or national account programs, PDRI may assign this regional or national account program work in your territory to other franchisees. In addition, franchisees operating Paul Davis Emergency Services Businesses may operate in your territory.

Your office must be located in your franchise territory. You are not required to seek PDRI's approval to re-locate your office within your franchise territory. You do not have any options, rights of first refusal or similar rights to acquire additional franchises in contiguous or other territories.

As to any territory covered by a Franchise Agreement, PDRI has not currently established a company-owned Paul Davis outlet office using our service marks and trademarks, with the exception of Paul Davis National, which may service the entire United States. While currently not self performing work, Paul Davis National may offer and sell the same type of services as your franchised business.

Except as otherwise provided in this Disclosure Document, PDRI agrees not to allow another franchisee to establish an office offering the same Paul Davis franchise services in your franchise territory. PDRI may use alternative distribution, including the Internet, within your territory under different trademarks, but PDRI does not offer any compensation to franchisees for soliciting or accepting orders from within a franchisee's territory. PDRI may grant similar franchises using our trademarks outside of your territory.

Your territory will be identified using zip code boundaries, which are subject to change. These changes are outside of the control of PDRI. Other than changes to the zip code boundaries used to define your territory, PDRI has no right to alter the territory granted to you under the Franchise Agreement. Renewal of your territory may be dependent upon the achievement of a certain sales volume, market penetration, or any other contingency, apart from your obligations under the Franchise Agreement.

In addition to the Paul Davis Emergency Services Business franchisees, some of our affiliates listed in Item 1 of this disclosure document offer franchises under different service-marks or trademarks which provide services that may be similar to, but do not necessarily compete with, some of the services you are authorized to provide as a PDRI franchisee.

We and our affiliates have and reserve the right, in our sole discretion, to: (i) establish and operate, and license third parties the right to establish and operate, other franchised businesses using the service-marks or trademarks and system at any location(s) outside of your territory; (ii) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to your franchised business under marks other than PDRI's service-marks or trademarks at any location; (iii) merge with, acquire, or be acquired by, including through purchase or sale of substantially all assets, any other person or entity, including any competitor of us or you, and continue to conduct and franchise others the right to conduct in any location any business engaged in by the merging, acquiring, acquired person or entity, including any business directly competitive with you and to identify such outlets or businesses as being related to or an affiliate of PDR or PDRI; and (v) use our service-marks, trademarks and system, and license others to use the service-marks, trademarks, and system to engage in any other activities not expressly prohibited under the Franchise Agreement within or outside your territory.






## ITEM 13: TRADEMARKS

PDRI grants each franchisee the license to use the name “Paul Davis Restoration®” and to use the PD® and PAULDAVIS® logo and phrase RECOVER RECONSTRUCT RESTORE® shown on the cover page of this disclosure document. You may use the names and logos on stationery, in advertising approved by PDRI and for other purposes consistent with the operation of the franchise and in accordance with the Operations Manual. You may not use any PDRI service mark or name to sell an unauthorized service or product or in a manner not authorized in writing by PDRI. You are also not authorized to use the name “Paul Davis” or any configuration of “Paul Davis” in the name of your business entity.

PDRI has registered the following marks with the U.S. Patent and Trademark Office:

MARK		REGISTRATION NO.	REGISTRATION DATE	REGISTER
		<del>1,661,053</del> <u>2,530,592</u>	<del>October 15, 1991</del> <u>January 15, 2002</u>	Principal
		<u>5,096,323</u>	<u>December 6, 2016</u>	<u>Principal</u>
<u>THIS IS NO TIME FOR SECOND BEST</u>		<u>5,187,710</u>	<u>April 18, 2017</u>	<u>Principal</u>
<u>YOUR BEST FRIEND ON YOUR WORST DAY</u>		<u>5,382,026</u>	<u>January 16, 2018</u>	<u>Principal</u>
		<u>5,950,993</u>	<u>December 31, 2019</u>	<u>Principal</u>
<u>PD BOARD-UP</u>		<u>7,505,089</u>	<u>September 17, 2024</u>	<u>Principal</u>

MARK	REGISTRATION NO.	REGISTRATION DATE	REGISTER
	2,530,59298567911 <u>(Serial No.)</u>	<del>January 15, 2002</del> <u>May 24, 2024</u> <u>(Application Date)</u>	<del>Principal</del> <u>(Pending)</u>
	5,096,323	December 6, 2016	Principal
THIS IS NO TIME FOR SECOND BEST	5,187,710	April 18, 2017	Principal
YOUR BEST FRIEND ON YOUR WORST DAY	5,382,026	January 16, 2018	Principal
	5,950,993	December 31, 2019	Principal
PD BOARD UP	97648563	October 26, 2022	Principal

There have never been any determinations by the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board or any state trademark administrator or court of any pending infringement, opposition or cancellation proceeding or any pending material litigation involving either of the above-referenced marks which is relevant to its use. PDRI has filed all required affidavits.

There are no agreements in effect which significantly limit the right of PDRI to use or license the use of its names and logos in any manner material to the franchise. PDRI does not know of any superior prior rights or infringing uses that could materially affect your use of its service marks.

You must comply with the Operations Manual guidelines when you use the names and logos in operating the franchise. PDRI assumes all responsibility to protect any rights to the names and logos. You are not obligated to defend against claims of infringement or unfair competition with respect to such names and logos but you are obligated to notify PDRI immediately if you

learn about an infringement of or challenge to your use of the PDRI service marks. PDRI will take the action we deem appropriate and if we ask you to assist us in defending the service marks, we will reimburse you for all costs which you incur in doing so, if such costs are approved by PDRI in writing.

You must modify or discontinue use of any PDRI service mark if PDRI modifies or discontinues it for all of our franchisees. If this happens, PDRI will not reimburse you for expenses you incur in changing signage or other uses of the service mark. Your obligations under the Franchise Agreement continue if any PDRI service mark is modified or discontinued.

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

PDRI does not own any patents which are material to the franchise. PDRI claims copyrights on its Operations Manual although it has not filed an application for a copyright registration for the Operations Manual.

Item 11 describes limitations on your use of the Operations Manual. Any material changes to the Operations Manual require vote of the Districts and General Council and if it is changed, you must comply with these changes and PDRI will not reimburse you for any expenses you incur in making these changes.

You will receive certain secret and confidential information of PDRI consisting of customer lists; and customer names and addresses, discounts and credit extensions to customers, customer contracts, designs, and status information (collectively “Customer Information”) contract forms; appraisal techniques; ideas and data contained in the Common Software and Operations Manual; knowledge of sales and profit performance of PDRI’s other franchisees; sources of construction suppliers; methods of selecting subcontractors and other methods, techniques, know-how, formulas and data relating to the operation and franchising of a Paul Davis Restoration franchise, but not including information or techniques in the public domain and generally known and used by general contractors and cleaning service suppliers other than through disclosure by you. All of the foregoing is referred to as PDRI’s “Trade Secrets.” You are prohibited from disclosing Trade Secrets and our other proprietary information to third parties, including entering such information into public/open AI models or any other AI model that uses such information to train the AI unless specifically authorized by PDRI, and you must adhere to any privacy policies we may now, or in the future, establish with respect to the Customer Information and the Trade Secrets generally.

PDRI shall disclose the Trade Secrets to you by lending to you, for the term of the Franchise Agreement, the Operations Manual and other written materials, and the Common Software, all containing the Trade Secrets, as well as through training and assistance provided to you and by and through the performance of PDRI’s other obligations under the Franchise Agreement. PDRI is the sole owner of all Trade Secrets, and you shall acquire no interest in the Trade Secrets other than the right to use them in the development and operation of the Franchise Business during the term of the Franchise Agreement. Any use or duplication of the Trade Secrets except as expressly permitted by the Franchise Agreement shall constitute an unfair method of competition and PDRI shall suffer irreparable injury from such use or duplication.

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

Either the individual franchise owner or a designated representative, who must be approved by PDRI, must personally participate in franchise operations. The designated representative of each franchise must have completed the full training program and manage the franchise on a ~~full-~~  
full-time

~~time~~-basis. The designated operator cannot have an interest in or business relationship with any competitor of PDRI or its franchisees and he or she must sign an agreement to maintain confidentiality of the trade secrets described in Item 14 and to abide by the covenants not to compete described in Item 17. Additionally, each of your employees, as well as members of their immediate families who will have access to our Trade Secrets, are required to sign a Confidentiality and Non-Compete Agreement in the form attached as Exhibit D to the Franchise Agreement prior to hiring.

Your business entity and all of your shareholders, partners, or members/managers (as applicable) must guarantee the payment of all of your monetary obligations under the Franchise Agreement, and ownership interests in your business entity must match the individual ownership percentages outlined in the Franchise Agreement. All such personal guarantors also agree to be bound by the restrictions upon your activities upon transfer, termination or expiration and nonrenewal of the Franchise Agreement. If you or your Principal Owner is married, then you or

your Principal Owner's spouse must execute a spousal acknowledgment following the signature page of the Franchise Agreement that binds the spouse under the non-competition, non-disclosure and dispute resolution provisions of the Franchise Agreement.

#### ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISE MAY SELL

The Franchise Agreement limits the goods or services which you may sell to those offered in the franchise system. You must offer all services that PDRI designates as required in your Franchise Agreement. If the General Council establishes new services, you must offer them. There are no limits on the General Council's right to establish new services.

#### 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	Section in Franchise or Other Agreement	Summary
a.	Length of the franchise term	Article 5	5 years
b.	Renewal or extension of the term	Article 5	Additional 5 years
c.	<a href="#">Requirements for franchisee to renew or extend</a>	<a href="#">Article 5</a>	<a href="#">Includes: notice of intent to renew or not renew at least 90 days but not more than 180 days prior to end of term; sign PDRI's then-current form of Franchise Agreement, which may have materially different terms and conditions from your original franchise agreement; bring computer hardware and other equipment up to then current standards; compliance throughout term and minimum sales for each of the prior two years of the greater of the national median sales amount for PDR offices in the Network or \$6.00 times the net population of the Franchise Territory and compliance with Minimum Royalty obligations; payment of renewal fee; Renewal must be executed within 90</a>

	Provision	Section in Franchise or Other Agreement	Summary
e.	<del>Requirements for franchisee to renew or extend</del>	<del>Article 5</del>	<del>Includes: notice of intent to renew or not renew at least 90 days but not more than 180 days prior to end of term; sign PDRI's then current form of Franchise Agreement, which may have materially different terms and conditions from your original franchise agreement; bring computer hardware and other equipment up to then current standards; compliance throughout term and minimum sales for each of the prior two years of the greater of the national median sales amount for PDR offices in the Network or \$6.00 times the net population of the Franchise Territory and compliance with Minimum Royalty obligations; payment of renewal fee; Renewal must be executed within 90</del>
d.	Termination by franchisee	Not applicable	Not applicable
e.	Termination by franchisor without cause	Article 17	Not applicable
f.	Termination by franchisor with cause	Article 17	Unless your state law requires a longer period to cure, you have 15 days to cure certain defaults, such as nonpayment of fees; failure to pay suppliers; failure to operate in accordance with Operations Manual and other defaults listed in Section 17.1
g.	<u>"Cause" defined - curable defaults</u>	<u>Article 17</u>	<u>Unless your state law requires a longer period to cure, you have 15 days to cure certain defaults, such as: nonpayment of fees; failure to pay suppliers; failure to operate in accordance with the Operations Manual; failure to procure, maintain, necessary licenses, certificates, or permits, and/or provide documentation evidencing compliance therewith; and other defaults listed in Section 17.1</u>

	Provision	Section in Franchise or Other Agreement	Summary
<del>g.</del>	<del>“Cause” defined – curable defaults</del>	<del>Article 17</del>	<del>Unless your state law requires a longer period to cure, you have 15 days to cure certain defaults, such as: nonpayment of fees; failure to pay suppliers; failure to operate in accordance with the Operations Manual; failure to procure, maintain, necessary licenses, certificates, or permits, and/or provide documentation evidencing compliance therewith; and other defaults listed in Section 17.1</del>
h.	“Cause” defined - non-curable defaults	Article 17	No right to cure defaults such as: failure to timely begin operation; material or repeated misrepresentation in reporting gross sales; insolvency; non-approved assignment or transfer; conviction of a felony; three or more defaults within a rolling 12 month period; abandonment of the franchise business, which includes failure to report sales for two months or more; disclosure of confidential information or misuse of proprietary information; non-renewal of the Franchise Agreement; and other defaults listed in Section 17.2.
i.	Franchisee’s obligations on termination/ nonrenewal	Article 19	Obligations include complete de-identification; payment of sums due; transfer of phone numbers and domain names; return of materials (see also r. below)
j.	Assignment of contract by franchisor	Article 20	No restriction of PDRI’s right to assign. No assignment will be made except to an assignee who, in the good faith and judgment of the Franchisor, is willing and able to assume the Franchisor’s obligations under the Franchise
k.	“Transfer” by franchisee -	Article 20	Includes transfer of contract or assets, as well as any ownership change
<u>l.</u>	<u>Franchisor approval of transfer by</u>	<u>Article 20</u>	<u>PDRI has right to approve all transfers, applying same criteria as to new franchisees</u>



<u>m.</u>	<u>Conditions for Franchisor's approval of transfer</u>	<u>Article 20</u>	<u>New franchise qualified; transfer fee paid; training agreed to; transferee must execute new franchise agreement and agree to then current royalty and fee schedule; computer hardware and other equipment brought up to current standards, if necessary; your accounts settled</u>
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	Provision	Section in Franchise or Other Agreement	Summary
l.	Franchisor approval of transfer by	Article 20	<del>PDRI has right to approve all transfers, applying same criteria as to new franchisees</del>
m.	Conditions for Franchisor's approval of transfer	Article 20	<del>New franchise qualified; transfer fee paid; training agreed to; transferee must execute new franchise agreement and agree to then current royalty and fee schedule; computer hardware and other equipment brought up to current standards, if necessary; your accounts settled</del>
n.	Franchisor's right of first refusal to acquire franchisee's business	Article 20	PDRI has right to acquire on same terms as third-party offer
o.	Franchisor's option to purchase franchisee's business	Article 19	In the event of termination of the franchise agreement PDRI has the right to purchase the franchise business for fair market
p.	Death or disability of franchisee	Article 20	Heir can inherit if conditions for approval (item m. above) are followed
q.	Non-competition covenants during the term of the franchise	Article 22	Cannot participate in competing business, disrupt employment of PDRI or PDRI affiliates, or divert business to a
r.	Non-competition covenants after the franchise is terminated or expires	Article 22	No competing business for 2 years after termination within protected territory or in other PDRI territories, and can't contact former suppliers or customers for a competitive business purpose
s.	Modification of the agreement	Article 26	Only by mutual consent
t.	<u>Integration/merger clause</u>	<u>Article 32</u>	<u>Only the terms of the Franchise Agreement are binding (subject to state law). Any other representations or promises outside of the disclosure document and franchise agreement will not be enforceable.</u>

<u>u.</u>	<u>Dispute resolution by arbitration or mediation</u>	<u>Article 23</u>	<u>All disputes (including those involving your officers and principals) must be submitted to binding arbitration under the Paul Davis internal arbitration</u>
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	Provision	Section in Franchise or Other Agreement	Summary
t.	<del>Integration/merger clause</del>	<del>Article 32</del>	<del>Only the terms of the Franchise Agreement are binding (subject to state law). Any other representations or promises outside of the disclosure document and franchise agreement will not be enforceable.</del>
u.	<del>Dispute resolution by arbitration or mediation</del>	<del>Article 23</del>	<del>All disputes (including those involving your officers and principals) must be submitted to binding arbitration under the Paul Davis internal arbitration</del>
v	Choice of forum	Article 23	Any controversy or claim arising out of or relating to the Franchise Agreement or the acquisition or operation of the franchise shall be settled by binding arbitration. Subject to state law, the forum in which the arbitration will take place is selected by the Arbitration Committee.  Subject to state law, such disputes may
w.	Choice of law	Article 29	Subject to state law, Florida law will apply.

## ITEM 18: PUBLIC FIGURES

PDRI does not use any public figures to promote its franchises.

## ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

PDRI provides historical financial performance about PDRI's existing [United States](#) outlets in Tables ~~14~~[1-4](#) below, which show the actual gross sales of operating franchised Paul Davis Restoration

Businesses that operated during calendar year ~~2023~~2024. All actual gross sales figures have been provided to PDRI by its affiliate and its franchisees, who are required by the Franchise Agreement to engage a certified public accountant to compile financial statements. However, PDRI has not audited these financial statements to determine whether they were prepared in accordance with generally accepted accounting principles. The amounts represented in Tables ~~1-4~~14 are amounts reported to PDRI by all operating Paul Davis Restoration Businesses. The term “Population” in the Tables below refers to the number of people comprising the applicable business’s territory, as designated by PDRI. In some instances, PDRI elected to exclude a certain number of people that live in the territory due to the demographics of the area, so the actual population of the territory may be higher than the number stated in the Tables below.

PDRI provides in Table 5 actual sales prices of PDRI franchises sold during the last year. All actual sales prices have been provided to PDRI by its franchisees. Franchisees who wish to

sell their PDRI franchise are required by the Franchise Agreement to submit a copy of the sale agreement between the franchisee and the franchise's buyer. Once PDRI has approved the sale, neither the buyer nor the selling franchisee are required to submit any further information concerning the sales price or evidence that the full sales price was paid. Accordingly, while PDRI has no reason to believe that any of the information provided by its franchisees concerning the sale of their PDRI franchise is incorrect or false, PDRI cannot represent or warrant that the sales figures provided to it by its franchisees is all the information available to its franchisees or that it is completely accurate.

**Some outlets have sold these amounts. Your individual results may differ. There is no assurance you will sell as much.**

Upon reasonable request, PDRI will provide you with written substantiation of the data PDRI used to prepare the financial performance representation and Tables 1-5; however, with respect to sale price information, we will not disclose the identity of any specific franchisee or the location of the franchise sold.

**Table 1**  
**20232024 GROSS SALES OF OPERATIONAL PDR BUSINESSES IN OPERATION**  
**AT LEAST TWO YEARS**

Office Name	Population	Opened Date	Gross Sales <del>2023</del> 2024
	<del>240,124</del>		\$ <del>343,857.15</del>
PDR of <del>Alexandria/St. Cloud, MN</del> <u>Augusta/Aiken</u>		<del>12/1/2016</del> <u>4/1/1999</u>	
PDR of <del>Ann Arbor, MI</del>	<del>694,422</del> <u>570,279</u>	<del>9/14/2017</del>	\$ <del>2,483,553.21</del> <u>2,807,709</u>
	<u>9</u>		
PDR of <del>Augusta/Aiken</del> <u>the Capital District</u>	<del>570,279</del>	<del>4/1/1999</del> <u>11/1/1990</u>	\$ <del>2,175,231.54</del>
	<u>864,717</u>		\$ <u>4,970,779.0</u>
PDR of <del>Baltimore</del> <u>Aurora, CO</u> <sup>1</sup>	<del>1,075,738</del>	<del>7/31/2009</del> <u>2/26/2021</u>	\$ <del>14,080,075.07</del>
	<u>493,339</u>		
<u>PDR of South Austin, TX</u>	<u>910,958</u>	<u>1/12/2010</u>	\$ <u>4,284,179.6</u>
	<del>774,418</del>	<del>6/15/2018</del> <u>7/9/2021</u>	\$ <del>2,797,382.31</del>
PDR of <del>Baton Rouge, LA</del> <u>Northeast Georgia</u>			
<u>PDR&amp;R of Broward County</u>	<u>616,387</u>	<u>4/2/2007</u>	\$ <u>3,112,984.9</u>
	<u>1,953,675</u>		\$ <u>2,306,647.6</u>
PDR of <del>Bergen County, NJ</del>	<del>799,741</del>	<u>6/1/2021</u>	\$ <del>4,241,817.34</del>
PDR of <del>Bloomington / Peoria, IL</del>	<del>487,633</del> <u>799,741</u>	<del>9/23/2008</del>	\$ <del>5,561,730.42</del> <u>3,976,091</u>
	<u>1</u>		
PDR of <del>Boston South, MA</del> <u>&amp;R of Beaufort and Jasper Counties</u>	<del>457,337</del> <u>225,899</u>	<del>12/12/2014</del> <u>2/1/1999</u>	\$ <del>10,466,385.71</del> <u>3,437,6</u>
	<u>9</u>		
<u>PDR of Greater Birmingham</u>	<u>692,112</u>	<u>9/6/2010</u>	\$ <u>4,564,423.9</u>

<u>PDR of Burbank / Beverly Hills, CA</u>	<u>330,603</u>	<u>8/22/2012</u>	<u>\$</u>	<u>833,356.7</u>
<u>PDR of Baltimore</u>	<u>1,075,738</u>	<u>7/31/2009</u>	<u>\$</u>	<u>17,296,931.5</u>

Office Name	Population	Opened Date	Gross Sales <del>2023</del> 2024
PDR of <del>Brooklyn and Staten Island</del> <u>Boston North</u>	<del>937,040</del>	<del>5/1/1998</del> <u>1/28/2022</u>	\$ <del>3,351,895.81</del>
PDR of <del>Bucks County, PA</del>	<del>653,007</del> <u>809,039</u>	<del>6/6/2013</del>	\$ <del>4,988,385.13</del> <u>561,119.</u>
<del>PDR of Bowling Green, KY</del>	<del>330,603</del> <u>301,598</u>	<del>2/7/1996</del> <u>8/22/2012</u>	\$ <del>917,645.11</del> <u>5,805,026.</u>
<del>PDR of Boston South, MA</del>	<del>465,696</del>	<del>12/12/2014</del>	\$ <del>9,550,730.6</del>
<del>PDR of Baton Rouge, LA</del>	<del>774,418</del>	<del>6/15/2019</del>	\$ <del>3,385,031.4</del>
<del>PDR of Chesapeake Bay</del>	<del>327,942</del>	<del>6/24/2005</del>	\$ <del>3,015,948.7</del>
PDR of Cape Cod & the Islands	274,181	12/17/2015	\$ <del>1,097,138.19</del> <u>777,103.7</u>
<u>Paul Davis Restoration of Carolina</u>		<u>7/18/2019</u>	
<del>PDR of Carolina Coast</del>	<del>828,637</del>	<del>7/18/2019</del>	\$ <del>6,082,958.36</del> <u>4,660,04</u>
PDR of <del>Central Connecticut</del> <u>Clackamas County, OR</u>	<del>386,581</del>	<del>8/1/1999</del> <u>4/20/2018</u>	\$ <del>1,973,168.24</del>
PDR of Central Louisiana	<del>203,271</del> <u>458,732</u>	<del>11/1/1996</del>	\$ <del>2,287,806.20</del> <u>83,872.6</u>
<del>PDR Paul Davis Restoration of Central Michigan DFW</del>	<del>377,145</del> <u>761,108</u>	<del>12/9/2008</del> <u>11/7/2022</u>	\$ <del>2,503,139.37</del> <u>3,518,34</u>
<u>Paul Davis Restoration of Central Las Vegas</u>	<u>798,411</u>	<u>6/28/2022</u>	\$ <del>6,382,758.1</del>
PDR of Central Mississippi	<del>554,231</del>	6/1/2007	\$ <del>3,739,338.94</del>
<del>PDR of Central Nebraska</del>	<del>282,339</del> <u>554,231</u>	<del>10/22/2018</del>	\$ <del>3,364,186.15</del> <u>4,592,17</u>
PDR of Central <del>Ohio</del> <u>Nebraska</u>	<del>1,659,553</del>	<del>4/2/2020</del> <u>10/22/2018</u>	\$ <del>2,141,453.43</del>
<del>PDR of Central Phoenix, AZ</del>	<del>793,301</del> <u>282,339</u>	<del>5/13/2020</del>	\$ <del>16,515,171.68</del> <u>3,444,0</u>
PDR of Central Virginia	<del>522,179</del>	1/3/2007	\$ <del>6,769,453.09</del>
<del>PDR of Charlotte</del>	<del>807,636</del> <u>522,179</u>	<del>7/1/2007</del>	\$ <del>2,847,141.46</del> <u>6,494,61</u>
PDR of Chesapeake Bay	327,942	6/24/2005	\$
PDR of Clackamas County, OR	458,732	4/20/2018	\$
PDR of Cleveland Metro	924,849	7/1/2005	\$
PDR of Cleveland Metro West	1,136,477	4/9/2004	\$
PDR of Coastal Georgia	518,681	4/1/1996	\$
PDR of Douglas County, CO	614,370	6/15/2018	\$
PDR of DuPage County	979,893	10/2/2009	\$
PDR of El Paso County, CO	797,301	4/1/2016	\$



PDR of Fort Collins, CO	640,303	11/6/2018	\$
PDR of Front Range CO	789,439	9/10/2018	\$
PDR of Greater Asheville	539,734	2/1/2001	\$
PDR of Greater Birmingham	692,112	9/6/2018	\$
PDR of Greater Chattanooga, TN	584,400	6/23/1989	\$2,870,074.222,366,26
PDR of Greater Cincinnati, OH Paul Davis of East Charlotte	649,681	10/17/2016 1/1/2022	\$ 3,493,004.73
PDR of Greater Denver, CO	705,439883,38 9	2/26/2016	\$7,556,458.912,534,79
PDR of Greater Knoxville, TN Charleston	513,939	6/12/20191 /1/2016	\$ 2,060,872.59
PDR of Greater Lawrence and Topeka	513,259837,76 8	8/1/1994	\$1,204,499.5013,075,68
PDR of Greater Philadelphia Suburbs & R of Central Georgia	1,213,431	3/6/201510/ 1/2005	\$ 7,798,065.21
PDR of Greater Reno/Tahoe, NV	571,481622,69 4	10/5/2021	\$1,173,748.602,865,794
PDR of Greater Richmond Cleveland Metro	542,7181,019, 299	7/31/201812 /30/2022	\$6,106,629.2920,281,7
PDR of Greater Rochester, NY Central Louisiana	572,523	9/22/201511 /1/1996	\$11,533,193.18
PDR of Greater St. Paul, MN	801,929203,27 1	3/23/2012	\$21,434,990.343,238,4
PDR of Greater Long Island PDR of Greenville and Spartanburg	981,6472,094, 859	8/1/1994 3/1/2019	\$4,399,473.644,395,24
PDR of Howard and Anne Arundel Central Michigan	902,950	12/1/199012 /9/2008	\$2,188,923.472,843,67
Counties Paul Davis Restoration of the Coastal	367,046	7/11/2022	\$12,587,060.04364,02
PDR of Huntsville, AL Plains, NC	719,072613,23 9	9/17/2018	\$4,970,859.921,046,21
PDR of Inland Empire the Capitol Region, MO	567,304409,30 1	4/15/200511 /8/2021	\$4,970,859.921,046,21

Office Name	Population	Opened Date	Gross Sales 20232024
PDR of Kingwood Humble, TX Paul Davis Central of San Diego County	873,770735,82 6	10/11/20162 /11/2022	\$ <del>11,348,245.18</del> 1,595,5
PDR of Lake County, IL Central Phoenix, AZ	736,567	10/4/20215/ 13/2020	\$ 4,333,561.00
PDR of Lake, Marion and Sumter Counties	855,451 793,301	9/12/2010	\$3,618,753.5816,655,5
PDR of Lancaster and Lebanon Counties Bloomington / Peoria, IL	1,845,097487, 633	6/1/20009/2 3/2008	\$5,463,464.695,199,56
PDR of Lanier Isles Northwest Connecticut	530,138844,02 5	9/12/20135/ 11/2007	\$5,352,680.783,000,09
PDR of Lee & Collier Counties Central Valley, CA	1,226,854	7/14/20063/ 21/2013	\$ 9,045,067.73
PDR of Lehigh Valley, PA	726,362758,34 5	6/14/2021	\$3,554,230.402,972,34
PDR of Lexington, Inc. DuPage County	754,458	9/1/198710/ 2/2009	\$ 6,950,174.94
PDR of Macomb County, MI	799,737973,36 8	3/1/2021	\$3,652,947.732,393,01
PDR of Manatee County Durham, NC <sup>2</sup>	419,632	12/1/19983/ 15/2021	\$ 3,290,747.64
PDR of Metro Detroit, MI	597,725790,82 2	6/25/2015	\$ 542,109.47
PDR of Metro West St. Louis North Dallas, TX	523,940	3/26/20216/ 15/2020	\$ 4,427,374.05
PDR of Montgomery-Berks, PA	779,312728,40 1	9/4/2020	\$7,601,570.698,172,63
PDR of Morris and Passaic Counties, NJ the Delmarva Peninsula	1,065,960512, 879	10/29/2012 6/8/2012	\$3,395,608.7218,880,1
PDR of New Haven and Shoreline East, CT PDR of Dayton	1,408,535	12/8/20162/ 15/2022	\$ 6,320,190.78
PDR of North Atlanta	3,005,003852, 096	1/1/2002	\$ <del>13,843,504.83</del> 514,16
PDR of North Central Florida	403,586	6/5/20149/ 1/1995	\$ 4,004,463.73
PDR of North Central Indiana	642,5831,317, 514	11/4/2016	\$3,360,143.137,115,55
PDR of North Chicago, IL East San Antonio <sup>3</sup>	750,043	12/17/20191 1/18/2022	\$ 3,102,669.93

PDR of <del>North Country, NY</del>	<del>352,887</del> <u>792,649</u>	<del>10/9/2015</del>	\$ <del>1,958,774.96</del>
PDR of <del>North County San Diego, CA</del> <u>&amp;R of The Tri-State Area</u>	<del>739,053</del> <u>1,519,203</u>	<del>2/26/2018</del> <u>11/1/1984</u>	\$ <del>3,177,771.16</del> <u>6,308,79</u>
PDR of <del>North Dallas, TX</del> <u>&amp;R of East King County, WA</u>	<del>760,156</del> <u>935,240</u>	<del>6/15/2020</del> <u>10/1/2000</u>	\$ <del>9,597,223.72</del> <u>4,275,90</u>
PDR of <del>North Dallas-Fort Worth</del>	<del>783,064</del>	<del>11/3/2021</del>	\$
PDR of <del>North Florida</del> <u>&amp;R of Elizabethtown</u>	<del>1,317,514</del>	<del>9/1/1995</del> <u>9/4/2006</u>	\$ <del>4,602,726.25</del>
PDR of <del>Northeast Denver</del>	<del>601,989</del> <u>315,461</u>	<del>2/26/2021</del>	\$ <del>4,485,589.86</del> <u>4,042,89</u>
PDR of <del>Northeast Georgia</del> <u>&amp;R of East Tampa</u>	<del>589,514</del>	<del>7/9/2021</del> <u>6/1/2000</u>	\$ <del>2,825,571.15</del>
PDR of <del>Northern Delaware</del>	<del>543,856</del> <u>767,476</u>	<del>2/26/2018</del>	\$ <del>3,814,219.73</del> <u>6,594,25</u>
PDR of <del>Northern Metroplex, TX</del> <u>Fort Collins, CO</u>	<del>697,605</del>	<del>12/12/2014</del> <u>11/6/2018</u>	\$ <del>14,351.93</del>
PDR of <del>Northern Oklahoma City</del>	<del>572,887</del> <u>640,303</u>	<del>9/28/2012</del>	\$ <del>1,040,964.89</del> <u>4,482,89</u>
PDR of <del>Northern Vermont</del> <u>&amp;R of Fairfield County</u>	<del>318,900</del>	<del>7/23/2007</del> <u>11/1/2002</u>	\$ <del>1,273,011.59</del>
PDR of <del>Northern Virginia</del>	<del>1,675,057</del> <u>965,093</u>	<del>1/2/2006</del>	\$ <del>11,587,072.03</del> <u>5,271,4</u>
PDR of <del>Northwest Connecticut</del> <u>&amp;R of the Space Coast</u>	<del>844,025</del>	<del>5/11/2007</del> <u>11/1/2011</u>	\$ <del>2,577,960.23</del>
PDR of <del>Northwest Georgia</del>	<del>510,707</del> <u>619,611</u>	<del>3/21/2019</del>	\$ <del>3,675,837.32</del> <u>8,379,10</u>
PDR of <del>Northwest Kentucky</del> <u>North Atlanta</u>	<del>189,255</del>	<del>1/13/2017</del> <u>11/1/2002</u>	\$ <del>1,216,943.05</del>
PDR of <del>Northwest Virginia</del>	<del>560,166</del> <u>3,198,230</u>	<del>11/1/1999</del>	\$ <del>5,018,093.31</del> <u>8,832,81</u>
PDR of <del>Oakland County, OH</del> <u>Greater Cincinnati, OH</u>	<del>476,928</del> <u>649,681</u>	<del>1/1/2002</del> <u>10/17/2016</u>	\$ <del>1,329,898.79</del> <u>2,332,54</u>
PDR of <del>Omaha-Nebraska</del> <u>Greater Denver, CO</u>	<del>944,758</del>	<del>6/1/1986</del> <u>2/26/2016</u>	\$ <del>18,605,339.09</del>
PDR of <del>Orange and Sussex Counties</del>	<del>544,837</del> <u>705,439</u>	<del>12/23/2014</del>	\$ <del>3,099,344.92</del> <u>15,132,4</u>
PDR of <del>Orlando, FL</del> <u>National Capital Region, VA</u>	<del>1,790,182</del> <u>1,166,655</u>	<del>2/1/1988</del> <u>9/1/1997</u>	\$ <del>9,308,462.94</del> <u>14,985,3</u>

Office Name	Population	Opened Date	Gross Sales 20232024
PDR of <del>Palm Beach County</del> <u>West Michigan</u>	<del>1,471,269</del>	<del>7/23/2021</del> <u>7/17/2020</u>	\$ <del>2,333,053.93</del>
PDR of <del>Pasco &amp; Hernando Counties, FL</del>	<del>741,160</del> <u>794,193</u>	<del>2/26/2018</del>	\$ <del>3,449,368.92</del> <u>7,087,53</u>
PDR of <del>Pinellas</del> <u>Paul Davis Restoration of Greater</u>	<del>644,308</del>	<del>10/1/1987</del> <u>6/12/2019</u>	\$ <del>7,329,423.87</del>
PDR of <del>Portland / Vancouver</del> <u>Knoxville, TN</u>	<del>1,502,363</del> <u>550,958</u>	<del>1/8/2007</del>	\$ <del>26,695,411.19</del> <u>1,343,.</u>
PDR of <del>Queens</del> <u>the Triad - East, NC</u>	<del>1,134,019</del>	<del>12/19/2019</del> <u>1/11/2022</u>	\$ <del>15,073,514.53</del>
PDR of <del>Raleigh, NC</del>	<del>786,933</del> <u>799,205</u>	<del>3/15/2021</del>	\$ <del>4,501,325.33</del> <u>3,292,65</u>
PDR of <del>Rhode Island</del> <u>Greater Rochester, NY</u>	<del>1,071,846</del>	<del>10/23/2015</del> <u>9/22/2015</u>	\$ <del>4,796,037.22</del>
PDR of <del>Rock Hill, SC</del>	<del>661,788</del> <u>750,199</u>	<del>9/27/2017</del>	\$ <del>15,082,372.96</del> <u>16,170</u>
PDR of <del>S.E. Wisconsin</del> <u>Greater Philadelphia Suburbs</u>	<del>3,331,742</del> <u>1,215,837</u>	<del>2/1/2002</del> <u>3/6/2015</u>	\$ <del>54,700,495.90</del> <u>12,150</u>
PDR of <del>Salt Lake</del> <u>Greater Richmond</u>	<del>861,169</del>	<del>12/9/2015</del> <u>7/31/2018</u>	\$ <del>646,507.97</del>
PDR of <del>Santa Clarita, CA</del>	<del>326,421</del> <u>783,878</u>	<del>1/6/2016</del>	\$ <del>2,617,836.22</del> <u>5,768,54</u>
PDR of <del>Greater St. Paul</del> <u>Davis of Sarasota, Desoto, and, MN</u>	<del>671,182</del>	<del>7/17/2019</del> <u>3/23/2012</u>	\$ <del>9,775,436.30</del> <u>20,328,1</u>
<del>Charlotte Counties</del>	<u>801,929</u>		\$ <del>9,775,436.30</del> <u>20,328,1</u>
PDR of <del>Sioux City</del> <u>North Central Florida</u>	<del>169,258</del>	<del>1/21/2005</del> <u>6/5/2014</u>	\$ <del>3,379,451.15</del>
PDR of <del>South Atlanta</del>	<del>NULL</del> <u>382,580</u>	<del>6/1/1997</del>	\$ <del>353,844.30</del> <u>3,660,783</u>
PDR of <del>South Austin, TX</del> <u>Greenville and Spartanburg</u>	<del>770,897</del> <u>981,647</u>	<del>4/12/2019</del> <u>3/1/2019</u>	\$ <del>4,690,374.88</del> <u>3,456,76</u>
PDR of <del>South Bay</del> <u>Portland / Vancouver</u>	<del>761,529</del> <u>1,502,363</u>	<del>12/31/2020</del> <u>1/8/2007</u>	\$ <del>63,982.04</del> <u>43,488,193.35</u>
PDR of <del>South Indianapolis</del> <u>Howard and Anne Arundel</u>	<del>831,498</del>	<del>5/24/2013</del> <u>12/1/1990</u>	\$ <del>4,301,171.87</del>
PDR of <del>South San Diego County, CA</del> <u>Counties</u>	<del>775,814</del> <u>945,935</u>	<del>7/20/2021</del>	\$ <del>4,268,381.33</del> <u>2,221,58</u>
PDR of <del>Southeast St. Louis, MO</del> <u>Central Connecticut</u>	<del>325,219</del>	<del>9/6/2019</del> <u>8/1/1999</u>	\$ <del>3,401,240.70</del>
PDR of <del>Southern Maryland</del>	<del>513,837</del> <u>386,58</u>	<del>4/15/2008</del>	\$ <del>1,822,549.25</del> <u>1,891,77</u>

	<u>1</u>		
PDR of <del>Southern New Hampshire</del> & <u>Huntsville, AL</u>	536,132	12/1/20019/ <u>17/2018</u>	
<del>Maine</del>	<u>719,072</u>		<del>\$(2,654.21)</del> <u>12,707,889.4</u>
PDR of <del>Southern New Jersey</del> <u>the Iowa</u> <u>Corridor</u>	636,662	4/16/20048/ <u>24/2020</u>	\$ 508,631.56
<del>PDR of Southern Wasatch</del>	1,049,094 <u>412,3</u>	9/4/2015	<del>\$(89,809.93)</del> <u>5,008,891.2</u>
	<u>13</u>		
<del>PDR of Southwestern</del> <u>&amp; R of Idaho</u>	863,337	5/31/20174 <u>/1/1993</u>	\$ 3,274,171.21
<del>PDR of St Augustine</del>	518,336 <u>628,16</u>	5/1/1992	<del>\$2,659,665.89</del> <u>6,589,56</u>
	<u>2</u>		
PDR of <del>Susquehanna Valley, PA</del> <u>Inland</u> <u>Empire</u>	574,496	6/8/20214/1 <u>5/2005</u>	\$ 1,942,930.93
<del>PDR of Tacoma, WA</del>	798,082 <u>567,30</u>	9/3/2021	<del>\$3,690,676.61</del> <u>6,121,21</u>
	<u>4</u>		
PDR of <del>Tallahassee</del> <u>South Indian</u> <u>apolis</u>	417,932	8/25/20065/ <u>24/2013</u>	\$ 2,010,871.67
<del>PDR of Tampa West</del>	679,034 <u>831,49</u>	1/23/2012	<del>\$12,496,142.59</del> <u>3,928,</u>
	<u>8</u>		
PDR of <del>the Capital District</del> <u>Kingwood</u> <u>Humble, TX</u>	864,717	11/1/199010 <u>/11/2016</u>	\$ 4,906,019.40
<del>PDR of the Capitol Region, MO</del>	409,301 <u>873,77</u>	11/8/2021	<del>\$4,649,669.05</del> <u>32,307,1</u>
	<u>0</u>		
PDR of <del>the Central Florida Panhandle</del> <u>Lake</u> <u>County, IL</u>	391,786	3/1/202110/ <u>4/2021</u>	\$ 8,700,728.87
<del>PDR of the Delmarva Peninsula</del>	506,387 <u>736,56</u>	6/8/2012	<del>\$14,184,455.97</del> <u>2,897,</u>
	<u>7</u>		
<del>PDR of the Golden Isles, GA</del> <u>&amp; R of Mid</u> <u>Michigan</u>	215,505	8/2/20195/ <u>1/1992</u>	\$ (9,798.10)
<del>PDR of the Golden Triangle, MS</del>	287,382 <u>727,95</u>	1/1/2019	<del>\$6,734,841.07</del> <u>5,777,44</u>
	<u>4</u>		
PDR of <del>the Iowa Corridor</del> <u>Lee &amp; Collier</u> <u>Counties</u>	412,313 <u>1,226,8</u>	8/24/20207/ <u>14/2006</u>	<del>\$5,271,502.84</del> <u>9,914,00</u>
	<u>54</u>		
<del>PDR of the Lincoln Nebraska</del>		<del>8/8/2005</del>	
<del>PDR of the Mountain Resorts, CO</del>	252,076 <u>479,36</u>	<del>7/15/2019</del>	<del>\$6,619,878.25</del> <u>12,907,4</u>
	<u>2</u>		
PDR of <del>The Northland</del> <u>Lexington, Inc.</u>	346,746	2/26/20189 <u>/1/1987</u>	\$ 4,993,528.88
<del>PDR of the Park Cities, TX</del>	673,681 <u>754,45</u>	11/11/2016	<del>\$ 7,759.54</del> <u>9,892,948.6</u>
	<u>8</u>		

Office Name	Population	Opened Date	Gross Sales 20232024
PDR of <del>the River Cities</del> Lanier Isles	818,745	11/28/20189/12/2013	\$ 1,449,702.82
PDR of the Sandhills	485,304581,521	3/22/2010	\$503,849.515,170,596.
PDR of <del>Wasatch Front</del> Lancaster and Lebanon Counties	761,0311,916,490	3/13/20136/1/2000	\$-46,709,479.776,209,1
PDR of <del>Washington County, OR</del> &R of South Central Wisconsin	548,6091,211,767	4/20/20185/1/1996	\$5,174,464.7819,016,8
PDR of <del>West Central, NJ</del> Lake, Marion and Sumter	778,333	6/25/20139/13/2010	\$ 5,044,967.33
PDR of West County, MO Counties	841,768892,984	2/8/2017	\$2,248,169.893,397,84
PDR of <del>West Fort Worth, TX</del> &R of Louisville, KY	518,815	10/16/20206/1/1980	\$ 3,661,315.57
PDR of West Michigan	794,1931,380,672	7/17/2020	\$4,870,322.9613,345,0
Paul Davis Restoration of Lehigh Valley, PDR of West Richmond PA	568,242753,170	1/16/20146/14/2021	\$4,019,796.003,374,09
PDR of <del>Western</del> Pennsylvania Montgomery-Berks, PA	436,868794,723	12/2/20049/4/2020	\$-12,342,738.1110,053
PDR of <del>Will and Southwest Cook</del> Macomb County, MI	790,830	11/17/20203/1/2021	\$4,570,971.954,675,54
PDR of <del>Williamsburg, VA</del> Southern Maryland	539,460	12/1/20214/15/2008	\$ 6,216,958.45
PDR of Worcester County, MA	751,050513,837	10/22/2018	\$5,054,338.411,262,36
PDR &R of Beaufort and Jasper Counties of Ann Arbor, MI	225,899	2/1/19999/14/2017	\$ 4,521,115.73
PDR &R of Bowling Green, KY	301,598752,680	3/7/1986	\$7,305,966.382,474,27
PDR &R of Broward County of Charlotte	1,953,675	4/2/20077/1/2007	\$ 2,851,492.17
PDR &R of Central Georgia	615,995807,636	10/1/2005	\$3,170,011.782,414,10
PDR &R of East King County, WA of Morris and Passaic Counties, NJ	935,2401,065,960	10/1/200010/29/2012	\$4,852,110.753,096,67
PDR &R of East Tampa Paul Davis Restoration of the Mountain	767,476	6/1/200011/21/2022	\$ 8,856,295.92

<del>PDR&amp;R of Elizabethtown</del> <u>Region, NC<sup>4</sup></u>	<del>315,461</del> <u>530,424</u>	<del>9/4/2006</del>	\$ <del>4,021,557.15</del>
<del>PDR&amp;R of Fairfield County</del> <u>Kansas City</u>	<del>943,710</del>	<del>1/1/2002</del> <u>8/8/2006</u>	\$ <del>7,206,190.25</del>
<del>PDR&amp;R of Greater Charleston</del>	<del>837,768</del> <u>1,523,343</u>	<del>1/1/2016</del>	\$ <del>9,150,935.51</del> <u>2,490,52</u>
<del>PDR&amp;R of Greater Columbia</del> <u>of Metro West St. Louis</u>	<del>933,180</del>	<del>11/1/1999</del> <u>3/26/2021</u>	\$ <del>1,441,262.73</del>
<del>PDR&amp;R of Greater Palm Springs</del>	<del>506,920</del> <u>523,940</u>	<del>9/1/1997</del>	\$ <del>5,794,099.29</del> <u>3,949,30</u>
<del>PDR&amp;R of Greater Tri-Cities</del> <u>of North Mississippi<sup>5</sup></u>	<del>1,204,235</del>	<del>5/1/1990</del> <u>11/1/2022</u>	\$ <del>6,931,708.79</del>
<del>PDR&amp;R of Idaho</del>	<del>628,162</del> <u>357,616</u>	<del>4/1/1993</del>	\$ <del>9,032,739.11</del>
<del>PDR&amp;R of Kansas City</del> <u>of the Mountain Resorts, CO</u>	<del>1,523,343</del> <u>247,759</u>	<del>8/8/2006</del> <u>7/15/2019</u>	\$ <del>2,969,549.69</del> <u>4,353,05</u>
<del>PDR&amp;R of Lincoln Nebraska</del> <u>of North Country, NY</u>	<del>479,362</del>	<del>9/9/2005</del> <u>10/9/2015</u>	\$ <del>13,240,861.14</del>
<del>PDR&amp;R of Long Island</del>	<del>1,723,841</del> <u>352,887</u>	<del>8/1/1994</del>	\$ <del>4,870,293.15</del> <u>1,706,82</u>
<del>PDR&amp;R of Louisville, KY</del>	<del>1,380,672</del>	<del>6/1/1980</del>	\$ <del>14,215,108.36</del>
<del>PDR&amp;R of Mid-Michigan</del> <u>of North County San Diego, CA</u>	<del>727,954</del> <u>739,053</u>	<del>5/1/1992</del> <u>2/6/2018</u>	\$ <del>4,564,029.50</del> <u>2,214,92</u>
<del>PDR&amp;R of New Mexico</del>	<del>794,067</del>	<del>7/1/1991</del>	\$
<del>PDR&amp;R of Northeast Indiana</del> <u>Denver</u>	<del>906,682</del>	<del>4/1/1993</del> <u>2/26/2021</u>	\$ <del>18,088,385.94</del>
<del>PDR&amp;R of Northern Nebraska</del>	<del>145,975</del> <u>645,906</u>	<del>12/1/2005</del>	\$ <del>3,763,135.05</del> <u>3,914,74</u>
<del>PDR&amp;R of Northern New Mexico</del> <u>Delaware</u>	<del>300,578</del>	<del>10/1/1996</del> <u>2/26/2018</u>	\$ <del>7,169,181.85</del>
<del>PDR&amp;R of Northwest Michigan</del>	<del>378,078</del> <u>543,856</u>	<del>2/4/2004</del>	\$ <del>2,765,121.67</del> <u>2,531,69</u>
<del>PDR&amp;R of Polk County</del> <u>Northeast Indiana</u>	<del>768,773</del>	<del>3/6/2005</del> <u>4/1/1993</u>	\$ <del>5,192,934.53</del>
<del>PDR&amp;R of Rockford</del>	<del>723,225</del> <u>906,682</u>	<del>7/1/2001</del>	\$ <del>1,785,854.59</del> <u>20,802,2</u>
<del>PDR&amp;R of South-Atlanta</del> <u>New Mexico</u>	<del>1,957,286</del>	<del>6/1/1997</del> <u>7/1/1991</u>	\$ <del>8,841,251.73</del>
<del>PDR&amp;R of South-Central Wisconsin</del>	<del>1,211,767</del> <u>794,067</u>	<del>5/1/1996</del>	\$ <del>19,269,667.68</del> <u>6,049,1</u>

Office Name	Population	Opened Date	Gross Sales <del>2023</del> 2024	
<u><a href="#">PDR of New Haven and Shoreline East, CT</a></u>	<u><a href="#">1,408,535</a></u>	<u><a href="#">12/8/2016</a></u>	\$	<u><a href="#">5,928,428.6</a></u>
<u><a href="#">PDR of The Northland</a></u>	<u><a href="#">346,746</a></u>	<u><a href="#">2/26/2018</a></u>	\$	<u><a href="#">5,091,816.8</a></u>
<u><a href="#">Paul Davis Restoration of the Golden Triangle, MS</a></u>	<u><a href="#">287,382</a></u>	<u><a href="#">1/1/2019</a></u>	\$	<u><a href="#">4,732,205.4</a></u>
<del>PDR&amp;R of South Orange County</del> <u><a href="#">Northern Nebraska</a></u>	<del>847,516</del>	<del>12/1/1997</del> <u><a href="#">12/1/2005</a></u>	<del>\$</del>	<del>2,723,528.87</del>
<u><a href="#">PDR of Northern Oklahoma City</a></u>	<u><a href="#">145,975</a></u>		\$	<u><a href="#">3,678,475.6</a></u>
<u><a href="#">PDR of Northern Vermont</a></u>	<u><a href="#">572,887</a></u>	<u><a href="#">9/28/2012</a></u>	\$	<u><a href="#">1,130,191.4</a></u>
<u><a href="#">PDR of Northwest Virginia</a></u>	<u><a href="#">318,900</a></u>	<u><a href="#">7/22/2007</a></u>	\$	<u><a href="#">1,243,621.1</a></u>
<u><a href="#">PDR of North San Antonio</a></u>	<u><a href="#">568,828</a></u>	<u><a href="#">11/1/1999</a></u>	\$	<u><a href="#">4,198,036.5</a></u>
<u><a href="#">PDR of Northeast New Jersey</a></u>	<u><a href="#">792,753</a></u>	<u><a href="#">11/18/2022</a></u>	\$	<u><a href="#">3,564,073.6</a></u>
<u><a href="#">PDR of Northern Virginia</a></u>	<u><a href="#">800,056</a></u>	<u><a href="#">6/1/2021</a></u>		
<u><a href="#">Paul Davis Restoration of Pensacola</a></u>	<u><a href="#">1,675,057</a></u>	<u><a href="#">1/2/2006</a></u>	\$	<u><a href="#">10,671,006.0</a></u>
<u><a href="#">Paul Davis Restoration of Northwest Georgia</a></u>	<u><a href="#">511,055</a></u>	<u><a href="#">2/1/2022</a></u>		
<u><a href="#">PDR of Northwest Kentucky</a></u>	<u><a href="#">520,586</a></u>	<u><a href="#">2/21/2019</a></u>	\$	<u><a href="#">4,244,850.2</a></u>
<u><a href="#">PDR&amp;R of Northwest Michigan</a></u>	<u><a href="#">189,255</a></u>	<u><a href="#">1/12/2017</a></u>	\$	<u><a href="#">2,006,910.7</a></u>
<u><a href="#">PDR of Oakland County</a></u>	<u><a href="#">378,078</a></u>	<u><a href="#">2/4/2004</a></u>	\$	<u><a href="#">2,157,874.1</a></u>
<u><a href="#">PDR of Orange and Sussex Counties</a></u>	<u><a href="#">476,928</a></u>	<u><a href="#">1/1/2002</a></u>	\$	<u><a href="#">1,241,416.1</a></u>
<u><a href="#">Paul Davis Restoration of Akron, OH</a></u>	<u><a href="#">544,837</a></u>	<u><a href="#">12/23/2014</a></u>	\$	<u><a href="#">3,149,186.2</a></u>
<u><a href="#">PDR of Omaha, Nebraska</a></u>	<u><a href="#">784,949</a></u>	<u><a href="#">12/20/2022</a></u>		
<u><a href="#">Paul Davis of Ocean County, NJ</a></u>	<u><a href="#">944,758</a></u>	<u><a href="#">6/1/1996</a></u>	\$	<u><a href="#">20,308,667.1</a></u>
<u><a href="#">PDR&amp;R of the Olympic Peninsula</a></u>	<u><a href="#">667,391</a></u>	<u><a href="#">1/26/2022</a></u>	\$	<u><a href="#">1,225,493.0</a></u>
<u><a href="#">PDR of Orlando, FL</a></u>	<u><a href="#">340,632</a></u>	<u><a href="#">3/6/2007</a></u>	\$	<u><a href="#">2,461,373.4</a></u>
<u><a href="#">PDR of Bucks County, PA</a></u>	<u><a href="#">1,790,182</a></u>	<u><a href="#">2/1/1999</a></u>	\$	<u><a href="#">8,464,382.6</a></u>
<u><a href="#">Paul Davis Restoration of Pasadena, CA</a></u>	<u><a href="#">653,007</a></u>	<u><a href="#">6/6/2012</a></u>	\$	<u><a href="#">5,458,587.8</a></u>
	<u><a href="#">775,699</a></u>	<u><a href="#">8/5/2022</a></u>	\$	<u><a href="#">1,777,893.1</a></u>



<u>Office Name</u>	<u>Population</u>	<u>Opened</u>	<u>Gross Sales 2024</u>
<u>PDR of the Central Florida Panhandle</u>	<u>391,786</u>	<u>3/1/2021</u>	<u>\$ 9,668,838.1</u>
<u>PDR&amp;R of DeKalb County</u>	<u>895,073</u>	<u>2/6/2005</u>	<u>\$ 4,420,458.2</u>
<u>Paul Davis Restoration of Piedmont, NC</u>	<u>569,717</u>	<u>11/21/2022</u>	<u>\$ 5,508,467.0</u>
<u>PDR of Pasco &amp; Hernando Counties, FL</u>	<u>741,160</u>	<u>2/26/2018</u>	<u>\$ 4,515,368.6</u>
<u>PDR&amp;R of Greater Palm Springs</u>	<u>506,920</u>	<u>9/1/1997</u>	<u>\$ 7,102,743.0</u>
<u>PDR of Allegheny County, PA</u>	<u>530,122</u>	<u>7/10/2022</u>	
<u>PDR of Queens</u>	<u>1,134,019</u>	<u>12/19/2019</u>	<u>\$ 12,880,441.8</u>
<u>PDR of Rhode Island</u>	<u>1,102,490</u>	<u>10/23/2015</u>	<u>\$ 2,900,138.8</u>
<u>PDR of Raleigh, NC</u>	<u>786,933</u>	<u>2/15/2021</u>	<u>\$ 3,383,065.9</u>
<u>PDR of Rock Hill, SC</u>	<u>661,788</u>	<u>8/27/2017</u>	<u>\$ 17,342,583.0</u>
<u>PDR of Santa Clarita, CA</u>	<u>326,421</u>	<u>1/6/2016</u>	<u>\$ 3,436,896.5</u>
<u>PDR of South Atlanta</u>		<u>6/1/1997</u>	<u>\$ 635,163.0</u>
<u>PDR&amp;R of South Atlanta</u>	<u>2,153,261</u>	<u>6/1/1997</u>	<u>\$ 7,460,267.0</u>
<u>PDR of St. Augustine</u>	<u>518,336</u>	<u>6/1/1997</u>	<u>\$ 2,988,934.1</u>
<u>PDR&amp;R of Southern California</u>	<del>766,668</del>	<u>2/1/1998</u>	<del>\$ 2,487,361.44</del>
	<u>766,668</u>		<u>\$ 2,330,206.7</u>
<u>PDR of Seminole County</u>	<u>513,078</u>	<u>8/1/2022</u>	<u>\$ 2,056,350.3</u>
<u>Paul Davis Restoration of Southeast St. Louis, MO</u>	<u>336,684</u>	<u>9/6/2019</u>	<u>\$ 2,718,635.2</u>
<u>PDR of S.E. Wisconsin</u>	<u>3,331,742</u>	<u>2/1/2002</u>	<u>\$ 55,516,948.7</u>
<u>PDR&amp;R of Southwest Missouri</u>	<del>833,577</del>	<del>4/13/2011</del>	
<u>Northern New Mexico</u>	<u>30,578</u>	<u>1/1996</u>	<u>\$ 5,402,099.62</u>
<u>PDR&amp;R of Suburban MD &amp; Washington DC</u>	<del>2,572,708</del>	<u>7/1/1988</u>	<del>\$ 15,901,628.52</del>
	<u>2,572,708</u>		<u>\$ 18,468</u>
<u>PDR of Southern New Hampshire &amp; PDR&amp;R of Suburban Virginia</u>	<u>1,166,655</u>	<u>1/28/2022</u>	<u>\$ 17,546,742.82</u>
<u>Maine</u>	<u>43,707</u>	<u>9/1/1997</u>	<u>\$ 4,155.9</u>
<u>PDR&amp;R of the Olympic Peninsula</u>	<u>340,632</u>	<u>3/6/2007</u>	
<u>South Orange County</u>	<u>284,7516</u>	<u>12/1/1997</u>	<u>\$ 2,558,792.50</u>
<u>Paul Davis Restoration of South Las Vegas<sup>10</sup></u>	<u>793.326</u>	<u>9/9/2022</u>	
<u>PDR&amp;R of the Space Coast of Southern New Jersey</u>	<del>619,611</del>	<del>11/1/2011</del>	<del>\$ 8,598,139.69</del>
	<u>163,662</u>	<u>14/16/2004</u>	<u>\$ 409,430.</u>

<u>Office Name</u>	<u>Population</u>	<u>Opened</u>	<u>Gross Sales 2024</u>
<u>PDR of South San Diego County, CA</u>	<u>775,814</u>	<u>7/20/2021</u>	<u>\$ 4,821,381.4</u>
<u>PDR of Spring, TX<sup>11</sup></u>	<u>600,974</u>	<u>10/11/2016</u>	
<u>PDR of Southwestern Idaho</u>	<u>863,337</u>	<u>5/21/2017</u>	<u>\$ 5,126,321.7</u>
<u>Paul Davis of Sarasota, Desoto, and Charlotte Counties</u>	<u>687,546</u>	<u>7/17/2019</u>	<u>\$ 6,826,284.4</u>
<u>PDR of Manatee County</u>	<u>419,632</u>	<u>12/1/1999</u>	<u>\$ 2,622,455.3</u>
<u>PDR&amp;R of the Treasure CoastSouthwest Missouri</u>	<u>601,091786,243</u>	<u>8/1/19954/13/2011</u>	<u>\$1,334,744.066,536,17</u>
<u>PDR of Binella</u>	<u>644,308</u>	<u>10/1/1997</u>	<u>\$ 7,362,917.2</u>
<u>PDR of Susquehanna Valley, PA</u>	<u>574,496</u>	<u>6/8/2021</u>	<u>\$ 1,375,171.1</u>
<u>PDR of Tacoma, WA</u>	<u>798,082</u>	<u>9/2/2021</u>	<u>\$ 6,083,910.4</u>
<u>Paul Davis Restoration of Middle Tennessee</u>	<u>1,191,809</u>	<u>6/6/2022</u>	<u>\$ 7,856,880.1</u>
<u>PDR of the Mid South</u>	<u>1,094,385</u>	<u>11/14/2022</u>	<u>\$ 4,722,960.7</u>
<u>PDR of Greater Lawrence and Topeka</u>	<u>513,259</u>	<u>8/1/1994</u>	<u>\$ 2,149,790.6</u>
<u>PDR&amp;R of The Tri-State AreaGreater Tri Cities</u>	<u>1,519,2031,197,271</u>	<u>11/1/19845/1/1990</u>	<u>\$5,296,304.474,930,03</u>
<u>PDR&amp;R of Tulsa, OK</u>	<u>647,182</u>	<u>8/1/1993</u>	<u>\$14,231,680.32</u>
<u>PDR of Tampa West</u>	<u>679,034</u>	<u>1/22/2012</u>	<u>\$ 14,487,207.5</u>
<u>Paul Davis Restoration of Tidewater, VA<sup>12</sup></u>	<u>514,880</u>	<u>9/21/2022</u>	
<u>PDR of Logan, UT</u>	<u>861,169</u>	<u>12/8/2015</u>	<u>\$ 811,057.6</u>
<u>PDR of Linden, UT</u>	<u>1,049,094</u>	<u>9/1/2015</u>	<u>\$ 158,017.8</u>
<u>PDR of Centerville, UT</u>	<u>761,031</u>	<u>2/12/2012</u>	<u>\$ 42,866,262.44</u>
<u>Paul Davis Restoration of Virginia Beach, VA</u>	<u>696,762</u>	<u>9/21/2022</u>	<u>\$ 1,895,129.8</u>
<u>PDR&amp;R of Volusia County</u>	<u>566,986</u>	<u>2/3/2003</u>	<u>\$ 3,636,505.23</u>
<u>PDR of Will and Southwest Cook County, IL</u>	<u>790,830</u>	<u>11/17/2020</u>	<u>\$ 3,589,698.0</u>
<u>PDR of Worcester County, MA</u>	<u>756,011</u>	<u>10/22/2018</u>	<u>\$ 4,539,714.1</u>

<u>Office Name</u>	<u>Population</u>	<u>Opened</u>	<u>Gross Sales 2024</u>
<u>PDR of West Central, NJ</u>	<u>778,333</u>	<u>6/25/2013</u>	<u>\$</u>
<u>PDR of Washington County, OR</u>	<u>548,609</u>	<u>4/20/2018</u>	<u>\$</u>
<u>Paul Davis Restoration of Western Colorado</u>	<u>277,048</u>	<u>11/20/2022</u>	<u>\$</u>
<u>Paul Davis Restoration of West Las Vegas<sup>10</sup></u>	<u>725,984</u>	<u>9/9/2022</u>	
<u>PDR of West Fort Worth, TX</u>	<u>518,815</u>	<u>10/16/2020</u>	<u>\$</u>
<u>Paul Davis Restoration of Williamsburg, VA</u>	<u>539,460</u>	<u>12/1/2021</u>	<u>\$</u>
<u>PDR of Western Pennsylvania</u>	<u>436,868</u>	<u>12/2/2004</u>	<u>\$</u>
<u>PDR of West Richmond</u>	<u>622,997</u>	<u>1/16/2014</u>	<u>\$</u>
<u>Paul Davis Restoration of the Triad - West, NC<sup>4</sup></u>	<u>795,328</u>	<u>11/21/2022</u>	
<u>PDR of West San Antonio<sup>3</sup></u>	<u>799,967</u>	<u>11/18/2022</u>	

Certain franchisees report multiple territories as one. In those instances, the table above shows zero sales in territory that does not separately report. The highest performing franchisee reported sales of ~~\$54,301,621~~ \$55,516,949 and the lowest reporting territory had sales of ~~\$4,267,833~~ \$4,267,833.

- \* ~~This business reported under PDR Boston South~~
- \*\* ~~This business reported under PDR Central Phoenix~~
- # ~~This business reported under PDR of Fairfield~~
- = ~~This~~ This business reported under PDR of ~~Orlando~~

Greater Denver, CO

<sup>2</sup> This business reported under PDR of Raleigh, NC

<sup>3</sup> These businesses reported under PDR of Northern San Antonio

<sup>4</sup> These businesses reported under PDR of Piedmont, NC

<sup>5</sup> This business reported under PDR of the Mid South

<sup>6</sup> These businesses reported under PDR of Bergen County, NJ

<sup>7</sup> This business reported under PDR of Central Florida Panhandle

<sup>8</sup> This business reported under PDR of Cleveland Metro

<sup>9</sup> This business reported under PDR of Western Pennsylvania

<sup>10</sup> These ~~△ This business reported under PDR of South Austin~~

~~##~~ ~~These~~ businesses reported under PDR of Central Las Vegas

<sup>11</sup> This business reported under PDR of Kingwood Humble, TX

<sup>12</sup> This ~~△ This~~ business reported under PDR of ~~East King County~~ Virginia Beach, VA

<u>TOTAL REPORTED GROSS SALES</u>	<u>\$1,099,240,532</u>
<u>NUMBER OF FRANCHISES</u>	<u>183</u>
<u>MEDIAN REPORTED GROSS SALES PER FRANCHISE</u>	<u>\$3,976,094</u>
<u>AVERAGE REPORTED GROSS SALES PER FRANCHISE</u>	<u>\$6,006,779</u>
<u>PERCENT OF FRANCHISEES (OPERATING FOR AT LEAST 2 YEARS) THAT WERE OPERATIONAL DURING 2024 THAT ATTAINED OR SURPASSED THE AVERAGE RESULTS</u>	<u>30%</u> <u>(55 out of 183)</u>

TOTAL REPORTED GROSS SALES	\$1,033,008,832
NUMBER OF FRANCHISES	177
MEDIAN REPORTED GROSS SALES PER FRANCHISE	\$4,019,796
AVERAGE REPORTED GROSS SALES PER FRANCHISE	\$5,836,208
PERCENT OF FRANCHISEES (OPERATING FOR AT LEAST 2 YEARS) THAT WERE OPERATIONAL DURING 2023 THAT ATTAINED OR SURPASSED THE AVERAGE RESULTS	29% (52 out of 177)

**Table 2**  
**20232024 GROSS SALES OF OPERATIONAL PDR BUSINESSES IN OPERATION**  
**LESS THAN TWO YEARS**

Office Name	Population	Opened Date	Gross Sales <del>2023</del> 2024
<u>PDR of Northwest Arkansas</u>	<u>725,708</u>	<u>3/15/2024</u>	\$ <u>2,590,822.91</u>
PDR of Asheville	546,192	6/8/2023	\$ <del>1,077,902.08</del> <u>3,606,103</u>
PDR of <del>Central DFW</del> <u>Cambridge, MA<sup>(a)</sup></u>	<del>761,108</del> <u>582,560</u>	<del>11/7/2022</del> <u>12/15/2023</u>	\$ <del>2,216,143.95</del>
<u>PDR of NE Cook County, IL<sup>(b)</sup></u>	<u>538,407</u>	<u>2/26/2024</u>	
<u>PDR of NW Cook County, IL</u>	<u>724,301</u>	<u>2/26/2024</u>	\$ <u>7,800,205.91</u>
<u>PDR of Greater Columbia</u>	<u>939,737</u>	<u>12/28/2023</u>	\$ <u>2,558,474.21</u>
<u>PDR of Colorado Springs, CO</u>	<u>783,626</u>	<u>8/9/2024</u>	\$ <u>518,224.41</u>
PDR of Central <del>Las Vegas</del> <u>Ohio</u>	<del>798,411</del> <u>1,701,871</u>	<del>6/28/2022</del> <u>5/26/2023</u>	\$ <del>5,580,715.42</del> <u>4,336,071</u>
<u>PDR of Cleveland Metro West</u>	<u>1,161,069</u>	<u>1/1/2023</u>	\$ <u>10,557,725.41</u>
<u>PDR of Downtown San Diego<sup>(c)</sup></u>	<u>704,392</u>	<u>9/13/2023</u>	
<u>PDR of Eastern Ohio</u>	<u>579,014</u>	<u>3/10/2023</u>	\$ <u>2,625,177.41</u>
<u>PDR of East San Fernando Valley<sup>(d)</sup></u>	<u>651,627</u>	<u>5/23/2023</u>	
<u>PDR of Palm Beach County</u>	<u>1,533,600</u>	<u>11/6/2023</u>	\$ <u>3,224,464.81</u>
<u>PDR of Greater Buffalo, NY</u>	<u>871,947</u>	<u>12/17/2024</u>	\$ <u>84,812.01</u>
<u>PDR of Greater Niagara, NY<sup>(e)</sup></u>	<u>296,981</u>	<u>12/17/2024</u>	
<u>PDR of Greater Savannah</u>	<u>586,252</u>	<u>7/31/2024</u>	\$ <u>788,602.31</u>
<u>Paul Davis Restoration of MSP-South<sup>(f)</sup></u>	<u>783,554</u>	<u>2/1/2023</u>	
<u>PDR of North Central Indiana</u>	<u>642,583</u>	<u>4/2/2024</u>	\$ <u>1,154,787.31</u>

<u>PDR of NE Indianapolis<sup>(g)</sup></u>	<u>626,437</u>	<u>6/21/2024</u>		
<u>PDR of Los Angeles Downtown<sup>(h)</sup></u>	<u>593,651</u>	<u>8/31/2023</u>		
<u>PDR of Lynchburg, Roanoke, &amp; Southside Virginia</u>	<u>710,254</u>	<u>9/13/2024</u>	<u>\$</u>	<u>41,925.1</u>

Office Name	Population	Opened Date	Gross Sales <del>2023</del> 2024
<del>PDR of Central Ohio</del> <a href="#">Paul Davis Restoration of Massachusetts</a>	<del>1,688,218</del>	<del>5/26/2023</del>	\$ <del>3,602,646.65</del>
<del>PDR of Central Valley, CA</del> <a href="#">Bay, MA<sup>(i)</sup></a>	<del>758,345</del> <a href="#">610,884</a>	<del>9/22/2023</del> <a href="#">11/27/2024</a>	\$ <del>2,936,848.02</del>
PDR of <del>Cleveland Metro</del> <a href="#">Downtown Boston</a>	<del>1,019,299</del> <a href="#">583,313</a>	<del>12/30/2022</del> <a href="#">1/15/2023</a>	\$ <del>18,217,875.08</del> <a href="#">2,305,5</a>
PDR of <del>Cleveland Metro West</del> <a href="#">Miami-Central</a>	<del>1,161,069</del> <a href="#">667,558</a>	<del>1/1/2023</del> <a href="#">2/2/4/2023</a>	\$ <del>8,580,677.66</del> <a href="#">1,985,08</a>
PDR of <del>Dayton</del> <a href="#">the Mid-Hudson Valley</a>	<del>852,096</del> <a href="#">612,498</a>	<del>2/15/2022</del> <a href="#">10/21/2024</a>	\$ <del>763,482.42</del> <a href="#">6,898.5</a>
<del>PDR of Doral &amp; NW Miami</del>	<del>630,810</del>	<del>6/9/2023</del>	\$ <del>140,338.3</del>
<del>Paul Davis of East Charlotte</del> <a href="#">Restoration of Mobile and</a>	<del>883,389</del>	<del>1/1/2022</del>	\$ <del>2,280,085.34</del>
<del>PDR of Eastern Ohio</del> <a href="#">Baldwin Counties, AL</a>	<del>579,014</del> <a href="#">456,108</a>	<del>3/10/2023</del> <a href="#">3/22/2024</a>	\$ <del>1,165,172.74</del> <a href="#">675,949.</a>
<del>PDR of Hollywood, CA</del>	<del>532,991</del>	<del>8/31/2023</del>	\$ <del>172,905.2</del>
PDR of <del>Huntington Beach</del> <a href="#">Miami-South<sup>(i)</sup></a>	<del>661,139</del> <a href="#">626,866</a>	<del>2/24/2023</del>	\$ <del>671,070.27</del>
<del>PDR of Miami Central</del> <a href="#">Paul Davis Restoration of Merrimack Valley, NH<sup>(i)</sup></a>	<del>667,558</del> <a href="#">601,104</a>	<del>2/24/2023</del> <a href="#">11/27/2024</a>	\$ <del>1,214,784.34</del>
PDR of <del>Mid-Central, NJ</del> <a href="#">Northeast Phoenix<sup>(k)</sup></a>	<del>798,080</del> <a href="#">799,422</a>	<del>6/16/2023</del> <a href="#">10/3/2023</a>	\$ <del>211,558.51</del>
PDR of <del>Middle Tennessee</del> <a href="#">Northeast Philadelphia<sup>(l)</sup></a>	<del>1,191,809</del> <a href="#">679,202</a>	<del>6/6/2022</del> <a href="#">12/27/2023</a>	\$ <del>5,744,403.41</del>
<del>PDR of North Oakland County, MI</del>	<del>546,876</del>	<del>7/21/2023</del>	\$ <del>135,983.3</del>
<del>PDR of North San Antonio</del>	<del>792,753</del>	<del>11/18/2022</del>	\$ <del>4,024,731.7</del>
PDR of Northwest Indianapolis	557,681	9/29/2023	\$ <del>116,238.35</del> <a href="#">1,570,608.</a>
<del>Paul Davis of Ocean County, NJ</del> <a href="#">PDR of Pittsburgh, PA</a>	<del>614,623</del> <a href="#">536,014</a>	<del>1/26/2022</del> <a href="#">4/26/2024</a>	\$ <del>3,178,705.98</del> <a href="#">1,069,58</a>
PDR of <del>Palm Beach County</del> <a href="#">SE Puget Sound</a>	<del>1,533,600</del> <a href="#">704,124</a>	<del>11/6/2023</del> <a href="#">3/28/2024</a>	\$ <del>178,463.63</del> <a href="#">942,783.2</a>
PDR of <del>Pasadena</del> <a href="#">Pueblo, CA</a> <sup>(m)</sup>	<del>775,699</del> <a href="#">249,851</a>	<del>8/5/2022</del> <a href="#">28/9/2024</a>	\$ <del>1,283,355.49</del>
<del>PDR of Piedmont, NC</del>	<del>569,717</del>	<del>11/21/2022</del>	\$ <del>2,695,730.3</del>

PDR of Reno/Lake Tahoe	585,161	8/7/2023	\$ <del>1,215,878.37</del> <u>6,730.43</u>
<u>PDR of Rockford, IL<sup>(b)</sup></u>	<u>726,101</u>	<u>6/10/2024</u>	
<u>PDR of Springfield/Champaign, IL</u>	<u>629,184</u>	<u>9/22/2023</u>	\$ <u>762,666.6</u>
Paul Davis <del>Central of San Diego</del> <del>County</del> <u>Restoration of South Coast, MA<sup>(i)</sup></u>	<del>735,826</del> <u>565,</u> <u>050</u>	<del>2/11/2022</del> <u>11</u> <u>/27/2024</u>	\$ <del>1,587,240.98</del>
<u>Paul Davis Restoration of Greater Myrtle</u>			
<del>PDR of Southern New Hampshire &amp;</del> <del>Maine</del> <u>Beach</u>	<del>537,505</del> <u>768,</u> <u>254</u>	<del>1/28/2022</del> <u>6/</u> <u>28/2024</u>	\$ <del>4,952,306.36</del> <u>92,411.3</u>
<u>PDR of South Central Missouri<sup>(n)</sup></u>	<u>229,755</u>	<u>7/1/2024</u>	
<u>PDR of South Dallas<sup>(o)</sup></u>	<u>576,142</u>	<u>4/30/2024</u>	
<u>PDR of the Sandhills<sup>(p)</sup></u>	<u>495,484</u>	<u>6/30/2023</u>	
<u>PDR of Southeast Minnesota</u>	<u>606,747</u>	<u>10/29/2024</u>	\$ <u>138,944.9</u>
<u>PDR of East San Gabriel Valley, CA</u>	<u>728,762</u>	<u>11/28/2023</u>	\$ <u>1,480,297.4</u>

Office Name	Population	Opened Date	Gross Sales <del>2023</del> 2024
<u>PDR of South Philadelphia<sup>(l)</sup></u>	<u>686,232</u>	<u>12/27/2023</u>	
<u>PDR of Southern Phoenix<sup>(k)</sup></u>	<u>784,210</u>	<u>10/3/2023</u>	
<u>PDR of Treasure Coast</u>	<u>701,618</u>	<u>3/5/2024</u>	<u>\$</u>
<u>Paul Davis Restoration of Tri-County, MD</u>	<u>383,575</u>	<u>8/5/2024</u>	<u>\$</u>
PDR of Tallahassee	408,976	6/2/2023	\$ <del>3,573,416.64</del> <u>8,098,342.05</u>
PDR of <del>the Coastal Plains, NC</del> <u>South Nashville, TN<sup>(q)</sup></u>	<del>613,239</del> <u>798,256</u>	<del>7/11/2022</del> <u>3/24/2023</u>	\$ <del>521,336.19</del>
PDR of <del>the Mid-South</del> <u>Temecula Valley, CA</u>	<del>1,094,385</del> <u>770,396</u>	<del>11/14/2022</del> <u>8/1/2024</u>	\$ <del>4,063,848.26</del> <u>884,400.73</u>
PDR of <del>the Triad—East, NC</del> <u>Mid-Central, NJ</u>	<del>799,205</del> <u>798,080</u>	<del>11/11/2022</del> <u>6/16/2023</u>	\$ <del>2,170,616.94</del> <u>1,006,592.92</u>
PDR of <del>Virginia Beach, VA</del> <u>St. George, UT</u>	<del>696,762</del> <u>278,200</u>	<del>9/21/2022</del> <u>3/28/2024</u>	\$ <del>981,691.85</del> <u>816,848.30</u>
<u>PDR of Ventura/Santa Barbara<sup>(r)</sup></u>	<u>770,444</u>	<u>12/28/2023</u>	
PDR of West Austin	751,667	6/19/2023	\$ <del>304,471.59</del> <u>1,507,908.85</u>
<u>PDR of Hollywood, CA</u>	<u>532,991</u>	<u>8/31/2023</u>	<u>\$</u>
<u>PDR of Westmoreland County, PA<sup>(s)</sup></u>	<u>536,089</u>	<u>4/26/2024</u>	
<del>PDR</del> <u>Paul Davis Restoration</u> of West LA	720,695	4/11/2023	\$ <del>645,368.04</del> <u>1,814,903.65</u>
<u>PDR of West County, MO<sup>(t)</sup></u>	<u>721,410</u>	<u>3/29/2024</u>	
PDR of West San Fernando Valley	780,490	5/3/2023	\$ <del>1,628,329.71</del> <u>3,404,450.28</u>
<del>PDR of Western Colorado</del>	<del>277,048</del>	<del>11/30/2022</del>	<del>\$</del>
PDR of Yellowstone County, MT	204,225	11/17/2023	\$ <del>175.00</del> <u>1,409,471.88</u>

<sup>(o)</sup>This business reported under PDR of South San Diego County, CA in Table 1 above and is excluded from the calculations below.



<sup>(e)</sup> This business reported under PDR of Greater Rochester, NY in Table 1 above and is excluded from the calculations below.

<sup>(f)</sup> This business reported under PDR of Greater St. Paul, MN in Table 1 above and is excluded from the calculations below.

~~##~~<sup>(g)</sup> These businesses reported under PDR of ~~Kingwood Humble~~ Boston South in Table 1 above and are excluded from the calculations below.

<sup>(k)</sup> These businesses reported under PDR of Central Phoenix, AZ in Table 1 above and are excluded from the calculations below.

<sup>(l)</sup> These businesses reported under PDR of Lancaster and Lebanon Counties in Table 1 above and are excluded from the calculations below.

~~=~~<sup>(m)</sup> This business reported under PDR of ~~Western Pennsylvania~~ Greater Denver, CO in Table 1 above and is excluded from the calculations below. ~~+~~

<sup>(a)</sup> This business reported under PDR of ~~Orlando~~ Southwest Missouri in Table 1 above and is excluded from the calculations below.

<sup>(a)</sup> This business reported under PDR of Central DFW in Table 1 above and is excluded from the calculations below.

<sup>(p)</sup> This business reported under PDR of Raleigh, NC in Table 1 above and is excluded from the calculations below.

<sup>(a)</sup> This business reported under PDR of Santa Clarita, CA in Table 1 above and is excluded from the calculations below.

<sup>(a)</sup> This business reported under PDR of Metro West St. Louis in Table 1 above and is excluded from the calculations below.

Certain franchisees report multiple territories as one. In those instances, the table above shows zero sales in territory that does not separately report. The highest performing franchisee reported sales of \$~~7,011,120~~ 10,557,726 and the lowest reporting territory had sales of \$~~80,006,899~~.

<sup>(a)</sup> This business reported under PDR of ~~Northeast Denver~~ Downtown Boston

<sup>(a)</sup> This business reported under PDR of ~~Southern New Hampshire and Maine~~ Northwest Cook County, IL

<sup>(a)</sup> This business reported under PDR of ~~Raleigh~~

<sup>(a)</sup> This business reported under PDR of ~~North West San Antonio~~ Fernando Valley, CA

<sup>(a)</sup> This business reported under PDR of ~~Piedmont~~ Northwest Indianapolis

<sup>(a)</sup> This business reported under PDR of ~~the Midsouth~~ Hollywood, CA

<sup>(a)</sup> This business reported under PDR of ~~Bergen County~~ Miami-Central

<sup>(a)</sup> This business reported under PDR of ~~Central Florida Panhandle~~ Middle Tennessee

<sup>(a)</sup> This business reported under PDR of ~~Central Las Vegas~~ Pittsburgh, PA

#### ~~TOTAL REPORTED GROSS SALES~~

~~\$89,752,975~~

#### TOTAL REPORTED GROSS SALES

\$79,430,092

#### NUMBER OF FRANCHISES

45

#### MEDIAN REPORTED GROSS SALES PER FRANCHISE

\$1,006,593

#### AVERAGE REPORTED GROSS SALES PER FRANCHISE

\$1,765,113

#### PERCENT OF FRANCHISEES (OPERATING FOR LESS THAN 2 YEARS) THAT WERE OPERATIONAL DURING 2023 THAT ATTAINED OR SURPASSED THE AVERAGE RESULTS

31%  
(14 out of 45)

~~NUMBER OF FRANCHISES 36~~

#### ~~MEDIAN REPORTED GROSS SALES PER FRANCHISE~~

~~\$1,435,298~~

#### ~~AVERAGE REPORTED GROSS SALES PER FRANCHISE~~

~~\$2,493,138~~

**PERCENT OF FRANCHISEES (OPERATING FOR LESS THAN 2 YEARS) THAT WERE OPERATIONAL DURING 2023 THAT ATTAINED OR SURPASSED THE AVERAGE RESULTS**

33%  
(12 out of 36)

**Table 3**  
**GROSS SALES OF FRANCHISES SOLD OR TRANSFERRED DURING ~~2023~~2024**

State	Population	Gross Sales <del>2023</del> 2024 \$
<del>California</del> Colorado	<del>758,345</del> 467,367	<del>2,936,848</del> 2,529,000
<del>California</del> Colorado	<del>326,421</del> 601,989	<del>2,617,836</del> 2,529,000
Florida	<del>1,527,592</del> 690,869	<del>2,333,054</del> 273,917
<del>Florida</del> Georgia	<del>408,663</del> 518,681	<del>2,010,872</del> 1,717,188
<del>North Carolina</del> Illinois	<del>546,192</del> 723,225	<del>3,309,095</del> 1,106,488
<del>North Carolina</del> Indiana	<del>495,484</del> 642,583	<del>503,850</del> 202,666
Massachusetts	751,050	4,539,714
Massachusetts	458,605	9,550,731
Massachusetts	769,469	561,120
Massachusetts	457,337	9,550,731
Massachusetts	751,050	4,539,714
Missouri	841,768	67,171
New Hampshire	537,505	4,155,961
New Jersey	636,662	409,431

<u>State</u>	<u>Population</u>	<u>Gross Sales 2024 \$</u>
<u>Rhode Island</u>	<u>1,071,846</u>	<u>9,550,731</u>
South Carolina	<del>939,737</del> <u>225,899</u>	<del>1,441,263</del> <u>3,437,662</u>
<u>Virginia</u>	<u>560,166</u>	<u>4,198,037</u>

**Table 4**  
**GROSS SALES OF FRANCHISES TERMINATED OR CEASED OPERATING DURING**  
**~~2023~~2024**

<u>State</u>	<u>Population</u>	<u>Gross Sales <del>2023</del><u>2024</u> \$</u>
<del>Illinois</del> <u>California</u>	<del>796,542</del> <u>661,139</u>	<del>3,102,670</del> <u>333,585</u>
<del>Kentucky</del> <u>Colorado</u>	<del>818,745</del> <u>797,301</u>	<del>1,449,703</del> <u>206,325</u>
<u>Florida</u>	<u>604,827</u>	<u>396,741</u>
<u>Florida</u>	<u>630,810</u>	(consolidated sales with location above)
<u>Iowa</u>	<u>169,258</u>	<u>4,410,078</u>
Michigan	<del>597,725</del> <u>546,876</u>	<del>542,109</del> <u>69,627.28</u>
<del>Minnesota</del> <u>New York</u>	<del>240,124</del> <u>1,768,000</u>	<del>343,857</del> <u>1,356,455</u>

**Table 5**  
**RESALE VALUATIONS DURING ~~2023~~2024**

<u>Closing Date</u>	<u>Selling Price \$</u>	<u>Sales in Prior 12 months \$</u>	<u>Price to Sales Ratio</u>	<u>Population</u>	<u>Price per capita</u>	<u>Buyer and seller related</u>
<del>12/28/2023</del> <u>3/5/2024</u>	<del>1,500,000</del> <u>425,000</u>	<del>2,936,848</del> <u>273,917</u>	<del>0.51</del> <u>1.55</u>	<del>758,345</del> <u>690,869</u>	<del>1.98</del> <u>0.615</u>	<del>no</del> <u>No</u>
<del>12/28/2023</del> <u>3/28/2024</u>	<del>1,107,157</del> <u>740,000</u>	<del>2,617,836</del> <u>67,171</u>	<del>0.42</del> <u>11.02</u>	<del>326,421</del> <u>841,768</u>	<del>3.39</del> <u>0.88</u>	<del>no</del> <u>No</u>
<del>11/7/2023</del> <u>4/2/2024</u>	<del>1,700,000</del> <u>586,000</u>	<del>2,333,054</del> <u>202,666</u>	<del>0.73</del> <u>2.89</u>	<del>1,527,592</del> <u>642,583</u>	<del>1.11</del> <u>0.912</u>	<del>no</del> <u>No</u>
<del>6/1/2023</del> <u>5/31/2024</u>	<del>800,000</del> <u>425,000</u>	<del>2,010,872</del> <u>1,106,488</u>	<del>0.40</del> <u>0.38</u>	<del>408,663</del> <u>723,225</u>	<del>1.96</del> <u>0.588</u>	<del>no</del> <u>No</u>
<del>6/8/2023</del> <u>7/1/2024</u>	<del>1,400,000</del> <u>2,529,000</u>	<del>3,309,095</del> <u>3,914,740</u>	<del>0.42</del> <u>0.65</u>	<del>546,192</del> <u>467,367</u>	<del>2.56</del> <u>5.41</u>	<del>no</del> <u>No</u>
<del>6/30/2023</del> <u>7/1/2024</u>	<del>185,000</del> <u>2,529,000</u>	<del>503,850</del> <u>3,914,740</u>	<del>0.37</del> <u>0.65</u>	<del>495,484</del> <u>601,989</u>	<del>0.37</del> <u>4.21</u>	<del>no</del> <u>No</u>
<del>12/28/2023</del> <u>7/31/2024</u>	<del>345,000</del> <u>565,000</u>	<del>1,441,263</del> <u>1,717,188</u>	<del>0.24</del> <u>0.33</u>	<del>939,737</del> <u>518,681</u>	<del>0.37</del> <u>1.09</u>	<del>no</del> <u>No</u>
<u>8/28/2024</u>	<u>2,000,000</u>	<u>4,539,714</u>	<u>0.44</u>	<u>751,050</u>	<u>2.66</u>	<u>No</u>
<u>9/12/2024</u>	<u>300,360</u>	<u>3,437,662</u>	<u>0.09</u>	<u>225,899</u>	<u>1.33</u>	<u>No</u>
<u>10/4/2024</u>	<u>65,000</u>	<u>409,431</u>	<u>0.16</u>	<u>636,662</u>	<u>0.102</u>	<u>No</u>
<u>11/15/2024</u>	<u>7,188,835</u>	<u>561,120</u>	<u>12.82</u>	<u>537,505</u>	<u>13.37</u>	<u>No</u>
<u>11/15/2024</u>	<u>7,188,835</u>	<u>9,550,731</u>	<u>0.75</u>	<u>1,071,846</u>	<u>6.71</u>	<u>No</u>
<u>11/15/2024</u>	<u>7,188,835</u>	<u>9,550,731</u>	<u>0.75</u>	<u>751,050</u>	<u>9.57</u>	<u>No</u>
<u>11/15/2024</u>	<u>7,188,835</u>	<u>9,550,731</u>	<u>0.75</u>	<u>458,605</u>	<u>15.7</u>	<u>No</u>
<u>11/15/2024</u>	<u>7,188,835</u>	<u>4,155,961</u>	<u>1.73</u>	<u>769,469</u>	<u>9.34</u>	<u>No</u>
<u>11/15/2024</u>	<u>7,188,835</u>	<u>4,539,714</u>	<u>1.58</u>	<u>457,337</u>	<u>15.7</u>	<u>No</u>

<a href="#">12/23/2024</a>	<a href="#">3,100,000</a>	<a href="#">4,198,037</a>	<a href="#">0.74</a>	<a href="#">560,166</a>	<a href="#">5.53</a>	<a href="#">No</a>
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3 sales were of combined operations and are reported above as one transaction.

Other than the preceding financial performance representation, Paul Davis Restoration, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Laura Ferrante at Paul Davis

Restoration, Inc., 7251 Salisbury Road, Suite 6, Jacksonville, FL 32256; Tel: (904) 737-2779, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**  
**Systemwide Outlet Summary**  
**For fiscal years ending December 31, ~~2021~~, 2022, 2023, 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
<del>Franchised</del>	<del>2021</del>	<del>195</del>	<del>211</del>	<del>+15</del>
<u>Franchised</u>	2022	211	224	+13
	2023	224	245	+21
<del>Company-Owned</del>	<del>2021</del>	<del>0</del>	<del>245</del>	<del>0</del>
	<u>2024</u>	<u>245</u>	<u>266</u>	<u>+21</u>
<u>Company-Owned</u>	2022	0	0	0
	2023	0	0	0
<del>Total Outlets</del>	<del>2021</del>	<del>1960</del>	<del>2120</del>	<del>+160</del>
	<u>2024</u>	<u>245</u>	<u>266</u>	<u>+21</u>
<u>Total Outlets</u>	2022	212	224	+12
	2023	224	245	+21
	<u>2024</u>	<u>245</u>	<u>266</u>	<u>+21</u>

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than Franchisor)**  
**For fiscal years ending December 31, ~~2021~~, 2022, 2023, 2024**

State	Year	Number of
<del>California</del>	<del>2021</del>	<del>0</del>
<u>California</u>	2022	1
	2023	2
<del>Colorado</del>	<del>2021</del>	<del>0</del>
	<u>2024</u>	<u>0</u>
<u>Colorado</u>	2022	0
	2023	3
<del>Florida</del>	<del>2021</del>	<del>3</del>
	<u>2024</u>	<u>2</u>
<u>Florida</u>	2022	1
	2023	2
<del>Georgia</del>	<del>2021</del>	<del>1</del>
	<u>2024</u>	<u>1</u>
<u>Georgia</u>	2022	0
	<del>2023</del>	<del>0</del>
<del>Idaho</del>	<del>2021</del>	<del>0</del>
	<del>2022</del>	<del>0</del>
	<del>2023</del>	<del>2</del>

State	Year	Number of Transfers
<del>Illinois</del>	<del>2021</del> <u>2023</u>	<del>1</del> <u>0</u>
	<u>2024</u>	<u>1</u>
<u>Idaho</u>	<u>2022</u>	<u>0</u>
	<u>2023</u>	<u>2</u>
	<u>2024</u>	<u>0</u>
<u>Illinois</u>	2022	1
	<u>2023</u>	<u>0</u>
	<u>2024</u>	<u>1</u>
<u>Indiana</u>	<u>2022</u>	<u>0</u>
	2023	0
	<u>2024</u>	<u>1</u>
<del>Mississippi</del> <u>Massachusetts</u>	<del>2021</del> <u>2022</u>	0
	<u>2023</u>	<u>0</u>
	<u>2024</u>	<u>5</u>
<u>Mississippi</u>	2022	1
	2023	0
<del>Missouri</del>	<del>2021</del> <u>2024</u>	0
<u>Missouri</u>	2022	1
	2023	0
<del>Nebraska</del>	<del>2021</del> <u>2024</u>	<del>0</del> <u>1</u>
<u>Nebraska</u>	2022	2
	2023	0
<del>Nevada</del>	<del>2021</del> <u>2024</u>	0
<u>Nevada</u>	2022	3
	2023	1
<del>New Jersey</del>	<del>2021</del> <u>2024</u>	<del>2</del> <u>0</u>
<u>New Hampshire</u>	2022	<del>0</del> <u>1</u>
	2023	0
<del>New Hampshire</del>	<del>2021</del> <u>2024</u>	<del>0</del> <u>1</u>
<u>New Jersey</u>	2022	<del>1</del> <u>0</u>
	2023	0
<del>North Carolina</del>	<del>2021</del> <u>2024</u>	1
<u>North Carolina</u>	2022	0
	2023	2
<del>Ohio</del>	<del>2021</del> <u>2024</u>	0
<u>Ohio</u>	2022	3
	2023	0
<del>Pennsylvania</del>	<del>2021</del> <u>2024</u>	0
<u>Pennsylvania</u>	2022	1
	2023	0
<del>South Carolina</del>	<del>2021</del> <u>2024</u>	0
<u>Rhode Island</u>	2022	0
	2023	<del>1</del> <u>0</u>



<del>Tennessee</del>	<del>2021</del>	<del>0</del>
	<del>2022</del>	<del>2</del>
	<del>2023</del>	<del>0</del>
<del>Texas</del>	<del>2021</del> <u>2024</u>	1
<u>South Carolina</u>	2022	0
	2023	<del>0</del> <u>1</u>
<del>Utah</del>	<del>2021</del> <u>2024</u>	<del>0</del> <u>1</u>
<u>Tennessee</u>	2022	<del>3</del> <u>2</u>
	2023	0
<del>Virginia</del>	<del>2021</del>	<del>0</del>
	<del>2022</del>	<del>0</del>
	<del>2023</del>	<del>1</del>
<del>Totals</del>	<del>2021</del>	<del>9</del>
	<del>2022</del>	<del>20</del>
	<del>2023</del>	<del>14</del>



<u>Colorado</u>	2022	<del>22</del> 8	1	0	0	0	0	<del>23</del> 9
	<del>2023</del>	<del>23</del>	<del>4</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>27</del>
<del>Georgia</del>	<del>2021</del> <u>20</u>	9	0	0	0	0	0	9
	<del>23</del> <u>24</u>	9	<del>0</del> 2	1	0	0	0	<del>8</del> 10
<u>Connecticut</u>	<del>2023</del> <u>20</u>	<del>8</del> 3	0	0	0	0	0	<del>8</del> 3
<del>Idaho</del>	<del>2021</del> <u>20</u>	<del>2</del> 3	0	0	0	0	0	<del>2</del> 3
	<del>23</del> <u>24</u>	<del>2</del> 3	0	0	0	0	0	<del>2</del> 3
<u>Delaware</u>	<del>2023</del> <u>20</u>	<del>2</del> 1	0	0	0	0	0	<del>2</del> 1
<del>Illinois</del>	<del>2021</del> <u>20</u>	<del>5</del> 1	<del>1</del> 0	0	0	0	0	<del>6</del> 1
	<del>23</del> <u>24</u>	<del>6</del> 1	0	0	0	0	0	<del>6</del> 1
<u>Florida</u>	<del>2023</del> <u>20</u>	<del>6</del> 22	1	<del>1</del> 0	0	0	0	<del>6</del> 23
<del>Indiana</del>	<del>2021</del> <u>20</u>	<del>4</del> 23	<del>0</del> 4	0	0	0	0	<del>4</del> 27
	<del>23</del> <u>24</u>	<del>4</del> 27	0	<del>1</del> 2	0	0	0	<del>3</del> 25
<u>Georgia</u>	<del>2023</del> <u>20</u>	<del>3</del> 9	<del>1</del> 0	<del>0</del> 1	0	0	0	<del>4</del> 8
<del>Iowa</del>	<del>2021</del> <u>20</u>	<del>2</del> 8	0	0	0	0	0	<del>2</del> 8
	<del>23</del> <u>24</u>	<del>2</del> 8	0	0	0	0	0	<del>2</del> 8
<del>Kansas</del>	<del>2021</del>	<del>2</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>2</del>
<u>Idaho</u>	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
<del>Kentucky</del>	<del>2021</del>	<del>7</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>7</del>
	<del>2022</del>	<del>7</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>7</del>
	<del>2023</del>	<del>7</del>	<del>0</del>	<del>0</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>6</del>

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquire d by Franchisor	Ceased Operatio ns – Other	Outlet s at End of the
<del>Louisiana</del>	<del>2021</del> <u>2024</u>	2	0	0	0	0	0	2
<u>Illinois</u>	2022	<del>26</del>	0	0	0	0	0	<del>26</del>
	2023	<del>26</del>	<del>0</del> <u>1</u>	<del>0</del> <u>1</u>	0	0	0	<del>26</del>
<del>Maine</del>	<del>2021</del> <u>2024</u>	<del>16</del>	<del>0</del> <u>2*</u>	<del>1</del> <u>0</u>	0	0	0	<del>08</del>
<u>Indiana</u>	2022	<del>04</del>	0	<del>0</del> <u>1</u>	0	0	0	<del>03</del>
	2023	<del>03</del>	<del>0</del> <u>1</u>	0	0	0	0	<del>04</del>
<del>Maryland</del>	<del>2021</del> <u>2024</u>	<del>74</del>	<del>0</del> <u>1</u>	<del>1</del> <u>0</u>	0	0	0	<del>65</del>
<u>Iowa</u>	2022	<del>62</del>	0	0	0	0	0	<del>62</del>
	2023	<del>62</del>	0	0	0	0	0	<del>62</del>
<del>Massachu- setts</del>	<del>2021</del> <u>2024</u>	<del>52</del>	0	1	0	0	0	<del>41</del>
<u>Kansas</u>	2022	<del>42</del>	<del>1</del> <u>0</u>	0	0	0	0	<del>52</del>
	2023	<del>52</del>	<del>2</del> <u>0</u>	0	0	0	0	<del>72</del>
<del>Michigan</del>	<del>2021</del> <u>2024</u>	<del>82</del>	<del>1</del> <u>0</u>	<del>1</del> <u>0</u>	0	0	0	<del>82</del>
<u>Kentucky</u>	2022	<del>87</del>	0	0	0	0	0	<del>87</del>
	2023	<del>87</del>	<del>1</del> <u>0</u>	<del>1</del> <u>0</u>	<del>0</del> <u>1</u>	0	0	<del>86</del>
<del>Minnesota</del>	<del>2021</del> <u>2024</u>	<del>46</del>	0	0	0	0	0	<del>46</del>
<u>Louisiana</u>	2022	<del>42</del>	0	0	0	0	0	<del>42</del>
	2023	<del>42</del>	<del>1</del> <u>0</u>	<del>1</del> <u>0</u>	0	0	0	<del>42</del>
<del>Mississippi</del>	<del>2021</del> <u>2024</u>	2	0	0	0	0	0	2
<u>Maryland</u>	2022	<del>26</del>	0	0	0	0	0	<del>26</del>
	2023	<del>26</del>	0	0	0	0	0	<del>26</del>
<del>Missouri</del>	<del>2021</del> <u>2024</u>	<del>36</del>	<del>2</del> <u>1</u>	0	0	0	0	<del>57</del>
<u>Massachu- setts</u>	2022	<del>54</del>	<del>0</del> <u>1</u>	0	0	0	0	5
	2023	5	<del>0</del> <u>2</u>	0	0	0	0	<del>57</del>
<del>Montana</del>	<del>2021</del> <u>2024</u>	<del>07</del>	<del>0</del> <u>2</u>	0	0	0	0	<del>09</del>
<u>Michigan</u>	2022	<del>08</del>	0	0	0	0	0	<del>08</del>
	2023	<del>08</del>	1	<del>0</del> <u>1</u>	0	0	0	<del>18</del>
<del>Nebraska</del>	<del>2021</del> <u>2024</u>	<del>48</del>	0	<del>0</del> <u>1</u>	0	0	0	<del>47</del>
<u>Minnesota</u>	2022	4	0	0	0	0	0	4
	2023	4	<del>0</del> <u>1</u>	<del>0</del> <u>1</u>	0	0	0	4
<del>Nevada</del>	<del>2021</del> <u>2024</u>	<del>04</del>	1*	0	0	0	0	<del>15</del>

<u>Mississippi</u>	2022	<del>1</del> <u>2</u>	<del>3</del> <u>0</u>	0	0	0	0	<del>4</del> <u>2</u>
	2023	<del>4</del> <u>2</u>	0	0	0	0	0	<del>4</del> <u>2</u>
	<del>2021</del> <u>20</u> <del>24</del>	<del>1</del> <u>2</u>	0	0	0	0	0	<del>1</del> <u>2</u>
<u>Missouri</u>	2022	<del>1</del> <u>5</u>	0	0	0	0	0	<del>1</del> <u>5</u>
	2023	<del>1</del> <u>5</u>	0	0	0	0	0	<del>1</del> <u>5</u>
	<del>2021</del> <u>20</u> <del>24</del>	<del>4</del> <u>5</u>	<del>2</del> <u>1</u>	0	0	0	0	6
<u>Montana</u>	2022	<del>6</del> <u>0</u>	<del>1</del> <u>0</u>	0	0	0	0	<del>7</del> <u>0</u>
	2023	<del>7</del> <u>0</u>	1	0	0	0	0	<del>8</del> <u>1</u>
	<del>2021</del> <u>20</u> <del>24</del>	<del>2</del> <u>1</u>	0	0	0	0	0	<del>2</del> <u>1</u>
<u>Nebraska</u>	2022	<del>2</del> <u>4</u>	0	0	0	0	0	<del>2</del> <u>4</u>
	2023	<del>2</del> <u>4</u>	0	0	0	0	0	<del>2</del> <u>4</u>
	<del>2021</del> <u>20</u> <del>24</del>	<del>1</del> <u>0</u> <u>4</u>	0	0	0	0	0	<del>1</del> <u>0</u> <u>4</u>
<u>Nevada</u>	2022	<u>1</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
	<del>2022</del> <u>20</u> <del>23</del>	<del>1</del> <u>0</u> <u>4</u>	0	0	0	0	0	<del>1</del> <u>0</u> <u>4</u>
	<del>2023</del> <u>20</u> <del>24</del>	<del>1</del> <u>0</u> <u>4</u>	0	0	0	0	0	<del>1</del> <u>0</u> <u>4</u>

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquire d by Franchisor	Ceased Operatio ns – Other	Outlet s at End of the
<del>New North Carolina</del> <u>Hampshire</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>5</del> <u>1</u>	<del>2</del> <u>0</u>	0	0	0	0	<del>7</del> <u>1</u>
	<del>2022</del> <u>20</u> <u>23</u>	<del>7</del> <u>1</u>	<del>5</del> <u>0</u>	0	0	0	0	<del>12</del> <u>1</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>12</del> <u>1</u>	<del>0</del> <u>1</u>	0	0	0	0	<del>12</del> <u>2</u>
<del>Ohio</del> <u>New Jersey</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>7</del> <u>6</u>	<del>0</del> <u>1</u>	0	0	0	0	7
	<del>2022</del> <u>20</u> <u>23</u>	7	<del>0</del> <u>1</u>	<del>1</del> <u>0</u>	0	0	0	<del>6</del> <u>8</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>6</del> <u>8</u>	<del>1</del> <u>0</u>	0	0	0	0	<del>7</del> <u>8</u>
<del>Oklahoma</del> <u>New Mexico</u>	<del>2021</del> <u>20</u> <u>22</u>	2	0	0	0	0	0	2
	<del>2022</del> <u>20</u> <u>23</u>	2	0	0	0	0	0	2
	<del>2023</del> <u>20</u> <u>24</u>	2	0	0	0	0	0	2
<del>Oregon</del> <u>New York</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>2</del> <u>10</u>	0	0	0	0	0	<del>2</del> <u>10</u>
	<del>2022</del> <u>20</u> <u>23</u>	<del>2</del> <u>10</u>	0	0	0	0	0	<del>2</del> <u>10</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>2</del> <u>10</u>	<del>0</del> <u>3</u>	0	<del>0</del> <u>1</u>	0	0	<del>2</del> <u>12</u>
<del>Pennsyl- North Carolina</del> <u>Delaware</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>6</del> <u>7</u>	<del>2</del> <u>5</u>	0	0	0	0	<del>8</del> <u>12</u>
	<del>2022</del> <u>20</u> <u>23</u>	<del>8</del> <u>12</u>	0	0	0	0	0	<del>8</del> <u>12</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>8</del> <u>12</u>	0	0	0	0	0	<del>8</del> <u>12</u>
<del>Rhode Island</del> <u>Ohio</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>1</del> <u>7</u>	0	<del>0</del> <u>1</u>	0	0	0	<del>1</del> <u>6</u>
	<del>2022</del> <u>20</u> <u>23</u>	<del>1</del> <u>6</u>	<del>0</del> <u>1</u>	0	0	0	0	<del>1</del> <u>7</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>1</del> <u>7</u>	0	0	0	0	0	<del>1</del> <u>7</u>
<del>South Carolina</del> <u>Oklahoma</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>5</del> <u>2</u>	0	0	0	0	0	<del>5</del> <u>2</u>
	<del>2022</del> <u>20</u> <u>23</u>	<del>5</del> <u>2</u>	0	0	0	0	0	<del>5</del> <u>2</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>5</del> <u>2</u>	0	0	0	0	0	<del>5</del> <u>2</u>
<del>Tennessee</del> <u>Oregon</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>6</del> <u>2</u>	0	<del>1</del> <u>0</u>	0	0	0	<del>5</del> <u>2</u>
	<del>2022</del> <u>20</u> <u>23</u>	<del>5</del> <u>2</u>	0	0	0	0	0	<del>5</del> <u>2</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>5</del> <u>2</u>	<del>1</del> <u>0</u>	0	0	0	0	<del>6</del> <u>2</u>
<del>Texas</del> <u>Pennsyl- Delaware</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>12</del> <u>8</u>	<del>5</del> <u>0</u>	<del>1</del> <u>0</u>	0	0	0	<del>16</del> <u>8</u>
	<del>2022</del> <u>20</u> <u>23</u>	<del>16</del> <u>8</u>	<del>4</del> <u>0</u>	0	0	0	0	<del>20</del> <u>8</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>20</del> <u>8</u>	<del>1</del> <u>4</u>	0	0	0	0	<del>24</del> <u>12</u>
<del>Utah</del> <u>Rhode</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>3</del> <u>1</u>	0	0	0	0	0	<del>3</del> <u>1</u>

<u>Island</u>	<u>22</u>							
	<del>2022</del> <u>20</u> <u>23</u>	<del>3</del> <u>1</u>	0	0	0	0	0	<del>3</del> <u>1</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>3</del> <u>1</u>	0	0	0	0	0	<del>3</del> <u>1</u>
<del>Vermont</del> <u>Sou</u> <u>th</u> <u>Carolina</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>4</del> <u>5</u>	0	0	0	0	0	<del>4</del> <u>5</u>
	<del>2022</del> <u>20</u> <u>23</u>	<del>4</del> <u>5</u>	0	0	0	0	0	<del>4</del> <u>5</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>4</del> <u>5</u>	<del>0</del> <u>1</u>	0	0	0	0	<del>4</del> <u>6</u>
<del>Virginia</del> <u>Ten</u> <u>nessee</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>8</del> <u>5</u>	<del>4</del> <u>0</u>	0	0	0	0	<del>9</del> <u>5</u>
	<del>2022</del> <u>20</u> <u>23</u>	<del>9</del> <u>5</u>	<del>2</del> <u>1</u>	<del>4</del> <u>0</u>	0	0	0	<del>4</del> <u>0</u> <u>6</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>4</del> <u>0</u> <u>6</u>	0	0	0	0	0	<del>4</del> <u>0</u> <u>6</u>
<del>Washington</del> <u>Texas</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>4</del> <u>1</u> <u>6</u>	<del>4</del> <u>4</u>	0	0	0	0	<del>5</del> <u>2</u> <u>0</u>
	<del>2022</del> <u>20</u> <u>23</u>	<del>5</del> <u>2</u> <u>0</u>	<del>0</del> <u>1</u>	0	0	0	0	<del>5</del> <u>2</u> <u>1</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>5</del> <u>2</u> <u>1</u>	<del>0</del> <u>2</u>	0	0	0	0	<del>5</del> <u>2</u> <u>3</u>
<del>West</del> <del>Virginia</del> <u>Utah</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>4</del> <u>3</u>	0	0	0	0	0	<del>4</del> <u>3</u>
	<del>2022</del> <u>20</u> <u>23</u>	<del>4</del> <u>3</u>	0	<del>4</del> <u>0</u>	0	0	0	<del>0</del> <u>3</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>0</del> <u>3</u>	<del>0</del> <u>1</u>	0	0	0	0	<del>0</del> <u>4</u>
<del>Wisconsin</del> <sup>△</sup> <u>Vermont</u>	<del>2021</del> <u>20</u> <u>22</u>	<del>2</del> <u>1</u>	0	0	0	0	0	<del>2</del> <u>1</u>
	<del>2022</del> <u>20</u> <u>23</u>	<del>2</del> <u>1</u>	0	0	0	0	0	<del>2</del> <u>1</u>
	<del>2023</del> <u>20</u> <u>24</u>	<del>2</del> <u>1</u>	0	0	0	0	0	<del>2</del> <u>1</u>
<u>Virginia</u>	<u>2022</u>	<u>9</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10</u>

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other	Outlets at End of the
<del>Totals</del>	<del>2021</del> <u>2023</u>	<del>195</del> <u>10</u>	<del>22</del> <u>0</u>	<del>6</del> <u>0</u>	0	0	0	<del>211</del> <u>10</u>
<u>Washington</u>	<u>2024</u>	<u>10</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11</u>
	<u>2022</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
	<u>2023</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
	<u>2024</u>	<u>5</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>
<u>West Virginia</u>	<u>2022</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Wisconsin</u>	<u>2022</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2023</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
	<u>2024</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<u>Totals</u>	2022	211	20	7	0	0	0	224
	2023	224	25	3	1	0	0	245
	<u>2024</u>	<u>245</u>	<u>28</u>	<u>6</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>266</u>

**NOTES:**

All franchises are listed by the state in which their office is located. However, the franchise territory of some franchises extends into more than one state.

\*Reflects new PDRI franchises that were conversions from Paul Davis Emergency Services franchises.

~~<Reflects a termination due to a merger of multiple territories open and operating.~~

**Table No. 4**  
**Status of Company-Owned Outlets**  
For fiscal years ending December 31, ~~2021~~, 2022, 2023, 2024

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

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

State	Franchise Agreements Signed <del>But</del> <u>but</u> Outlets Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected Company Owned Outlet in the Next
<del>Alabama</del> <u>Arkansas</u>	<del>1</del> <u>0</u>	<del>2</del> <u>1</u>	0
<del>Arkansas</del> <u>California</u>	<del>1</del> <u>0</u>	<del>2</del> <u>10</u>	0



CaliforniaFlorida	<del>1</del> <u>0</u>	<del>7</del> <u>2</u>	0
Illinois	0	1	0
Indiana	0	1	0
Iowa	0	1	0
Louisiana	0	1	0
Massachusetts	0	1	0
Maryland	1	0	0
Minnesota	0	1	0

State	Franchise Agreements Signed <del>But</del> but Outlets Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected Company Owned Outlet in the Next
<del>New Jersey</del> Indiana	0	<del>2</del> 1	0F
<del>New York</del> Iowa	0	1	0
<del>Pennsylvania</del> Louisiana	<del>4</del> 0	<del>2</del> 1	0
Maine	1	0	0
<del>Texas</del> Michigan	0	3	0
<del>Utah</del> Montana	<del>0</del> 2	1	0
<del>Washington</del> New Jersey	1	1	0
<del>TOTALS</del> New York	<del>9</del> 1	<del>27</del> 2	0
Oregon	0	1	0
Texas	1	2	0
<del>TOTALS</del>	<del>6</del>	<del>26</del>	0

Exhibit A identifies the names of all franchisees and the addresses and telephone numbers of all of their outlets. All franchise outlets reported in Exhibit A are substantially similar to the franchises offered in this disclosure document, other than the size of the territory.

The name and last known home address and telephone number of every franchisee who has had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year is attached to this disclosure document as Exhibit A. There are no franchisees who have not communicated with PDRI in the ten weeks prior to 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.

PDRI has ~~254~~272 franchises, of which ~~245~~266 were in operation on December 31, ~~2023~~2024. Paul Davis National is not currently in operation and nine franchises were sold but in training and not in operation as a PDR as of December 31, ~~2023~~2024. Information about these franchises are as follows:

1. Paul Davis Restoration of Greater Missoula, MT; Curtis Ivie; 1700 Rankin St., Unit B Missoula, MT 59808; (406) 546-8433.
2. Paul Davis Restoration of Middlesex County, NJ; Uday Shankar; 3 Willow Woods Trail, Warren, New Jersey 07059; (917) 596-4869.
3. Paul Davis Restoration of Staten Island, NY; Uday Shankar; 3 Willow Woods Trail, Warren, New Jersey 07059; (917) 596-4869.
4. Paul Davis Restoration of Greater Portland, ME; James Carron and Jeffrey Carron; 60 Gray Road Unit D, Falmouth, ME 04105; (475) 201-4051
5. Paul Davis Restoration of Northeast Texas; Steven and Leslie Remy; 4287 East US Hwy 380, Ste. 6b, Princeton, TX 75407; (972) 369-4156
6. Paul Davis Restoration of Southwest Montana; Andrew Krawczel; 177 Ridgeway Dr, Unit #1, Belgrade, MT 59714; (406) 898-4696

~~1. Mobile and Baldwin Counties, Alabama. Stuart Clark. 22279 Cotton Creek Drive, Gulf Shores, AL 36542. (251) 753-2045.~~

- ~~2. Northwest Arkansas. Andrew Lever. 1012 Sunbridge Lane, Rogers, AK 72758. (479) 685-6109.~~
- ~~3. Pittsburgh, Pennsylvania. Shane Pryal. 4668 Windward Court, Allison Park, PA 15101. (412) 867-7158~~
- ~~4. Westmoreland County, Pennsylvania. Shane Pryal. 4668 Windward Court, Allison Park, PA 15101. (412) 867-7158~~
- ~~5. SE Puget Sound, Washington. Keith Burney. 1536 Thorndyke Ave W., Seattle, WA 98199. (202) 253-7779.~~
- ~~6. Ventura, California. Kush Desai 4926 Petit Ave., Encino, CA 91436 (213) 446-5092~~
- ~~7. Tri County, Maryland. Jeffrey McCarthy. 7314 Stoneleigh Ct., Hughesville, MD, 20637 (410) 610-5984~~
- ~~8. South Philadelphia, Pennsylvania. PDO Holdings, Inc. PO Box 435, Pound Ridge, NY 10576. (203) 922-3473.~~
- ~~9. Northeast Philadelphia, Pennsylvania. PDO Holdings, Inc. PO Box 435, Pound Ridge, NY 10576. (203) 922-3473.~~

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Paul Davis Restoration franchise system. 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. Some franchisees have signed confidentiality clauses during the past three years.

The following independent franchisee organization has asked to be included in this disclosure document: Paul Davis franchise Owner's Association (FOA) is in care of ~~Bob Hillier~~Brady Chuckle, NEC President, ~~18850 Highway 59N Humble, TX 77032. (281) 886-7755.~~W226 N918 Northmound Dr., Suite 100 Waukesha, WI 53186 800-9542215.

## **ITEM 21: FINANCIAL STATEMENTS**

Exhibit B-1 of this disclosure document contains the following financial statements:

Audited consolidated financial statements of FS Brands, Inc., as parent for PDRI, for the fiscal years ended December 31, ~~2021, 2022 and~~, 2023 and 2024.

Our parent, FS Brands, Inc. absolutely and unconditionally guarantees PDRI's obligations under the Franchise Agreement. A copy of this guarantee is attached as Exhibit B-2.

## **ITEM 22: CONTRACTS**

Copies of PDRI's Franchise Agreement, Commercial Program Agreement and Promissory Note are attached as Exhibits C, D and G. Copies of the Tri-Party Agreement and Voluntary Termination Agreement and Release used in connection with the resale of existing franchises, along with additional information concerning resale, are attached as Exhibit J.

## **ITEM 23: RECEIPTS**

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

**EXHIBIT A  
TO THE PAUL DAVIS RESTORATION  
FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISEE LIST**

THE FOLLOWING PAUL DAVIS RESTORATION FRANCHISES WERE IN OPERATION ON DECEMBER 31, ~~2023~~2024 (~~245~~266 O&O)

ST*	COD	OWNERS	STREET	CITY	ZIP	TELEPHONE
AL	BHAL	STEPHEN DICKEY JEFF GILMER	3950 PINSON VALLEY PARKWAY	BIRMINGHAM	35217	(205) 687-0556
AL	HVAL	DONNY TSUN WONG	1864 SPARKMAN DR NW	HUNTSVILLE	35816	(256) 701 6860
<a href="#">AL</a>	<a href="#">MOAL</a>	<a href="#">STUART CLARK</a>	<a href="#">3800 ABIGAIL DRIVE</a>	<a href="#">THEODORE</a>	<a href="#">36582</a>	<a href="#">(251) 252-4713</a>
<a href="#">AR</a>	<a href="#">ARN</a>	<a href="#">ANDREW LEVER</a>	<a href="#">207 COMMERCIAL AVENUE</a>	<a href="#">LOWELL</a>	<a href="#">72745</a>	<a href="#">(479) 396-2256</a>
AZ	CTAZ	BRADY RADMALL	4607 S 35 <sup>TH</sup> STREET, SUITE 3	PHOENIX	85040	(602) 278-8837
AZ	ETAZ	BRADY RADMALL	4607 S 35 <sup>TH</sup> STREET, SUITE 3	PHOENIX	85040	(602) 278-8837
AZ	NEAZ	BRADY RADMALL	4607 S 35 <sup>TH</sup> STREET, SUITE 3	PHOENIX	85040	(602) 278-8837
AZ	STAZ	BRADY RADMALL	4607 S 35 <sup>TH</sup> STREET, SUITE 3	PHOENIX	85040	(602) 278-8837
AZ	WTAZ	BRADY RADMALL	4607 S 35 <sup>TH</sup> STREET, SUITE 3	PHOENIX	85040	(602) 278-8837
CA	BHCA	SARKIS PRUSALIAN	111 E CEDAR AVENUE SUITE 104	BURBANK	91502	(818) 230-8300
CA	CSDC	SIDNEY SCOTT, MARK BUCKNER	12175 DEARBORN PLACE	POWAY	92064	(858) 262-5385
CA	CVCA	PAUL GOSAL	2522 GRAND CANAL STE 12	STOCKTOM	95207	(209)-808-5773
CA	DTSD	MANUAL MARTINEZ	7920 AIRWAY RD STE A7	SAN DIEGO	92154	(916) 400-6600
CA	EVCA	ANI DAVIDAGAYAN, ARMAN DAVIDAGAYAN, AROUTIN ISAGHOOLI	19420 BUSINESS CENTER DRIVE	NORTHRIDGE	91324	(818) 813-3316
<del>CA</del>	<del>HBCA</del>	<del>GABRIEL RUIZ</del>	<del>5212 BOLSA AVE.</del>	<del>HUNTINGTON BEACH</del>	<del>92649</del>	<del>(714)-723-3864</del>
CA	IECA	ELI SHAPIRO	19631 TEMESCAL CANYON ROAD	CORONA	92881	(951) 270-5304
CA	LADT	SASSOON IESSAGHOLIAN	<del>411 W. WASHINGTON BLVD</del> <a href="#">3630 SAN FERNANDO ROAD</a>	<del>LOS ANGELES</del> <a href="#">GLENDALE</a>	<del>90045</del> <a href="#">91204</a>	<del>(818)323)858-521 9 513-4433</del>
CA	NCSD	REUBEN SPILKIN	1125 LINDA VISTA DR STE 103	SAN MARCOS	92078	(858)987-4636
CA	PACA	GRAHAM PULLIAM	<del>5240 ALHAMBRA AVE</del> <a href="#">2613 PASADENA AVENUE</a>	LOS ANGELES	<del>90032</del> <a href="#">90031</a>	(626) 824-8758
CA	PSCA	DEE AND SCOTT	77833 PALAPAS ROAD	PALM DESERT	92211	(760) 360-1855
CA	SACA	KUSH DESAI	24877 AVENUE ROCKEFELLER	VALENCIA	91355	(661) 310-0884
CA	SCAL	MARK SHROFF	6800 ORANGETHORPE AVE STE C UNIT 410	BUENA PARK	90630	(714) 228-0895
CA	SGVE	GARY ABRAMIYAN, JAMIE MARKAR	244 KRUSE AVE.	MONROVIA	91016	(626) 531-6255
CA	SOCA	PAT AND BETTY ASALONE	26233 ENTERPRISE COURT	LAKE FOREST	92630	(949) 455-1710
CA	SOSD	MANUAL MARTINEZ	7920 AIRWAY ROAD, SUITE A7	SAN DIEGO	92154	(619) 400-6600
<a href="#">CA</a>	<a href="#">TVCA</a>	<a href="#">ERIK PRATT</a>	<a href="#">41610 REAGAN WAY</a>	<a href="#">MURRIETA</a>	<a href="#">92562</a>	<a href="#">(951) 444-8794</a>

CA	VSCA	KUSH DESAI	24877 AVENUE ROCKEFELLER	VALENCIA	91355	(661) 310-0884
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ST*	COD	OWNERS	STREET	CITY	ZIP	TELEPHONE
CA	WHC A	SASSOON IESSAGHOLIAN	<del>411 W. WASHINGTON BLVD</del> <u>3630 SAN FERNANDO RD</u>	<del>LOS ANGELES</del> <u>GLENDALE</u>	<del>90045</del> <u>91204</u>	<del>(818) 323-858-521</del> <u>9 513-4433</u>
CA	WSLA	YANA AND HARRY GRAMMER	5345 MCCONNELL AVE	LOS ANGELES	90066	(310) 439-1212

ST*	COD	OWNERS	STREET	CITY	ZIP	TELEPHONE
CA	WVC A	ANI DAVIDAGAYAN, ARMAN DAVIDAGAYAN, AROUTIN ISAGHOOLI	19420 BUSINESS CENTER DRIVE	NORTHRIDGE	91324	(818) 813-3316
CO	ARCO	<u>BRANDON RADMALL</u> <u>RYAN TRIGG</u> <del>JAMES LOMBARD</del> <u>PDR</u> HOLDINGS, INC.	7003 EAST 47TH AVENUE DRIVE	DENVER	80216	<del>(303) 720-557-2227</del> <u>826-1989</u>
<u>CO</u>	<u>CSCO</u>	<u>BRANDON RADMALL</u> <u>RYAN TRIGG</u> <u>PDR HOLDINGS, INC.</u>	<u>3405 NORTH EL PASO STREET, SUITE B</u>	<u>COLORADO SPRINGS</u>	<u>80907</u>	<u>(720) 826-1989</u>
CO	DCCO	BRANDON RADMALL <del>AND</del> <del>RYAN</del> <u>RYAN</u> TRIGG <u>PDR HOLDINGS, INC.</u>	4900 OSAGE ST. #400	DENVER	80221	(303) 322-3328
<del>CO</del>	<del>EPCO</del>	<del>BRENT COWELL</del>	<del>7939 RED GRANITE LOOP</del>	<del>COLORADO SPRINGS</del>	<del>80939</del>	<del>(719) 260-0031</del>
CO	FCCO	DAVID MCCARTY	2026 BEAR MOUNTAIN DRIVE UNIT 11	FT. COLLINS	80525	(970) 888-2294
CO	FOCO	BRANDON RADMALL, RYAN TRIGG <u>PDR HOLDINGS, INC.</u>	4900 OSAGE ST. #400	DENVER	80221	(303) 322-3328
CO	GDC O	BRANDON RADMALL, RYAN TRIGG <u>PDR HOLDINGS, INC.</u>	4900 OSAGE ST #400	DENVER	80221	(303) 322-3328
CO	MTCO	DENNIS SHAMSHURYN	<del>41149 HIGHWAY 6 UNIT 13</del> <u>1393 CHAMBERS AVE</u>	<del>AVON</del> <u>EAGLE</u>	<del>81620</del> <u>81631</u>	(970) 945-9474
CO	NDCO	<u>BRANDON RADMALL</u> <u>RYAN TRIGG</u> <del>JAMES LOMBARD</del> <u>PDR</u> HOLDINGS, INC.	7003 EAST 47TH AVENUE DRIVE	DENVER	80216	(720) 826-1989

<u>CO</u>	<u>PUCO</u>	<u>BRANDON RADMALL</u> <u>RYAN TRIGG</u>	<u>3405 NORTH EL PASO STREET, SUITE B</u>	<u>COLORADO SPRINGS</u>	<u>80907</u>	<u>(720) 826-1989</u>
CO	WEC O	<del>DENNIE</del> <u>DENNIS</u> SHAMSHURYN	1315 MAYFLY DRIVE	MONTROSE	81401	(970) 787-2210
CT	CTNT	AGATA TROJANOSKI	21C ANDOVER DRIVE	WEST HARTFORD	06110	(860) 761-3185
CT	HTFD	RICK SUYDAM	22 KREIGER LANE, STE 20	GLASTONBURY	06033	(860) 633-7733
CT	NHAC	JASON WALKER	<del>140 NORTH BRANFORD ROAD</del> <u>18 KNOLLWOOD DRIVE</u>	<del>BRANFORD</del> <u>CLINTON</u>	<del>06405</del> <u>06413</u>	(203) 315-1500
DE	NEDE	MIKE ARUANNO, SR.	<del>1061 LOWER TWIN LANE</del> <u>118 SLEEPY HOLLOW DRIVE</u>	<del>NEW CASTLE</del> <u>MIDDLETOWN</u>	<del>19720</del> <u>19709</u>	(302) 449-6941
FL	BCFL	GORDON BERKEN	4571 NW 8 <sup>TH</sup> AVE	OAKLAND PARK	33309	(954) 979-9078
FL	DUVL	PDO HOLDINGS, INC.	2111 N LIBERTY STREET	JACKSONVILLE	32206	(904) 739-6047

<u>ST*</u>	<u>CODE</u>	<u>OWNERS</u>	<u>STREET</u>	<u>CITY</u>	<u>ZIP</u>	<u>TELEPHONE</u>
FL	ETMP	DARREN IMPSON	1611 ALLISON WOOD'S LANE	TAMPA	33619	(813) 984-2700
FL	FLCW	DEREK MAXWELL, KEVIN CASCIOLA	10950 47TH STREET NORTH	CLEARWATER	33762	(727) 573-4880
FL	FLPB	JOHN BASSI, <del>RICARDO</del> <u>RICCARDO</u> LAFELICE	<del>2871 VISTA PARKWAY</del> <u>4935 PARKRIDGE BLVD</u>	<del>WEST PALM BEACH</del> <u>BOYNTON</u>	<del>33411</del> <u>33426</u>	(561) 478-7272
FL	FLSC	PHIL WELCH MARJA WELCH	3181 SKYWAY CIRCLE	MELBOURNE	32934	(321) 690-0000
FL	GVFL	ROBERT BAGLEY AND BRANDON HARE	3499 NW 97 <sup>TH</sup> BLVD, UNIT #10	GAINESVILLE	32606	(352) 332-5306
FL	LCFL	RICH AND TINA CHRISTIENS	<del>6361 CORPORATE PARK CIRCLE</del> <u>2331 BRUNER LANE</u>	FORT MYERS	<del>33966</del> <u>33912</u>	(239) 337-2500
FL	LMSC	JEFF INGOLD	12331 S HIGHWAY 441	BELLEVIEW	34420	(352) 307-2222
FL	MCFL	ALAIN ARAGON	4391 SOUTHWEST AVE	MIAMI	33155	(305) 316-4413
<del>FL</del>	<del>MNFL</del>	<del>DANNY PRIMO</del>	<del>7921 NW 66<sup>TH</sup> ST.</del>	<del>MIAMI</del>	<del>33166</del>	<del>(786) 287-0156</del>
<del>ST*</del>	<del>COD</del>	<del>OWNERS</del>	<del>STREET</del>	<del>CITY</del>	<del>ZIP</del>	<del>TELEPHONE</del>
FL	MSFL	ALAIN ARAGON	4391 SOUTHWEST AVE	MIAMI	33155	(305) 316-4413
<del>FL</del>	<del>MWFL</del>	<del>DANNY PRIMO</del>	<del>7921 NW 66<sup>TH</sup> ST.</del>	<del>MIAMI</del>	<del>33166</del>	<del>(786) 287-0156</del>
FL	NWFL	GREGORY CLIFTON	3346 MCLEMORE DRIVE	PENSACOLA	32514	(850) 855-4434
FL	ORLA	PHIL WELSH	5104 FORSYTH COMMERCE ROAD	ORLANDO	32807	(407) 629-6700
FL	PACF	GREGORY CLIFTON	<del>17747 ASHLEY DRIVE</del> <u>104 AMAR PLACE</u>	PANAMA CITY BEACH	32413	(850) 909-3011



FL	PCFL	KEVIN LETHERS	3306 WATERFIELD ROAD	LAKELAND	33803	(863) 299-9688
FL	PHFL	DARREN IMPSON <del>LEON BERRY</del>	<del>48626</del> <u>11626</u> PROSPEROUS DRIVE	ODESSA	33556	(727) 947-9020
FL	SAUG	JACK BUENING	<del>2050 DOBBS</del> <u>2050 DOBBS</u> ROAD	SAINT AUGUSTINE	32086	(904) 824-1468
FL	SEFL	PHIL WELSH	5104 FORSYTH COMMERCE RD	ORLANDO	32807	(407) 629-6700
FL	SSCC	DEREK MAXWELL	6292 TOWER LANE, UNIT 4	SARASOTA	34240	(941) 359-0751
FL	SSMT	TRAVIS & DANIELL MAXWELL	4715 LENA RD UNIT 106	BRADENTON	34211	(941) 359-3473
FL	STPE	DEREK MAXWELL, KEVIN CASCIOLA	10950 47TH ST N	CLEARWATER	33762	(727) 573-4880
FL	THFL	MILES AND ALLISON MASTERS	5278 TOWER ROAD	TALLAHASSEE	32303	(850) 576-7378
FL	<del>TRZR</del> <u>TCFL</u>	<u>JOHN BASSI</u> <del>MICHAEL</del> <u>EDWARDS</u> <u>RICCARDO</u> <u>IAFELICE</u>	1950 SW BILTMORE STREET	PORT SAINT LUCIE	34984	(772) 340-2080
FL	TWFL	DARREN IMPSON	1611 ALLISON WOOD'S LANE	TAMPA	33619	(813) 984-2700
FL	VCFL	GLENN HARRISON	2395 BELLEVUE AVENUE	DAYTONA BEACH	32114	(386) 760-8959
GA	AGAK	MARK HUTCHISON	3340 COMMERCE DRIVE	AUGUSTA	30909	(706) 733-2331

<u>ST*</u>	<u>CODE</u>	<u>OWNERS</u>	<u>STREET</u>	<u>CITY</u>	<u>ZIP</u>	<u>TELEPHONE</u>
GA	ATGA	MICHAEL MCHENRY	<del>4042 ENTERPRISE WAY, STE 200</del> <u>255 COLLINS</u> <u>INDUSTRIAL BLVD</u>	<del>FLOWERY</del> <del>BRANCH</del> <u>ATHENS</u>	<del>30542</del> <u>30601</u>	( <del>770</del> <u>706</u> ) <del>534-7476</del> <u>548-580</u> <u>0</u>
GA	CLGA	MICHAEL MCHENRY	4282 INTERSTATE DRIVE	MACON	31210	(478) 475-5807
GA	<del>GSTL</del> <u>GSCA</u>	<del>KATHY REDDING</del> <u>BENJAMIN</u> <u>PEWTRESS</u> <u>MATTHEW</u> <u>STUCKEY</u>	3518 ROSS ROAD	SAVANNAH	31405	(912) 236-5337
GA	GCG A	WILSON TOMALA	<del>1450 OAKBROOK DRIVE, SUITE 400</del> <u>1000 MILLER</u> <u>COURT WEST</u>	NORCROSS	<del>30093</del> <u>30071</u>	(770) 985-1727
GA	LIGA	MICHAEL MCHENRY	<del>4042 ENTERPRISE</del> <u>4153 INDUSTRY</u> WAY, <del>STE 200</del>	FLOWERY BRANCH	30542	(770) 534-7476
GA	NWGA	GARRETT BELL	390 BUCHANAN STREET	DALLAS	30157	(706) 236-9002
GA	SATL	MICHAEL MCHENRY	201 ANDREW DRIVE SUITE 100	STOCKBRIDGE	30281	(770) 389-8808
IA	IACO	MATTHEW BANNING SCOTT CORNISH	9915 ATLANTIC DRIVE SW	CEDAR RAPIDS	52404	(319) 848-4259
IA	SCIA	<del>CHRIS MANGAN</del>	<del>1610 PIERCE STREET</del>	<del>SIOUX CITY</del>	<del>51105</del>	<del>(712) 234-0095</del>

ST*	GOD	OWNERS	STREET	CITY	ZIP	TELEPHONE
ID	IDAH	BRANDON RADMALL AND GARRETT MEIKLE	1022 LINCOLN ROAD	IDAHO FALLS	83401	(208) 522-7374
ID	SRID	BRANDON RADMALL AND GARRETT MEIKLE	1022 LINCOLN ROAD	IDAHO FALLS	83401	(208) 522-7374
<u>IL</u>	<u>CCNE</u>	<u>WAYNE MERLINO</u>	<u>1700 TODD FARM DRIVE</u>	<u>ELGIN</u>	<u>60123</u>	<u>(847) 496-7335</u>
<u>IL</u>	<u>CCNW</u>	<u>WAYNE MERLINO</u>	<u>1700 TODD FARM DRIVE</u>	<u>ELGIN</u>	<u>60123</u>	<u>(847) 496-7335</u>
IL	CTIL	ROGER FREDSTROM, JEFF THEOBALD AND PDO HOLDINGS INC.	608 SOUTH WHITE OAK ROAD, SUITE 3	NORMAL	61761	(309) 828-1199
IL	DCIL	RICHARD KRAMER	433 W. SPRING AVENUE	NAPERVILLE	60540	(630) 778-7285
IL	LAIL	BRADY CHUCKEL JEFF HERTEL TIM GUILLETTE	<del>28101 BALLARD</del> <u>3979 BURWOOD</u> DRIVE	<del>LAKE FOREST</del> <u>WAUKEGAN</u>	<del>60045</del> <u>60085</u>	(847) 362-6777
IL	<del>RKIL</del> <u>ROIL</u>	<del>JAMES DUNCAN</del> <del>VERN STEWART</del> <u>WAYNE</u> <u>MERLINO</u>	6582 REVLON DRIVE	BELVIDERE	61008	( <del>815</del> <u>224</u> ) <del>547-9600</del> <u>333-130</u> <u>0</u>
IL	SCIL	ROGER FREDSTROM, JEFF THEOBALD AND PDO HOLDINGS INC.	608 SOUTH WHITE OAK ROAD, SUITE 3	NORMAL	61761	(309) 828-1199
IL	WCCI	STEPHANIE O'CONNOR WILLIAM O'CONNER	<del>18770 88<sup>TH</sup> AVENUE, UNIT B</del> <u>8905 187TH STREET</u>	MOKENA	60448	(855) 737-9455
IN	ININ	WESLEY BLAGG	3725 S. ARLINGTON AVE.	INDIANAPOLIS	46203	(317) 357-5396
IN	<del>INNGI</del> <u>NCN</u>	<del>ALEX, JOHN, SANDRA</del> <del>MCINTYRE</del> <u>SHELLY</u> <u>KOELPER</u>	<del>427 BURKET LANE</del> <u>302 SOUTH BIRKEY STREET</u>	BREMEN	46506	(574) 546-4440
<u>IN</u>	<u>INNE</u>	<u>KATE THOE</u> <u>CHRIS JACOBSON</u>	<u>8727 COMMERCE PARK PLACE</u>	<u>INDIANAPOLIS</u>	<u>46268</u>	<u>(317) 732-5050</u>
IN	NEIN	<del>MICHELLE</del> <u>MICHELE</u> KOELPER	3010-1 BUTLER RIDGE PARKWAY	FORT WAYNE	46808	(260) 436-7510

<u>ST*</u>	<u>COD</u>	<u>OWNERS</u>	<u>STREET</u>	<u>CITY</u>	<u>ZIP</u>	<u>TELEPHONE</u>
IN	NWIN	KATE THOE AND CHRIS JACOBSON	8727 COMMERCE PARK PLACE	INDIANAPOLIS	46268	
KS	MSK	JEFF GOLDMAN	1051 SE BROADWAY DRIVE	LEE'S SUMMIT	64081	(816) 246-1779
KS	TOPK	JEFF GOLDMAN	1420 NORTH 3RD STREET	LAWRENCE	66044	(785) 842-0351
KY	BOW L	BUTCH RUSH, JENNIFER SIMS JOHN SIMMS	931 SEARCY WAY	BOWLING GREEN	42103	(270) 782-0123
KY	ECIN	STEPHEN RIGSBY	4395 BORON DRIVE	LATONIA	41015	(859) 655-8300
KY	ETKY	BARRY <del>GODDIN</del> <a href="#">GOODIN</a> CHRIS JENSON	2689 BARDSTOWN ROAD	ELIZABETHTOWN	42701	(270) 765-5511
KY	LEXI	PDO HOLDINGS	230 INDUSTRY PKWY	NICHOLASVILLE	40356	(859) 885-7653
KY	LOUI	<del>BILL</del> <a href="#">FRANKIE HORN</a> <del>CHARLIE</del> HORN	945 S FLOYD ST	LOUISVILLE	40203	(502) 583-1668
KY	NWK	CHRIS WADDELL	1030 AMIET ROAD	HENDERSON	42420	(270) 957-8911

<u>ST*</u>	<u>COD</u>	<u>OWNERS</u>	<u>STREET</u>	<u>CITY</u>	<u>ZIP</u>	<u>TELEPHONE</u>
LA	BTLA	GRACIELA JOHNSON GARY JOHNSON	<del>41800</del> <a href="#">11950</a> INDUSTRIPLEX BLVD. <del>STE. 3</del>	BATON ROUGE	<del>70817</del> <a href="#">70809</a>	(225) 408-0390
LA	CNLA	DIRK FOSTER	402 SHAMROCK ST	PINEVILLE	71360	(318) 487-1306
MA	BMM A	<a href="#">JEFFREY SCHERER</a> JOHN GUGLIOTTA <a href="#">KHURRAM RIZVI</a> <a href="#">BRIAN RUSTER</a> <a href="#">PAUL MCKENNEY</a> <a href="#">KORI MEDERIOS</a>	300 JOHN DIETSCH BLVD UNIT 9	NORTH ATTLEBORO	02763	(508) 215-4800
MA	BNM A	<a href="#">JEFFREY SCHERER</a> JOHN GUGLIOTTA <a href="#">KHURRAM RIZVI</a> <a href="#">BRIAN RUSTER</a> <a href="#">PAUL MCKENNEY</a> <a href="#">KORI MEDERIOS</a>	12D ELM ROAD	NORTH HAMPTON	03862	(603) 964-8484
MA	BSMA	<a href="#">JEFFREY SCHERER</a> JOHN GUGLIOTTA <a href="#">KHURRAM RIZVI</a> <a href="#">BRIAN RUSTER</a> <a href="#">PAUL MCKENNEY</a> <a href="#">KORI MEDERIOS</a>	300 JOHN DIETSCH BLVD. UNIT 9	NORTH ATTLEBORO	02763	(508) 215-4800

MA	CAM	MATT DAMON	385 CONCORD AVE.	BELMONT	02478	(617) 553-3473
MA	CCM	STEVE CAHILL	527 MAIN ST. UNIT 12	HARWICH	02645	(508) 430-8100
<b>ST*</b>	<b>COD</b>	<b>OWNERS</b>	<b>STREET</b>	<b>CITY</b>	<b>ZIP</b>	<b>TELEPHONE</b>
<a href="#">MA</a>	<a href="#">MAMB</a>	<a href="#">JEFFREY SCHERER</a> <a href="#">JOHN GUGLIOTTA</a> <a href="#">KHURRAM RIZVI</a> <a href="#">BRIAN RUSTER</a> <a href="#">PAUL MCKENNEY</a> <a href="#">KORI MEDERIOS</a>	<a href="#">300 JOHN DIETSCH BOULEVARD</a>	<a href="#">NORTH ATTLEBORO</a>	<a href="#">02763</a>	<a href="#">(508) 215-4800</a>
MA	MBMA	MATT DAMON	385 CONCORD AVE.	BELMONT	02478	(617) 553-3473
<a href="#">MA</a>	<a href="#">SCMA</a>	<a href="#">JEFFREY SCHERER</a> <a href="#">JOHN GUGLIOTTA</a> <a href="#">KHURRAM RIZVI</a> <a href="#">BRIAN RUSTER</a> <a href="#">PAUL MCKENNEY</a> <a href="#">KORI MEDERIOS</a>	<a href="#">300 JOHN DIETSCH BOULEVARD</a>	<a href="#">NORTH ATTLEBORO</a>	<a href="#">02763</a>	<a href="#">(508) 215-4800</a>
MA	WCM A	<del>TODD NEWVILLE</del> <a href="#">JEFFREY SCHERER</a> <a href="#">JOHN GUGLIOTTA</a> <a href="#">KHURRAM RIZVI</a> <a href="#">BRIAN RUSTER</a> <a href="#">PAUL MCKENNEY</a> <a href="#">KORI MEDERIOS</a>	547 HARTFORD TURNPIKE	SHREWSBURY	01545	<del>(508-508)</del> 841-7285
MD	BLMD	ALLEN OWENS	<del>406 MAIN STREET</del> <a href="#">309 INTERNATIONAL DRIVE, SUITE 100</a>	<del>REISTERSTOWN</del> <a href="#">HUNT VALLEY</a>	<del>21136</del> <a href="#">21030</a>	(410) 737-8505
MD	CBMD	CHRIS BRUNEAU	<del>1300 ENTERPRISE COURT, SUITE 102</del> <a href="#">2813 PULASKI HIGHWAY</a>	<del>BEL-AIR</del> <a href="#">EDGEWOOD</a>	<del>21014</del> <a href="#">21040</a>	(410) 638-8104
MD	DPDE	FRANK WILLING	100 MARVEL ROAD	SALISBURY	21801	(410) 219-9160
MD	HOW	JOHN ROSS	4785 DORSEY HALL DRIVE SUITE 103	ELLICOTT CITY	21042	(410) 730-7260
MD	MDSO	STEVEN HERMAN	<del>9244 EAST HAMPTON DR UNIT 610</del> <a href="#">4882 STAMP ROAD</a>	<del>CAPITAL HEIGHTS</del> <a href="#">TEMPLE HILLS</a>	<del>20743</del> <a href="#">20748</a>	(301) 420-7285
MD	SLVR	PDO HOLDINGS, INC.	8797 SNOUFFER SCHOOL RD STE G	GAITHERSBURG	20879	(301) 948-8008
<a href="#">MD</a>	<a href="#">TCMD</a>	<a href="#">JEFFREY MCCARTHY</a>	<a href="#">11190 HOMEPORT COURT</a>	<a href="#">LUSBY</a>	<a href="#">20657</a>	<a href="#">(301) 542-3730</a>
MI	CNMI	JASON ARSENAULT	701 SALZBURG AVE	BAY CITY	48706	(989) 486-3456

MI	GPMI	JASON KITCHEN MICHAEL BYRNES	6030 CLYDE PARK AVE SW STE F	BYRON CENTER	49315	(616) 647-5514
MI	LANS	JEFF NYE DEENA PARKER	<del>881 HULL ROAD SUITE 100</del> <a href="#">1155 TEMPLE ST</a>	MASON	48854	( <del>517</del> <del>800</del> ) <del>676-8000</del> <a href="#">676-9118</a>
MI	MCMi	BRIAN THOMAS	50581 SABRINA DRIVE	UTICA	48315	(586) 983-8008
MI	MIAA	JEFF NYE DEENA PARKER	<del>881 HULL ROAD SUITE 100</del> <a href="#">105 ENTERPRISE DRIVE</a>	<del>MASON</del> <a href="#">ANN ARBOR</a>	<del>48854</del> <a href="#">48103</a>	( <del>517</del> <del>800</del> ) <del>719-5056</del> <a href="#">676-9118</a>
MI	NOMI	MICHAEL ALLEN	1450 EAST HOLLYWOOD BLVD	PONTIAC	48340	(248) 765-8252
MI	NWMI	SCOTT THOMAS	1310 INDUSTRY DRIVE, SUTIE B	TRAVERSE CITY	49696	(231) 933-9077

ST*	COD	OWNERS	STREET	CITY	ZIP	TELEPHONE
MI	OCMI	NANCY RASHID	22601 STEVENSON ST	CLINTON TOWNSHIP	48035	(586) 792-6933
MN	GMM N	CALEB BRUNZ	<del>475 CLEVELAND AVE N STE 322</del> <a href="#">429 NORTH PRIOR AVENUE</a>	ST. PAUL	55104	(651) 243-0737

ST*	COD	OWNERS	STREET	CITY	ZIP	TELEPHONE
MN	GSMN	CALEB BRUNZ	<del>475 CLEVELAND AVE. N. STE 322</del> <a href="#">429 NORTH PRIOR AVENUE</a>	ST. PAUL	55104	(651) 243-0737
MN	GXM N	CALEB BRUNZ	<del>475 CLEVELAND AVE N STE 322</del> <a href="#">429 NORTH PRIOR AVENUE</a>	ST. PAUL	55104	(651) 243-0737
MN	NLMN	CALEB BRUNZ	<del>475 CLEVELAND AVE N STE 322</del> <a href="#">429 NORTH PRIOR AVENUE</a>	ST. PAUL	55104	(651) 243-0737
<a href="#">MN</a>	<a href="#">SEM N</a>	<a href="#">CALEB BRUNZ</a> <a href="#">TODD KOENIGS</a>	<a href="#">18034 COUNTY ROAD 34</a>	<a href="#">DODGE CENTER</a>	<a href="#">55927</a>	<a href="#">(507) 330-6530</a>
MO	CRM O	<del>BRIAN</del> <a href="#">DESIREE STAMM</a> <a href="#">CHRISTOPHER STAMM</a>	17641 HALIFAX ROAD	HOLTS SUMMIT	65043	(573) 896-4086
MO	MSM	W. GRANT WILLIAMS	1129 N. WATSON RD	ST. LOUIS	63132	(314) 584-9388
<a href="#">MO</a>	<a href="#">SCMO</a>	<a href="#">ROGER FREDSTROM</a> <a href="#">JEFF THEOBALD</a> <a href="#">PDO HOLDINGS, INC.</a>	<a href="#">2151 NORTH FOX HOLLOW DRIVE WEST</a>	<a href="#">NIXA</a>	<a href="#">65714</a>	<a href="#">(417) 725-7575</a>
MO	SESL	<a href="#">DESIREE STAMM</a> CHRISTOPHER STAMM	9601 HIGHWAY 21	HILLSBORO	63050	(636-479-7637

MO	STMO	ROGER FREDSTROM; JEFF THEOBALD <del>AND</del> PDO HOLDINGS INC.	2150 NORTH FOX HOLLOW DRIVE	NIXA	65714	(417) 725-7575
MO	<del>WCM</del> <del>OWSL</del> C	<del>DENNIS-SHYW.</del> <u>GRANT WILLIAMS</u>	<del>804 HORAN DRIVE</del> <u>1129 NORTH WARSON ROAD</u>	<del>FENTON</del> <u>CREVE COEUR</u>	<del>63026</del> <u>63132</u>	<del>(636)314</del> <u>324-4011528-2838</u>
MS	CEMS	STACEY WARREN JACKIE WARREN	509 DEXTER DRIVE	FLOWOOD	39232	(601) 605-1717
MS	NOMS	BRENT THOMPSON ABBY THOMPSON	305 HIGHWAY 12 W	STARKVILLE	39759	(662) 769-7285
MT	YSMT	CHRIS YOCHUM	235 MOORE LANE	BILLINGS	59101	(406) 606- 4663
NC	AVNC	<del>JAY-BLAKE</del> <u>STEVEN BENDER</u> <u>JOSHUA JEFFRIES</u>	34-A REDMOND DRIVE	FLETCHER	28732	(828) 687-7766
NC	CCNC	MATT VANCHINA	3224 KITTY HAWK RD	WILMINGTON	28405	(910) 452-7290
NC	CHNC	DANNY ROGERS	272-C UNIONVILLE-INDIAN TRAIL ROAD	INDIAN TRAIL	28079	(704) 821-1281
NC	CPNC	BEVAN WHALEY	3919 NORTH LEE ST	AYDEN	28513	(252) 304-0004
NC	DMNC	BOB HILLIER <u>PDR HOLDINGS, INC.</u>	<del>2828 INDUSTRIAL DRIVE</del> <u>1901 TREYGAN RD</u>	<del>RALEIGH</del> <u>GARNER</u>	<del>27609</del> <u>27529</u>	(919) 325-0003
NC	GRNC	MARK GUNYUZLU	108 S. WALNUT CIRCLE	GREENSBORO	27409	(336) 707-3018
NC	MLNC	SCOTT BAILEY	2205 DISTRIBUTION CENTER DR. SUITE A	CHARLOTTE	28269	(704) 399-2488
NC	MRNC	JEFF MOE	2500 BAKER CIRCLE	GRANITE FALLS	28630	(828) 212-0072

ST*	COD	OWNERS	STREET	CITY	ZIP	TELEPHONE
NC	PDNC	JEFF MOE	<del>2500 BAKER CIRCLE</del> <u>130 BACK FORTY DRIVE</u>	<del>GRANITE FALLS</del> <u>WINSTON-SALEM</u>	<del>2863</del> <u>0271</u> 27	(828) 212-0072
NC	RENC	BOB HILLIER <u>PDR HOLDINGS, INC.</u>	<del>2828 INDUSTRIAL DRIVE</del> <u>1901 TREYGAN RD</u>	<del>RALEIGH</del> <u>GARNER</u>	<del>2760</del> <u>9275</u> 29	(919) 325-0003
NC	SDNC	BOB HILLIER <u>PDR HOLDINGS, INC.</u>	<del>2828 INDUSTRIAL DRIVE</del> <u>1901 TREYGAN RD</u>	<del>RALEIGH</del> <u>GARNER</u>	<del>2760</del> <u>9275</u> 29	(919) 325-0003
NC	WSN C	JEFF MOE	<del>2500 BAKER CIRCLE</del> <u>130 BACK FORTY DRIVE</u>	<del>GRANITE FALLS</del> <u>WINSTON-SALEM</u>	<del>2863</del> <u>0271</u> 27	(828) 212-0072
NE	CENE	RAUL AND ANGELA FUNES	<del>438 INDUSTRIAL LANE SUITE E</del> <u>820 BRONZE</u>	GRAND ISLAND	6880	(308) 398-0370

			<a href="#">ROAD</a>		3	
NE	LCLN	ROGER FREDSTROM, JEFF THEOBALD AND PDO HOLDINGS, INC.	3641 S 6TH STREET	LINCOLN	6850 2	(402) 474-1414
NE	NONE	ROGER FREDSTROM, JEFF THEOBALD AND PDO <a href="#">HOLDINGS INC.</a>	2152 THIRD AVE.	COLUMBUS	6860 1	(402) 564-0220
<b>ST*</b>	<b>COD</b>	<b>OWNERS</b>	<b>STREET</b>	<b>CITY</b>	<b>ZIP</b>	<b>TELEPHONE</b>
		<del>HOLDINGS INC.</del>				
NE	OMAH	PDO HOLDINGS <a href="#">JEFF THEOBALD</a>	<del>3505</del> <a href="#">4226</a> S <del>64</del> <a href="#">ST AVE CIR</a> <a href="#">80TH STREET</a>	OMAHA	<del>6810</del> <del>681</del> <a href="#">27</a>	(402) 553-0373
NH	<del>SNHM</del> <a href="#">MVNH</a>	<a href="#">JEFFREY SCHERER</a> <a href="#">JOHN GUGLIOTTA</a> , <a href="#">KHURRAM RIZVI</a> <a href="#">BRIAN RUSTER</a> <a href="#">PAUL MCKENNEY</a> <a href="#">KORI MEDERIOS</a>	12D ELM ROAD	NORTH HAMPTON	0386 2	(603) 964-8484
<a href="#">NH</a>	<a href="#">SNHM</a>	<a href="#">JEFFREY SCHERER</a> <a href="#">JOHN GUGLIOTTA</a> , <a href="#">KHURRAM RIZVI</a> <a href="#">BRIAN RUSTER</a> <a href="#">PAUL MCKENNEY</a> <a href="#">KORI MEDERIOS</a>	<a href="#">12D ELM ROAD</a>	<a href="#">NORTH HAMPTON</a>	<a href="#">0386</a> <a href="#">2</a>	<a href="#">(603) 964-8484</a>
NJ	BCNJ	NEWLIN PENG	135 GRAND STREET	CARLSTADT	0707	(201) 584-0000
NJ	<del>MNNJ</del> <a href="#">MMNJ</a>	ANTHONY MARTINO	<del>575 PROSPECT ST. STE. 201</del> <a href="#">131 LAUREL AVENUE</a>	<del>LAKEWOOD</del> <a href="#">ISLAND HEIGHTS</a>	<del>0870</del> <del>4087</del> <a href="#">32</a>	(732) 886-3001
NJ	MPNJ	JAMES FAGAN	1 FRASETTO WAY	LINCOLN PARK	0703	(973) 832-4540
NJ	NTNJ	NEWLIN PENG	135 GRAND STREET	CARLSTADT	0707	(201) 584-0000
NJ	ONNJ	ANTHONY MARTINO	<del>575 PROSPECT STREET UNIT 201</del> <a href="#">131 LAUREL AVENUE</a>	<del>LAKEWOOD</del> <a href="#">ISLAND HEIGHTS</a>	<del>0870</del> <del>4087</del> <a href="#">32</a>	(732) 886-3001
NJ	<del>SONJ</del> <a href="#">NJSO</a>	<del>BILL ELLIOTT</del> <a href="#">RANDY ALVAREZ</a> <a href="#">ANTHONY PAGLIA</a>	509 E. PARK AVE, HAINESPORT INDUSTRIAL PARK	HAINESPORT	0803 6	(609) 265-0001
NJ	UNNJ	DOUG BEIMFOHR	51 SUTTONS LANE	PISCATAWAY	0885	(908) 633-2333
NJ	WCNJ	ANTHONY PAGLIA	<del>89</del> ILENE COURT BUILDING 6 UNIT 7	HILLSBOROUGH	0880	(908) 343-6150

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<u>ST*</u>	<u>COD</u>	<u>OWNERS</u>	<u>STREET</u>	<u>CITY</u>	<u>ZIP</u>	<u>TELEPHONE</u>
NM	NEW	JOHN SHERIFF	7820 4TH STREET NW	ALBUQUERQUE	87107	(505) 884-5583
NM	SFNM	SAM GARCIA	12 BISBEE COURT	SANTA FE	87507	(505) 471-1357
NV	CELV	BRANDON RADMALL, PDR HOLDINGS, INC	2651 CRIMSON CANYON, STE 190	LAS VEGAS	89128	(725) 245-0777
NV	RENV	BRANDON RADMALL AND JAMIE MCVANEY	<del>806 PACKER WAY</del> <u>650 INNOVATION DRIVE, SUITE 190</u>	SPARKS	89431	(775) 825-7856
NV	SOLV	BRANDON RADMALL, PDR HOLDINGS, INC	2651 CRIMSON CANYON, STE 190	LAS VEGAS	89128	(725) 245-0777
NV	WELV	BRANDON RADMALL, PDR HOLDINGS, INC	2651 CRIMSON CANYON, STE 190	LAS VEGAS	89128	(725) 245-0777
NY	ALBA	DOUGLAS COMER	831 ROUTE 61, #37	BALLSTON SPA	12020	(518) 899-8101
<del>NY</del>	<del>BRST</del>	<del>JOSEPH PAPALIA</del> <del>MICHAEL PAPALIA</del>	<del>16 SHENANDOAH AVENUE</del>	<del>STATEN ISLAND</del>	<del>1031</del>	<del>(718) 983-5035</del>
NY	CNLI	MARK GUNTNER	16 CAIN DR	BRENTWOOD	11717	(631) 434-1717
NY	FCCT	PDO HOLDINGS	PO BOX 435	POUND RIDGE	10576	(203) 922-3473
NY	FFWC	PDO HOLDINGS	PO BOX 435	POUND RIDGE	10575	(203) 922-3473
<u>NY</u>	<u>GBNY</u>	<u>DAVID SAVAGE</u> <u>RUSSELL VENT</u>	<u>255 FIRE TOWER DRIVE</u>	<u>TONAWANDA</u>	<u>14150</u>	<u>(716) 403-8003</u>
<u>NY</u>	<u>GNNY</u>	<u>DAVID SAVAGE</u> <u>RUSSELL VENT</u>	<u>255 FIRE TOWER DRIVE</u>	<u>TONAWANDA</u>	<u>14150</u>	<u>(716) 403-8003</u>
NY	GRNY	DAVID SAVAGE <u>RUSSELL VENT</u>	383 LOMBARD STREET	ROCHESTER	14606	(585) 647-9933
<u>NY</u>	<u>MHNY</u>	<u>MATTHEW JOHNS</u>	<u>188 COTTAGE STREET, SUITE 1</u>	<u>POUGHKEEPSIE</u>	<u>12601</u>	<u>(845) 251-2100</u>
NY	MONY	RICHARD BI	241-25 BRADDOCK AVE.	BELLEROSE	11426	(212) 740-6611
NY	NCNY	SCOTT COLBERT	22 GILDNER ROAD	CENTRAL SQUARE	13036	(315) 676-4473
NY	OCNY	CHRIS SHENK	1 COMMERCIAL DRIVE, STEK	FLORIDA	10921	(845) 651-1850
NY	QCNY	RICHARD BI	241-25 BRADDOCK AVE.	BELLEROSE	11426	(718) 559-6060

<u>ST*</u>	<u>COD</u>	<u>OWNERS</u>	<u>STREET</u>	<u>CITY</u>	<u>ZIP</u>	<u>TELEPHONE</u>
OH	CLOH	JOHN LAWRENCE, NICHOLAS PICCIRILLO	11900 WASHINGTON STREET	AUBURN	44023	(440) 834-1155
OH	CTOH	PDO HOLDINGS	7465-A WORTHINGTON-GALENA RD	COLUMBUS	43085	(617) 367-9611
OH	CWO H	RYAN COLE	<del>424</del> <u>17910</u> PEARL ROAD	<del>BRUNSWICK</del> <u>STRONG</u> <u>SVILLE</u>	<del>44212</del> <u>44136</u>	(330) 220-2002



OH	DTOH	STEVE AND BRIAN RIGSBY	1960 W DOROTHY LANE	DAYTON	45439	(937) 436-3411
OH	EAOH	VICTOR DAPRILE	2556 RUSH BLVD	YOUNGSTOWN	44507	(330) 286-8265
OH	GCO	STEVE RIGSBY	4395 BORON DRIVE	LATONIA	41015	(513) 777-7285
OH	OHAK	JOHN LAWRENCE, NICHOLAS PICCIRILLO	11900 WASHINGTON STREET	AUBURN	44023	(440) 834-1155

<u>ST*</u>	<u>COD</u>	<u>OWNERS</u>	<u>STREET</u>	<u>CITY</u>	<u>ZIP</u>	<u>TELEPHONE</u>
OK	NOOK	JEFF GOLDMAN	200 NW 142 <sup>ND</sup> ST. STE 100	EDMUND	73013	(405) 751-2939
OK	TULS	TOM CULVER	10025 EAST 44 <sup>TH</sup> PLACE S.	TULSA	74146	(918) 663-5848
OR	CCOR	JUSTIN GRAHAM	<del>11010 NE 37TH CIRCLE, STE 110</del> <u>1800 WEST FOURTH PLAIN BOULEVARD</u>	VANCOUVER	<del>98682</del> <u>98660</u>	(360) 823-1388
OR	WCO R	JUSTIN GRAHAM	<del>11010 NE 37TH CIRCLE, STE 110</del> <u>1800 WEST FOURTH PLAIN BOULEVARD</u>	VANCOUVER	<del>98682</del> <u>98660</u>	(360) 823-1388
PA	GRPS	PDO HOLDINGS, INC	<del>150 GREENTREE RD</del> <u>905 AIRPORT ROAD</u>	<del>PHOENIXVILLE</del> <u>WEST CHESTER</u>	<del>19460</del> <u>19380</u>	(610) 328-5901
PA	LLCO	PDO HOLDINGS, INC	1816 OLD HOMESTEAD LANE	LANCASTER	17601	(717) 291-6000
PA	LVPA	JOHN DELUCA	<del>1515 GEHMAN ROAD</del> <u>626 EAST CEDAR STREET</u>	<del>HARLEYSVILLE</del> <u>ALLEN TOWN</u>	<del>19438</del> <u>18109</u>	(484) 273-7867
PA	MBPA	JOHN DELUCA	<del>1515 GEHMAN</del> <u>2990 BERGEY ROAD</u>	<del>HARLEYSVILLE</del> <u>HATFIELD</u>	<del>19438</del> <u>19440</u>	(484) 273-7867
PA	NEPH	<u>PDO HOLDINGS, INC.</u>	<u>905 AIRPORT ROAD, SUITE 100</u>	<u>WEST CHESTER</u>	<u>19380</u>	<u>(610) 328-5901</u>
PA	PABC	MIKE LEES	1801 BRIDGETOWN PIKE	FEASTERVILLE	19053	(267) 202-8559
PA	PIPA	<u>SHANE PRYAL</u>	<u>201 ANN STREET</u>	<u>OAKMONT</u>	<u>15139</u>	<u>(412) 489-4970</u>
PA	PWPA	RAY KELOSKY	<del>880 MERCER ROAD</del> <u>342 NORTHGATE DRIVE</u>	<del>BEAVER FALLS</del> <u>WARRENDALE</u>	<del>15010</del> <u>15086</u>	(724) <del>758-6540</del> <u>799-8290</u>
PA	SOPH	<u>PDO HOLDINGS, INC.</u>	<u>905 AIRPORT ROAD, SUITE 100</u>	<u>WEST CHESTER</u>	<u>19380</u>	<u>(610) 328-5901</u>
PA	SVPA	SHANE BEHMER	621 LOWTHER ROAD	LEWISBERRY	17339	(717) 413-9264
PA	WMP	<u>SHANE PRYAL</u>	<u>201 ANN STREET</u>	<u>Oakmont</u>	<u>15139</u>	<u>(412) 489-4970</u>
PA	WNPA	RAY KELOSKY	880 MERCER ROAD	BEAVER FALLS	15010	(724) 758-6540
RI	RDIS	<u>JEFFREY SCHERER</u> <u>JOHN GUGLIOTTA</u> <u>KHURRAM RIZVI</u> <u>BRIAN RUSTER</u> <u>PAUL MCKENNEY</u>	300 JOHN DIETSCH BLVD UNIT 9	NORTH ATTLEBORO	02763	( <del>508</del> <u>401</u> ) <del>215-4800</del> <u>737-1787</u>

		<a href="#">KORI MEDERIOS</a>				
SC	BEAU	<del>MIKE CHERRY</del> <del>JOANNA CHERRY</del> MD BUCK	163 BLUFFTON ROAD, UNIT C	BLUFFTON	29910	(843) 757-3236
SC	CHSC	KENNY GAMBLE	419 JESSEN LANE SUITE B	CHARLESTON	29492	(843) 216-3331
SC	COSC	KENNY GAMBLE	117 VERA ROAD	LEXINGTON	29072	(803) 796-4343
SC	GVSC	BRUCE KO	1901 S. HIGHWAY 14	GREER	29650	(864) 801-0018
SC	RHSC	DANNY ROGERS	310 BRYANT BLVD	ROCK HILL	29732	(803) 329-1140
<a href="#">SC</a>	<a href="#">SCMB</a>	<a href="#">BRADLEY LONG</a>	<a href="#">1410 17TH AVE S</a>	<a href="#">MYRTLE BEACH</a>	<a href="#">29577</a>	<a href="#">(843) 995-5058</a>
TN	CHAT	MAX BILLER	1916 CIRCLE DRIVE	CHATTANOOGA	37421	(423) 899-2406
TN	GRKX	JOSH SKEENS	<del>10408 LEXINGTON DRIVE</del> <a href="#">333 TROY CIRCLE, SUITE E</a>	KNOXVILLE	<del>37932</del> <a href="#">37919</a>	(865) 584-1227
<b>ST*</b>		<b>COD</b>	<b>OWNERS</b>	<b>STREET</b>	<b>CITY</b>	<b>ZIP</b> <b>TELEPHONE</b>
TN	TNMI	BOB HILLIER <a href="#">PDR HOLDINGS, INC.</a>	701 HILL AVENUE	NASHVILLE	37210	(615) 837-4400

<a href="#">ST*</a>	<a href="#">COD</a>	<a href="#">OWNERS</a>	<a href="#">STREET</a>	<a href="#">CITY</a>	<a href="#">ZIP</a>	<a href="#">TELEPHONE</a>
TN	MSM	THOMAS OWENS	2093 THOMAS ROAD SUITE 6	MEMPHIS	3813	(901) 373-5394
TN	TNMS	THOMAS OWENS	2093 THOMAS ROAD SUITE 6	MEMPHIS	3813	(601) 797-4297
TN	TNSN	BOB HILLIER <a href="#">PDR HOLDINGS, INC.</a>	701 HILL AVENUE	NASHVILLE	3721	(615) 837-4400
TX	ASTX	DAVID FRENCH	<del>2112 RUTLAND DR STE 200</del> <a href="#">2500 MC HALE COURT, SUITE 100A</a>	AUSTIN	7875 8	(512) <del>366-5699</del> <a href="#">366-5600</a>
TX	CDF	ADRIANA & KENDRICK YOUNG	2202 113 <sup>TH</sup> ST	GRAND PRAIRIE	7505	(469) 909-7055
TX	CHTX	BOB HILLIER <a href="#">PDR HOLDINGS, INC.</a>	<del>18850 HIGHWAY 59 N STE 100</del> <a href="#">4310 NORTH SAM HOUSTON PARKWAY EAST</a>	<del>HUMBLE</del> <a href="#">HOUSTON</a>	<del>7733</del> <del>8770</del> <a href="#">32</a>	(281) 886-7755
TX	DFTX	ERIC CAGLE	2205 HUTTON DRIVE STE 110	CARROLLTON	7500	(469) 289-6376
TX	DNTX	ERIC CAGLE	2205 HUTTON DRIVE STE 110	CARROLLTON	7500	(469) 289-6376
TX	EATX	VINCE BROCK	3814 RIDGE COUNTRY DRIVE	SAN ANTONIO	78247	(830) 999-7285
TX	FWTX	STEFANI WATSON RYAN WATSON	<del>1130 BLUE MOUND RD W STE 300</del> <a href="#">1320 RANCHERS LEGACY TRAIL</a>	<del>HASLET</del> <a href="#">FORT WORTH</a>	<del>7605</del> <del>2761</del> <a href="#">26</a>	(682) 841-1788

TX	GATX	BOB HILLIER <a href="#">PDR HOLDINGS, INC.</a>	<del>18850 HIGHWAY 59 N STE 100</del> <a href="#">4310 NORTH SAM HOUSTON PARKWAY EAST</a>	<del>HUMBLE</del> <a href="#">HOUSTON</a>	<del>7733</del> <del>8770</del> <a href="#">32</a>	(281) 886-7755
TX	KHTX	BOB HILLIER <a href="#">PDR HOLDINGS, INC.</a>	<del>18850 HIGHWAY 59 N STE 100</del> <a href="#">4310 NORTH SAM HOUSTON PARKWAY EAST</a>	<del>HUMBLE</del> <a href="#">HOUSTON</a>	<del>7733</del> <del>8770</del> <a href="#">32</a>	(281) 886-7755
TX	NATX	DAVID FRENCH	<del>2112 RUTLAND DR STE 200</del> <a href="#">2500 MC HALE COURT, SUITE 100A</a>	AUSTIN	7875 8	(512) <del>366-5699</del> <a href="#">366-5600</a>
TX	NHTX	BOB HILLIER <a href="#">PDR HOLDINGS, INC.</a>	<del>18850 HIGHWAY 59 N STE 100</del> <a href="#">4310 NORTH SAM HOUSTON PARKWAY EAST</a>	<del>HUMBLE</del> <a href="#">HOUSTON</a>	<del>7733</del> <del>8770</del> <a href="#">32</a>	(281) 886-7755
TX	NMTX	ERIC CAGLE	2205 HUTTON DRIVE STE 110	CARROLLTON	7500	(469) 289-6376
<a href="#">TX</a>	<a href="#">NRTX</a>	<a href="#">JAMES MCGILVRAY</a>	<a href="#">11555 US HIGHWAY 380, SUITE 102</a>	<a href="#">KRUM</a>	<a href="#">7624</a>	<a href="#">(940) 526-3002</a>
TX	NSAT	VINCE BROCK	3814 RIDGE COUNTRY DRIVE	SAN ANTONIO	7824	(830) 999-7285
TX	PCTX	ERIC CAGLE	2205 HUTTON DRIVE STE 110	CARROLLTON	7500	(469) 289-6376
<a href="#">TX</a>	<a href="#">SDFW</a>	<a href="#">ADRIANA YOUNG KENDRICK YOUNG</a>	<a href="#">2202 113TH STREET, SUITE 100</a>	<a href="#">GRAND PRAIRIE</a>	<a href="#">7505</a> <a href="#">0</a>	<a href="#">(469) 909-7055</a>
TX	SEHT	BOB HILLER <a href="#">PDR HOLDINGS, INC.</a>	<del>18850 HIGHWAY 59 N STE 100</del> <a href="#">4310 NORTH SAM HOUSTON PARKWAY EAST</a>	<del>HUMBLE</del> <a href="#">HOUSTON</a>	<del>7733</del> <del>8770</del> <a href="#">32</a>	(281) 886-7755
TX	SPTX	BOB HILLIER <a href="#">PDR HOLDINGS, INC.</a>	<del>18850 HIGHWAY 59 N STE 100</del> <a href="#">4310 NORTH SAM HOUSTON PARKWAY EAST</a>	<del>HUMBLE</del> <a href="#">HOUSTON</a>	<del>7733</del> <del>8770</del> <a href="#">32</a>	(281) 886-7755
TX	WATX	BARON NICKLEBERRY	18992 <del>FM</del> <a href="#">RANCH ROAD</a> 150	DRIFTWOOD	7861 9	(512) 722-3236
TX	WCT X	BOB HILLIER <a href="#">PDR HOLDINGS, INC.</a>	<del>18850 HIGHWAY 59 N STE 100</del> <a href="#">4310 NORTH SAM HOUSTON PARKWAY EAST</a>	<del>HUMBLE</del> <a href="#">HOUSTON</a>	<del>7733</del> <del>8770</del> <a href="#">32</a>	(281) 886-7755
TX	WFTX	STEFANI <del>WATSON</del> <del>RYAN</del> WATSON	<del>4130 BLUE MOUND RD W STE 300</del> <a href="#">1320 RANCHERS LEGACY TRAIL</a>	<del>HASLET</del> <a href="#">FORT WORTH</a>	<del>7605</del> <del>2761</del> <a href="#">26</a>	(682) 841-1788
<a href="#">ST*</a>	<a href="#">COD</a>	<a href="#">OWNERS</a>	<a href="#">STREET</a>	<a href="#">CITY</a>	<a href="#">ZIP</a>	<a href="#">TELEPHONE</a>

		<u>RYAN WATSON</u>				
TX	WHTX	BOB HILLIER <u>PDR HOLDINGS, INC.</u>	<del>18850-HIGHWAY 59 N, STE 100</del> <u>4310 NORTH SAM HOUSTON PARKWAY EAST</u>	<del>HUMBLE</del> <u>HOUSTON</u>	<del>7733</del> <u>8770</u> <u>32</u>	(281) 886-7755
TX	WSTX	VINCE BROCK	3814 RIDGE COUNTRY DRIVE	SAN ANTONIO	7824	(830) 999-7285
UT	UTSL	BRANDON RADMALL, PDR HOLDINGS, <u>INC.</u>	<del>601 W. BORO STREET</del> <u>660 WEST 1725 NORTH</u>	<del>KAYSVILLE</del> <u>LOGAN</u>	<del>8403</del> <u>7843</u> <u>41</u>	(801) 299-1000
UT	<del>UTSO</del> <u>UTSG</u>	BRANDON RADMALL, PDR <u>HOLDINGS, INC.</u>	<del>601 W. BORO STREET</del> <u>677 NORTH 3050 EAST, SUITE 102</u>	<del>KAYSVILLE</del> <u>ST. GEORGE</u>	<del>8403</del> <u>7847</u> <u>90</u>	(801) 299-1000
<del>ST*</del> <u>UT</u>	<del>COD</del> <u>EUTS</u> <u>O</u>	<del>OWNERS</del> <u>BRANDON RADMALL</u> <u>PDR HOLDINGS, INC.</u>	<del>STREET</del> <u>806 SOUTH 860 EAST</u>	<del>CITY</del> <u>LINDON</u>	<del>ZIP</del> <u>84042</u>	<del>TELEPHONE</del> <u>(801) 299-1000</u>
		<del>HOLDINGS</del>				
UT	UTWF	BRANDON RADMALL, PDR HOLDINGS, <u>INC.</u>	601 W. BORO STREET	KAYSVILLE	8403 7	(801) 299-1000
VA	CEVA	JON DUMAN	45 D BUSINESS PARK DRIVE	RUCKERSVILLE	2296	94340 990-9911
VA	GFVA	PAUL GOLKIN PENNY GOLKIN ANDREW GOLKIN ALEXIS GOLKIN	8773 VIRGINA MEADOWS DRIVE	MANASSAS	2010 9	(703) 335-2424
VA	GRVA	BOB HILLIER <del>AND</del> KEN BAKER <u>PDR HOLDINGS, INC.</u>	<del>7424</del> <u>7489</u> WHITEPINE ROAD	<del>CHESTERFIELD</del> <u>RICHMOND</u>	2323 7	(804) 533-7285
<u>VA</u>	<u>LNRO</u>	<u>BRADLEY LONG</u> <u>JOHN EASTMAN</u> <u>PAGE EASTMAN</u>	<u>3135 CARROLL AVENUE</u>	<u>LYNCHBURG</u>	<u>2450</u> <u>1</u>	<u>(434) 448-0049</u>
VA	NRVA	<del>KEVIN CRAWFORD</del> <u>KOFI OWUSU</u> <u>ACHEAMPONG</u>	9644 SOUTH CONGRESS STREET	NEW MARKET	2284 4	(540) 740-2696
VA	NTVA	KEVIN SULLIVAN TIM SULLIVAN	<del>44601 GUILFORD DRIVE STE 100</del> <u>44927 GEORGE WASHINGTON BOULEVARD #265</u>	ASHBURN	2014 7	(703) 880-3090

VA	TRIC	CHARLES SKEENS	<del>37 FOUR WINDS ROAD</del> <u>14139 LEE HIGHWAY</u>	BRISTOL	2420 2	(276) 669-7208
VA	TWVA	ADHAM YUSUPOV	<del>250</del> <u>230</u> CLEARFIELD AVE STE 100	VIRGINIA BEACH	2346 2	(800) 863-6055
VA	VBCH	ADHAM YUSUPOV	<del>250</del> <u>230</u> CLEARFIELD AVE STE 100	VIRGINIA BEACH	2346 2	(800) 863-6055
VA	WMV	PDO HOLDINGS, INC.	133 POWHATAN DRIVE	WILLIAMSBURG	2318	(757) 220-2660
VA	WRVA	MATTHEW HUGHES	2119 DABNEY ROAD	RICHMOND	2323	(804) 330-9500
VT	NOVT	KEN WILLIAMS	404 WOLCOTT STREET	HARDWICK	0584	(802) 472-9100
WA	EKWA	PDO HOLDINGS	15004 35 <sup>TH</sup> AVE W STE D	LYNNWOOD	9808	(425) 486-5362
WA	GVWA	JUSTIN GRAHAM	14300 NE 20 <sup>TH</sup> AVENUE, SUITE D-102	VANCOUVER	9868	(360) 823-1388

<u>ST*</u>	<u>COD</u>	<u>OWNERS</u>	<u>STREET</u>	<u>CITY</u>	<u>ZIP</u>	<u>TELEPHONE</u>
WA	OPW	JOHN ELLIOTT	5538 CRUISER LOOP ROAD	PORT ORCHARD	98367	(360) 377-1647
<u>WA</u>	<u>PSWA</u>	<u>KEITH BURNEY</u>	<u>1053 ANDOVER PARK EAST</u>	<u>TUKWILA</u>	<u>98188</u>	<u>(206) 880-2438</u>
WA	TAWA	JASON HARDY	<del>15357 200<sup>TH</sup> AVE E</del> <u>3104 142ND AVENUE EAST, SUITE 105</u>	<del>BONNEY LAKES</del> <u>SUMNER</u>	<del>98394</del> <u>98390</u>	(253) 215-9000
WA	WAW	PDO HOLDINGS	15004 35TH AVE W. SUITE D	LYNNWOOD	98087	(206) 364-3000
WI	LLCY	CRAIG SLAGER	<del>3236</del> <u>3432A</u> COUNTY HIGHWAY N	COTTAGE GROVE	53527	(608) 839-4100
WI	SEWI	JEFF HERTEL TIMOTHY GUILLETTE BRADYCHUCKEL	W226 N918 NORTHMOUND DR STE 100	WAUKESHA	53186	(414) 383-3131
WI/ US *	<del>PDNP</del> <u>DNL</u>	PDOHOLDINGS	7251 SALISBURY RD, SUITE 6	JACKSONVILLE	32256	(904) 737-2779

**\*NOT CURRENTLY IN OPERATION**

THE FOLLOWING PAUL DAVIS RESTORATION FRANCHISES WERE TERMINATED OR CEASED OPERATING DURING ~~2023~~2024

ST	COD	OWNERS	STREET	CITY	ZIP	TELEPHONE
<del>IL</del> <u>CA</u>	<del>NOGI</del> <u>HBCA</u>	GARY MAUS <u>GABRIEL RUIZ</u>	<del>4222 N RAVENSWOOD</del> <u>5212 BOLSA AVE.</u>	<del>CHICAGO</del> <u>HUNTINGTON</u> <u>N BEACH</u>	<del>60643</del> <u>92649</u>	( <del>630</del> <u>714</u> ) <del>330-770</del> <u>723-386</u> <u>4</u>
<del>KY</del> <u>CO</u>	<del>RCKY</del> <u>EPCO</u>	SARAH GABBARD <u>BRENT COWELL</u>	<del>610 1<sup>ST</sup> STREET</del> <u>7939 RED GRANITE LOOP</u>	<del>WORTHINGTON</del> <u>COLO</u> <u>RADO SPRINGS</u>	<del>41183</del> <u>80939</u>	( <del>606</del> <u>719</u> ) <del>744-288</del> <u>8260-003</u> <u>1</u>
<del>MI</del> <u>FL</u>	<del>DEMI</del> <u>MWF</u> <u>L</u>	MARK BEYDOUN <u>DANNY PRIMO</u>	<del>14201 PROSPECT STREET</del> <u>7921 NW 66<sup>TH</sup> ST.</u>	<del>DEARBORN</del> <u>MIAMI</u>	<del>41826</del> <u>33166</u>	( <del>313</del> <u>786</u> ) <del>846-570</del> <u>287-015</u> <u>6</u>
<u>FL</u>	<u>MNFL</u>	<u>DANNY PRIMO</u>	<u>7921 NW 66<sup>TH</sup> ST.</u>	<u>MIAMI</u>	<u>33166</u>	( <u>786</u> ) <u>287-0156</u>
<u>IA</u>	<u>SCIA</u>	<u>CHRIS MANGAN</u>	<u>1610 PIERCE STREET</u>	<u>SIOUX CITY</u>	<u>51105</u>	( <u>712</u> ) <u>234-0095</u>
<del>MN</del> <u>MI</u>	<del>ALMN</del> <u>NOMI</u>	MARSHALL ADAMS <u>MICHAEL ALLEN</u>	<del>3905 HIGHWAY 29 SOUTH</del> <u>1450 EAST HOLLYWOOD BLVD</u>	<del>ALEXANDRIA</del> <u>PONTIAC</u>	<del>56308</del> <u>48340</u>	( <del>320</del> <u>248</u> ) <del>808-603</del> <u>0765-825</u> <u>2</u>
<u>NY</u>	<u>BRST</u>	<u>JOSEPH PAPALIA</u> <u>MICHAEL PAPALIA</u>	<u>16 SHENANDOAH AVENUE</u>	<u>STATEN ISLAND</u>	<u>10314</u>	( <u>718</u> ) <u>983-5035</u>

THE FOLLOWING PAUL DAVIS RESTORATION FRANCHISES TRANSFERRED DURING ~~2023~~2024

ST*	COD	OWNERS	STREET	CITY	ZIP	TELEPHONE
<del>CAC</del> <u>CO</u>	<del>CVCA</del> <u>ARCO</u>	JOE MALFITANO <u>JAMES LOMBARD</u>	<del>2522 GRAND CANAL STE 12</del> <u>7003 EAST 47TH AVENUE DRIVE</u>	<del>STOCKTOM</del> <u>DENVER</u>	<del>95207</del> <u>80216</u>	( <del>209</del> <u>303</u> ) <del>808-577</del> <u>3 557-2227</u>
<del>CAC</del> <u>CO</u>	<del>SACA</del> <u>NDCO</u>	JOEL MOSS <u>JAMES LOMBARD</u>	<del>24877</del> <u>7003 EAST 47TH AVENUE</u> <del>ROCKEFELLER</del> <u>DRIVE</u>	<del>VALENCIA</del> <u>DENVER</u>	<del>91355</del> <u>80216</u>	( <del>664</del> <u>303</u> ) <del>310-088</del> <u>4557-222</u> <u>7</u>
<u>FL</u>	<del>PBFL</del> <u>TRZR</u>	<del>GEORGE COUTO</del> <u>MICHAEL EDWARDS</u>	<del>2871 VISTA PARKWAY</del> <u>1950 SW BILTMORE STREET</u>	<del>WEST PALM BEACH</del> <u>PORT SAINT LUCIE</u>	<del>33411</del> <u>34984</u>	( <del>564</del> <u>772</u> ) <del>478-727</del> <u>2340-208</u> <u>0</u>
<del>FL</del> <u>GA</u>	<del>TLFL</del> <u>CSTL</u>	JAY WHITE <u>KATHY REDDING</u> <u>ANNE MARIE TRAUB</u>	<del>5278 TOWER</del> <u>3518 ROSS ROAD</u>	<del>TALLAHASSEE</del> <u>SAVAN NAH</u>	<del>32303</del> <u>31405</u>	( <del>850</del> <u>912</u> ) <del>576-737</del> <u>8236-533</u> <u>7</u>
<del>NC</del> <u>IL</u>	<del>AANC</del> <u>RKIL</u>	SHARON GREEN <u>JAMES DUNCAN</u> <u>VERN STEWART</u>	<del>34-A REDMOND</del> <u>6582 REVLON DRIVE</u>	<del>FLETCHER</del> <u>BELVIDERE</u>	<del>28732</del> <u>61008</u>	( <del>828</del> <u>815</u> ) <del>687-776</del> <u>6547-960</u> <u>0</u>

<del>NC</del> <u>N</u>	<del>SHN</del> <u>GINN</u> <u>C</u>	<del>CHARLES AND CONNIE BARNES</del> <u>ALEX, JOHN,</u> <u>SANDRA MCINTYRE</u>	<del>245 W DORA STREET</del> <u>427 BURKET LANE</u>	<del>ANGIER</del> <u>BREMEN</u>	<del>27504</del> <u>46506</u>	<del>(919) 574</del> <u>331-2030546-444</u> <u>0</u>
<del>SC</del> <u>MA</u>	<del>COLM</del> <u>WCMA</u>	<del>WILLIAM AND LUCIA ELLISON</del> <u>TODD NEWVILLE</u>	<del>117 VERA ROAD</del> <u>547 HARTFORD TURNPIKE</u>	<del>LEXINGTON</del> <u>SHREWSBURY</u>	<del>29072</del> <u>01545</u>	<del>(803) 508</del> <u>796-4343841-728</u> <u>5</u>
<u>MA</u>	<u>BNMA</u>	<u>JOHN GUGLIOTTA</u>	<u>12D ELM ROAD</u>	<u>NORTH HAMPTON</u>	<u>03862</u>	<u>(603) 964-8484</u>
<u>MA</u>	<u>BMMA</u>	<u>JOHN GUGLIOTTA</u>	<u>300 JOHN DIETSCH BLVD UNIT 9</u>	<u>NORTH ATTLEBORO</u>	<u>02763</u>	<u>(508) 215-4800</u>
<u>MA</u>	<u>BSMA</u>	<u>JOHN GUGLIOTTA</u>	<u>300 JOHN DIETSCH BLVD UNIT 9</u>	<u>NORTH ATTLEBORO</u>	<u>02763</u>	<u>(508) 215-4800</u>
<u>MA</u>	<u>WCMA</u>	<u>JOHN GUGLIOTTA</u>	<u>300 JOHN DIETSCH BLVD UNIT 9</u>	<u>NORTH ATTLEBORO</u>	<u>02763</u>	<u>(508) 215-4800</u>
<u>MO</u>	<u>WCMA</u>	<u>DENNIS SHY</u>	<u>804 HORAN DRIVE</u>	<u>FENTON</u>	<u>63026</u>	<u>(636) 324-4011</u>
<u>NH</u>	<u>SNHM</u>	<u>JOHN GUGLIOTTA</u>	<u>12D ELM ROAD</u>	<u>NORTH HAMPTON</u>	<u>03862</u>	<u>(603) 964-8484</u>
<u>NJ</u>	<u>SONJ</u>	<u>WILLIAM ELLIOTT</u>	<u>509 E. PARK AVE, HAINESPORT INDUSTRIAL PARK</u>	<u>HAINESPORT</u>	<u>08036</u>	<u>(609) 265-0001</u>
<u>RI</u>	<u>RDIS</u>	<u>JOHN GUGLIOTTA</u>	<u>300 JOHN DIETSCH BLVD UNIT 9</u>	<u>NORTH ATTLEBORO</u>	<u>02763</u>	<u>(508) 215-4800</u>

<u>ST*</u>	<u>COD</u>	<u>OWNERS</u>	<u>STREET</u>	<u>CITY</u>	<u>ZIP</u>	<u>TELEPHONE</u>
<u>SC</u>	<u>BEAU</u>	<u>MIKE CHERRY</u> <u>JOANNA CHERRY</u> <u>MD BUCK</u>	<u>163 BLUFFTON ROAD, UNIT C</u>	<u>BLUFFTON</u>	<u>29910</u>	<u>(843) 757-3236</u>
<u>VA</u>	<u>NRVA</u>	<u>KEVIN CRAWFORD</u>	<u>9644 SOUTH CONGRESS STREET</u>	<u>NEW MARKET</u>	<u>22844</u>	<u>(540) 740-2696</u>

EXHIBIT B-1  
TO THE PAUL DAVIS RESTORATION  
FRANCHISE DISCLOSURE DOCUMENT  
  
FINANCIAL STATEMENTS





## **Report of Independent Auditors**

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

### ***Opinion***

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

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

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

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

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

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

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

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

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

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



resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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



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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants  
/s/PricewaterhouseCoopers LLP

Toronto, Canada

March 25, 2025

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**French**

*PricewaterhouseCoopers LLP<sup>1</sup>*

*PricewaterhouseCoopers s.r.l./s.e.n.c.r.l.*

*PricewaterhouseCoopers s.r.l./s.e.n.c.r.l.<sup>1</sup>*

# **FS Brands, Inc.**

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





## **Report of Independent Auditors**

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

### ***Opinion***

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

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

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

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

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

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

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

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

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resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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



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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants  
/s/PricewaterhouseCoopers LLP

Toronto, Canada

March 25, 2025

---

**French**

*PricewaterhouseCoopers LLP<sup>1</sup>*

*PricewaterhouseCoopers s.r.l./s.e.n.c.r.l.*

*PricewaterhouseCoopers s.r.l./s.e.n.c.r.l.<sup>1</sup>*

**FS Brands, Inc.**  
**Consolidated Balance Sheets**  
**As at December 31, 2024 and December 31, 2023**

(expressed in US dollars)

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

**Approved by the Board of Directors**

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

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

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

As at December 31, 2024 and December 31, 2023

(expressed in US dollars)

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

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

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

(expressed in US dollars)

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

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



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

(expressed in US dollars)

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

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

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

(expressed in US dollars)

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

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

# **FS Brands, Inc.**

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

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(expressed in US dollars)

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

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

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

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

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

#### **Basis of consolidation**

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

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

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

- **Franchisor operations**

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

# **FS Brands, Inc.**

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

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(expressed in US dollars)

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

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

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

### **Cash and cash equivalents**

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

### **Restricted cash**

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

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

### **Inventories**

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

### **Property and equipment**

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

**FS Brands, Inc.**

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

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(expressed in US dollars)

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

**Goodwill and intangible assets**

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

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

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

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

**Impairment of long-lived assets**

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

# **FS Brands, Inc.**

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

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(expressed in US dollars)

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

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

### **Notional value appreciation plans**

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

### **Leases**

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

### **Income taxes**

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

### **Non-controlling interests**

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

# **FS Brands, Inc.**

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

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(expressed in US dollars)

### **Fair value measurements**

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

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

### **Concentrations**

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

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

### **Business combinations**

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

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

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

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

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

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

# **FS Brands, Inc.**

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

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(expressed in US dollars)

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

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

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

#### **Management fees**

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

#### **Note receivable**

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

#### **Intercompany payable**

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

### **5 Notes receivable**

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



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

(expressed in US dollars)

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

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

**6 Property and equipment**

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

# FS Brands, Inc.

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

(expressed in US dollars)

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

### 7 Intangible assets

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

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

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

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

# FS Brands, Inc.

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

(expressed in US dollars)

### 8 Goodwill

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

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

### 9 Leases

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

Other information related to leases is as follows:

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

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

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

(expressed in US dollars)

The following represent operating lease commitments:

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

**10 Income taxes**

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

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

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

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

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

# FS Brands, Inc.

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

(expressed in US dollars)

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

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

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

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

### 11 Change in non-cash working capital

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

# FS Brands, Inc.

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

(expressed in US dollars)

### 12 Non-controlling interests

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

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

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

### 13 Fair values of financial instruments

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

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

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

# FS Brands, Inc.

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

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(expressed in US dollars)

### 14 Defined contribution pension plan

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

### 15 Acquisitions

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

Details of these acquisitions are as follows:

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

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

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(expressed in US dollars)

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

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

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

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

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

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



# **FS Brands, Inc.**

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

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(expressed in US dollars)

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

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

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

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

# **FS Brands, Inc.**

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



## **Report of Independent Auditors**

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

### ***Opinion***

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are

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



considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario, Canada  
March 19, 2024

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

(expressed in US dollars)

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

**Approved by the Board of Directors**

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

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

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

As at December 31, 2023 and December 31, 2022

(expressed in US dollars)

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

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

**FS Brands, Inc.****Consolidated Statements of Income and Comprehensive Income  
For the years ended December 31, 2023 and December 31, 2022**

(expressed in US dollars)

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

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

**FS Brands, Inc.****Consolidated Statements of Changes in Stockholders' Equity**  
**For the years ended December 31, 2023 and December 31, 2022**

(expressed in US dollars)

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

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



# FS Brands, Inc.

## Consolidated Statements of Cash Flows

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

(expressed in US dollars)

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

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

# FS Brands, Inc.

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

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(expressed in US dollars)

### 1 Nature of business operations

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

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

### 2 Summary of significant accounting policies

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

#### Basis of consolidation

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

#### Revenue recognition and unearned revenue

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

- Franchisor operations

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

# **FS Brands, Inc.**

## **Notes to Consolidated Financial Statements**

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

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(expressed in US dollars)

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

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

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

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

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

#### **Restricted cash**

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

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

#### **Inventories**

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

#### **Property and equipment**

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

**FS Brands, Inc.**  
Notes to Consolidated Financial Statements  
**December 31, 2023 and December 31, 2022**

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(expressed in US dollars)

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

**Goodwill and intangible assets**

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

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

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

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

**Impairment of long-lived assets**

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

**FS Brands, Inc.**  
Notes to Consolidated Financial Statements  
**December 31, 2023 and December 31, 2022**

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(expressed in US dollars)

**Deferred revenue and customer deposits**

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

**Notional value appreciation plans**

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

**Leases**

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

**Income taxes**

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

**Non-controlling interests**

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

**FS Brands, Inc.**  
Notes to Consolidated Financial Statements  
**December 31, 2023 and December 31, 2022**

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(expressed in US dollars)

**Fair value measurements**

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

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

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

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

**Concentrations**

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

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

**Business combinations**

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

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

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

**3 Revenue from contracts with customers**

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

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

# FS Brands, Inc.

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

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(expressed in US dollars)

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

Disaggregated revenue is as follows:

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

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

### 4 Transactions with related parties

#### Management fees

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

### 5 Notes receivable

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

**FS Brands, Inc.**  
Notes to Consolidated Financial Statements  
**December 31, 2023 and December 31, 2022**

(expressed in US dollars)

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

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

**6 Property and equipment**

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



# FS Brands, Inc.

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

(expressed in US dollars)

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

### 7 Intangible assets

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

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

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

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

### 8 Goodwill

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

**FS Brands, Inc.**  
Notes to Consolidated Financial Statements  
**December 31, 2023 and December 31, 2022**

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(expressed in US dollars)

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

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

## 9 Leases

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

Other information related to leases was as follows:

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

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

The following represent operating lease commitments:

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

# FS Brands, Inc.

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

(expressed in US dollars)

### 10 Income taxes

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

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

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

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

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

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

# FS Brands, Inc.

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

(expressed in US dollars)

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

### 11 Change in non-cash working capital

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

### 12 Non-controlling interests

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

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

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

# FS Brands, Inc.

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

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(expressed in US dollars)

### 13 Letters of credit

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

### 14 Fair values of financial instruments

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

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

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

### 15 Defined contribution pension plan

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

### 16 Acquisitions

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

# FS Brands, Inc.

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

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(expressed in US dollars)

Details of these acquisitions are as follows:

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

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

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

**FS Brands, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2023 and December 31, 2022**

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(expressed in US dollars)

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

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

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

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

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

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

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

# **FS Brands, Inc.**

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

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(expressed in US dollars)

### **18 Subsequent events**

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



# **FS Brands, Inc.**

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

**X**



## **Report of Independent Auditors**

To the Stockholders of FS Brands, Inc.

### ***Opinion***

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute

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



# X

assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario, Canada  
February 23, 2023

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

(expressed in US dollars)

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

**Approved by the Board of Directors**

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

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

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

As at December 31, 2022 and December 31, 2021

(expressed in US dollars)

	2022 \$	2021 \$
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	15,085,159	11,530,513
Accrued liabilities	71,003,814	59,329,417
Notes payable (note 11)	456,933	454,286
Deferred revenue and customer deposits	45,124,182	48,047,327
Due to ultimate parent	10,674,950	11,251,340
Due to parent company	1,605,327	3,259,862
Operating lease liabilities – current (note 9)	10,852,049	8,819,383
	154,802,414	142,692,128
<b>Notes payable</b> (note 11)	-	428,571
<b>Deferred revenues</b>	17,428,363	14,603,412
<b>Long-term value appreciation rights</b>	7,507,602	2,724,651
<b>Income taxes payable</b> (note 10)	186,059	186,059
<b>Deferred income taxes</b> (note 10)	9,657,479	7,160,698
<b>Operating lease liabilities</b> – non-current (note 9)	41,837,873	31,278,258
	231,419,790	199,073,777
<b>Non-controlling interests</b> (note 13)	52,347,171	28,256,345
<b>Stockholders' Equity</b>		
<b>Common stock</b>	1	1
<b>Additional paid-in capital</b>	29,529,067	29,529,067
<b>Retained earnings</b>	144,518,259	132,661,115
	174,047,327	162,190,183
	457,814,288	389,520,305

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

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

(expressed in US dollars)

	<b>2022</b> \$	<b>2021</b> \$
<b>Revenue</b>		
Royalties	96,138,519	87,815,731
Franchise fees (note 3)	4,676,664	4,398,890
Merchandise sales	440,308,645	338,168,074
Services and other	89,522,047	74,067,901
	<u>630,645,875</u>	<u>504,450,596</u>
<b>Costs and expenses</b>		
Franchise operating	34,172,132	27,192,498
Cost of merchandise sales	308,600,762	238,949,248
Cost of services	7,212,569	6,221,708
General and administrative	184,991,102	155,107,036
Management fees to parent (note 4)	6,673,136	7,418,510
Depreciation and amortization	21,075,585	19,807,499
	<u>562,725,286</u>	<u>454,696,499</u>
<b>Income from operations</b>	<u>67,920,589</u>	<u>49,754,097</u>
<b>Other income</b>		
Interest income	227,347	427,208
<b>Income before income taxes</b>	68,147,936	50,181,305
<b>Provision for income taxes</b> (note 10)	<u>18,156,450</u>	<u>13,315,914</u>
<b>Net income for the year</b>	49,991,486	36,865,391
<b>Non-controlling interests' share of earnings</b> (note 13)	(3,241,134)	(2,350,221)
<b>Non-controlling interests redemption increment</b> (note 13)	<u>(9,098,981)</u>	<u>(8,058,800)</u>
<b>Net income and comprehensive income attributable to common stockholders for the year</b>	<u>37,651,371</u>	<u>26,456,370</u>

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

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

(expressed in US dollars)

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



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

# FS Brands, Inc.

## Consolidated Statements of Cash Flows

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

(expressed in US dollars)

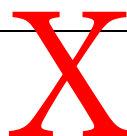
	2022 \$	2021 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net income for the year	49,991,486	36,865,391
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of property and equipment (note 6)	15,889,477	15,705,978
Amortization of intangible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

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



# FS Brands, Inc.

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



(expressed in US dollars)

### 1 Nature of business operations

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

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

### 2 Summary of significant accounting policies

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

#### Basis of consolidation

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

#### Revenue recognition and unearned revenue

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

- Franchisor operations

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



(expressed in US dollars)

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

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

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

### **Cash and cash equivalents**

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

### **Restricted cash**

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

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

### **Inventories**

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

### **Property and equipment**

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

# FS Brands, Inc.

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

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(expressed in US dollars)

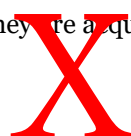
Maintenance and repairs are expensed to operations as incurred, while betterments and additions are capitalized. On sale or retirement, the cost of the property and the related accumulated depreciation are removed from the respective accounts and any resulting gains or losses are reflected in income.

### Goodwill and intangible assets

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

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

Customer relationships  
Trademark  
Franchise agreements



4 to 20 years  
15 to 30 years  
pattern of use

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

### Impairment of long-lived assets

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



(expressed in US dollars)

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

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

### **Leases**

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

### **Income taxes**

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

### **Non-controlling interests**

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

### **Fair value measurements**

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

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

# FS Brands, Inc.

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

---

(expressed in US dollars)

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

Level 3 – unobservable inputs.

### Concentrations

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

### 3 Revenue from contracts with customers

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

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

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

Disaggregated revenue is as follows:

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

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

# FS Brands, Inc.

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

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(expressed in US dollars)

### 4 Transactions with related parties

#### Management fees

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

### 5 Notes receivable

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

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

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

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

(expressed in US dollars)

**6 Property and equipment**

		<b>2022</b>		
	<b>Depreciation period</b>	<b>Gross carrying amount \$</b>	<b>Accumulated depreciation \$</b>	<b>Net \$</b>
Production equipment	5 to 7 years	36,100,396	24,883,201	11,217,195
Vehicles	5 years	36,711,890	22,061,640	14,650,250
Furniture and fixtures	5 to 7 years	13,915,248	10,264,897	3,650,351
Computers and equipment	3 to 5 years	48,633,491	28,116,735	20,516,756
Leasehold improvements	lease term	17,998,005	13,508,954	4,489,051
		<b>153,359,030</b>	<b>98,835,427</b>	<b>54,523,603</b>
		<b>2021</b>		
	<b>Depreciation period</b>	<b>Gross carrying amount \$</b>	<b>Accumulated depreciation \$</b>	<b>Net \$</b>
Production equipment	5 to 7 years	28,315,940	20,692,674	7,623,266
Vehicles	5 years	25,238,074	14,757,497	10,480,577
Furniture and fixtures	5 to 7 years	12,294,984	8,091,964	4,203,020
Computers and equipment	3 to 5 years	37,439,576	22,088,186	15,351,390
Computer software	3 to 5 years	1,361,498	689,048	672,450
Leasehold improvements	lease term	16,372,266	12,575,922	3,796,344
		<b>121,022,338</b>	<b>78,895,291</b>	<b>42,127,047</b>

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

**7 Intangible assets**

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

# FS Brands, Inc.

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

(expressed in US dollars)

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

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

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

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

## 8 Goodwill

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

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



# FS Brands, Inc.

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

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(expressed in US dollars)

### 9 Leases

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

Other information related to leases was as follows:

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

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

The following represent operating lease commitments:

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

X

# FS Brands, Inc.

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

(expressed in US dollars)

### 10 Income taxes

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

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

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

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

# FS Brands, Inc.

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

(expressed in US dollars)

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

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

### 11 Notes payable

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

### 12 Change in non-cash working capital

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

# FS Brands, Inc.

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

(expressed in US dollars)

### 13 Non-controlling interests

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

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

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

### 14 Letters of credit

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

### 15 Fair values of financial instruments

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

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

# FS Brands, Inc.

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

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(expressed in US dollars)

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

### 16 Defined contribution pension plan

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

### 17 Acquisitions

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

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



EXHIBIT B-2  
TO THE PAUL DAVIS RESTORATION  
FRANCHISE DISCLOSURE DOCUMENT  
  
GUARANTEE OF PERFORMANCE

## GUARANTEE OF PERFORMANCE

For value received, FS Brands, Inc., a Delaware corporation (the "Guarantor"), located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403, absolutely and unconditionally guarantees to assume the duties and obligations of Paul Davis Restoration, Inc., located at 7251 Salisbury Road, Suite 6, Jacksonville, Florida 32256 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2025 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Audubon, Pennsylvania on the \_\_\_\_ day of \_\_\_\_\_, 2025.

Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President

## GUARANTEE OF PERFORMANCE

For value received, FS Brands, Inc., a Delaware corporation (the "Guarantor"), located at 2621 Van Buren Avenue, Suite 550A, Audubon, PA 19403, absolutely and unconditionally guarantees to assume the duties and obligations of Paul Davis Restoration, Inc., located at 7251 Salisbury Road, Suite 6, Jacksonville, Florida 32256 (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 Audubon, Pennsylvania on the 18th day of March, 2024.

**X**

Guarantor:

FS Brands, Inc.

By: 

Charles E. Chase, President



EXHIBIT C  
TO THE PAUL DAVIS RESTORATION  
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

PAUL DAVIS RESTORATION, INC.

FRANCHISE AGREEMENT

~~2024~~2025

FRANCHISEE

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DATE OF AGREEMENT

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- EXHIBIT C: ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION
- EXHIBIT D: CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT
- EXHIBIT E: TELEPHONE NUMBER AND INTERNET AGREEMENT
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**PAUL DAVIS RESTORATION, INC.**  
**7251 Salisbury Road, Suite 6, Jacksonville, FL 32256**

**PAUL DAVIS RESTORATION  
FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (this "Agreement"), is made effective as of \_\_\_\_\_, 202\_, by and among PAUL DAVIS RESTORATION, INC., a Florida corporation ("PDRI"); and the following individual(s): \_\_\_\_\_ (singly, or collectively if more than one, the "Principal Owner"); and \_\_\_\_\_ d.b.a. Paul Davis Restoration of \_\_\_\_\_ (the "Franchisee"). Because the obligations of Franchisee and Principal Owner are joint and several under this Agreement, the term "Franchisee" throughout this Agreement shall refer to both Franchisee and Principal Owner, except in those circumstances where the term Principal Owner is specifically used.

**WITNESSETH:**

A. PDRI is the owner of the Paul Davis Restoration® ("PDR") service mark and as the result of the expenditure of time, effort and money in research and development has acquired experience, knowledge and goodwill with respect to ~~insurance~~property restoration construction and reconstruction, and emergency services, including drying, cleaning, decontamination, repair, board-up, demolition, loss mitigation, mold remediation and other emergency services, of residential and commercial buildings, structures, and contents ("PDR's Business");

B. PDRI has developed certain systems, methods, procedures, know-how, computer software programs and other associated trade secrets (collectively the "Franchise System"), as described in the Paul Davis Operations Manual, as now compiled and as amended from time to time (the "Operations Manual"), for the operation of a business engaging in PDR's Business;

C. PDRI is also the owner of the Paul Davis Emergency Services® ("PDES") service mark and, as the result of the expenditure of time, effort and money in research and development, has acquired experience, knowledge and goodwill with respect to emergency services, including drying, cleaning, decontamination, repair, board-up, demolition, loss mitigation, mold remediation and other emergency services, of residential and commercial buildings, structures, and contents ("PDES' Business");

D. Franchisee recognizes that the Franchise System is unique, novel and valuable and Franchisee desires to obtain the commercial benefits of the use of the Paul Davis Restoration name and the Franchise System and the knowledge, experience and reputation of PDRI.

**NOW, THEREFORE**, in consideration of the mutual covenants, promises, conditions and agreements hereinafter set forth, PDRI and Franchisee agree as follows:

## **ARTICLE 1: FRANCHISE SYSTEM**

1.1 Grant of Franchise. PDRI hereby grants to Franchisee a non-exclusive license to use the Franchise System to operate a Paul Davis Restoration® ("PDR") franchise (the "FranchiseFranchised Business") under the terms and conditions set forth in this Agreement.

1.2 Operations Manual. During the term of this Agreement, PDRI grants to Franchisee a non-exclusive license to use the Operations Manual, the provisions of which are hereby incorporated by reference into this Agreement. Franchisee acknowledges that the Operations Manual remains the property of PDRI and Franchisee shall be bound by the terms of the Operations Manual and shall return the Operations Manual and any copies thereof to PDRI upon termination of this Agreement. Franchisee further acknowledges that PDRI may amend the Operations Manual in accordance with the procedures set forth in the Operations Manual and Franchisee shall be bound by any such amendment. In the event of any conflict between the terms of this Agreement and the terms of the Operations Manual the terms of this Agreement shall govern.

1.3 Tradename and Logos. PDRI grants to Franchisee, for the term of this Agreement, a non-exclusive license to use the Paul Davis Restoration® name and logo in the operation of the Franchise System in accordance with this Agreement and the Operations Manual. Franchisee shall operate exclusively under the Paul Davis® and Paul Davis Restoration® name and logo and shall not use or display any other tradename or service mark without the prior written consent of PDRI. All names and logos owned by PDRI and/or its affiliates and licensed to Franchisee are hereafter referred to as the "Marks." PDRI reserves the right, in its sole discretion, to modify, replace, substitute or terminate any of the Marks.

Franchisee shall not use either the Marks or any variation thereof as part of its corporate, firm or business name or for any other purposes except in accordance with this Agreement or as may otherwise be specifically authorized by PDRI in writing, nor shall Franchisee hold out or otherwise employ the Marks to perform any activity, or to incur any obligation or indebtedness in such manner as might make PDRI liable therefore. Franchisee shall not register or attempt to register the Marks in its name or the name of any person, firm, corporation or entity, and shall not take any action which might invalidate the Marks, impair any rights of PDRI in and to such Marks or create any rights adverse to those of PDRI. Moreover, Franchisee shall use the Marks correctly spelled and/or depicted and not as a verb or in the plural or in any other manner which might endanger the validity of the Marks and/or, if registered, their registration. Franchisee shall use the Marks only in the style as may be registered, or if not registered, as prescribed by and in accordance with PDRI brand standards as set forth in the Operations Manual and elsewhere in writing by PDRI ("Brand Standards").

In order to preserve the validity and integrity of the Marks licensed herein and to assure that Franchisee is properly employing same in the operation of the FranchiseFranchised Business, PDRI and its agents shall at all reasonable times have the right to inspect Franchisee's premises and other sites of Franchisee's operation and make periodic evaluations of the services provided and the goods sold and used therein. Franchisee shall cooperate with PDRI and its agents in such inspections and render such assistance as PDRI may reasonably request.

1.4 Regional and National Programs. Franchisee acknowledges that ~~PDRI has~~ PDRI and/or affiliates of PDRI have the sole authority to enter into regional or national account relationships and/or contracts, for and on behalf of the Franchise System, with insurance companies, third party administrators, commercial clients and property managers ("Program Accounts"), under which PDRI may assign jobs to franchisees. The signing of a Regional or National account by franchisee or the administration of such regional or national account, referral of business to Network Franchisees for a fee, without the express written consent of PDRI, will be considered a material breach of this Franchise Agreement. For the purpose of clarity, Franchisee is not authorized to charge fees or any royalty for any business referred under a regional or national account, unless otherwise authorized by a Mandatory Operating Requirement or otherwise with permission by PDRI. Franchisee shall be liable for all claims, demands, losses, obligations, liens, costs, expenses, liabilities, debts or damages to or by third parties arising out of or in connection with such account as more fully described in Article 13 of this Agreement. Franchisee must adhere to the Program requirements of the regional or national account including service levels, compliance and other contractual requirements- when receiving losses under a Regional or National Program. Regional and National Programs that are also Optional Programs with additional requirements, terms, conditions, training and fees, under section 1.5 below, must be ~~opted in~~ agreed to by Franchisee executing an ~~Addendum~~ Attestation indicating the desire to participate in such Program- and agreeing to the terms of such Program. Notwithstanding the above, Franchisee agrees, as part of participation in any Program, to adhere to all Program requirements including those Programs that require centralized payment through PDRI. PDRI agrees to collect and disburse all program Funds to which franchisee is entitled, ~~45~~ within 30 business days of collection.

1.5 Optional Programs. PDRI and/or affiliates of PDRI may from time to time establish and offer to Franchisee additional customer lead source programs, that require specific account management services by PDRI and/or its affiliates including for carriers, TPAs, homeowners and commercial clients related to PDRI's Business. "Optional Programs" are defined as directly managed programs by PDRI (such as programs formally managed by Third Party Administrators that charged fees to franchisees) or changes in current programs requiring additional managed services by PDRI to service or maintain the account, such as program support in providing compliance, customer service, or a dedicated team required at PDRI and/or through a third party or onsite with a carrier. Franchisee may elect to participate in such Optional Programs subject to the requirements, terms, and conditions established from time to time by PDRI for such Optional Programs, which may include additional training requirements and additional fees. Franchisees electing to opt into an Optional Program offered by PDRI shall agree to the terms and conditions of such Optional Program by executing a written Attestation or Addendum to the Franchise Agreement. Optional Program Fees, including, but not limited to, fees for ~~Quality Assurance~~ quality assurance review are not a royalty, but are administrative fees payable to PDRI in consideration for PDRI's expenses and support for each applicable Optional Program. PDRI reserves the right to change the fee charged on any Optional Program from time to time after providing Franchisee with written notice of any Optional Program fee change. All Optional Programs are developed and offered at the sole discretion of PDRI, in collaboration with the NEC, and may be terminated by PDRI at any time upon written notice to Franchisee. Any fees owed by Franchisee for participation in any Optional Program that are past due may result in PDRI terminating Franchisee's participation in the Optional Program until payment of all fees is made. The Franchisee acknowledges and agrees that electing to participate in the Optional Programs may subject them to additional terms and conditions,

including but not limited to, use of specialized software and equipment, special processes, or obligations to defend, indemnify and hold harmless various parties or third parties such

as insurance carriers, administrators, homeowners and commercial partners against any liabilities, claims, damages, expenses and losses that may arise. The Franchisee acknowledges that PDRI does not provide any legal advice. By electing to participate, the Franchisee affirms they have evaluated and accept the terms and conditions, including the associated risks, based on their own comprehensive understanding or after consulting with legal counsel.

1.6 Cooperative Marketing Program. Franchisor has the right in its sole discretion, to designate any region or area in which one or more Franchised businesses are operating as an advertising cooperative area (the "Cooperative") and to determine if a Cooperative is applicable to Franchisee's Franchised Business. If a Cooperative has been established applicable to Franchisee's Franchised Business at the time Franchisee begins operating under this Agreement, Franchisee must immediately become a member of such Cooperative and make the required contributions to the Cooperative's fund. If a Cooperative applicable to Franchisee's Franchised Business is established at a later time during the term of this Agreement, Franchisee must become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative is formed. Franchisee must comply with all guidelines and requirements applicable to the Cooperative, as set forth by PDRI or the Cooperative itself. PDRI may require a Cooperative to be formed, changed, dissolved, or merged in its sole and absolute discretion. If franchisees within a region desire to form a Cooperative, the franchisees must first receive PDRI approval and adhere to PDRI's Cooperative Program standards as set and amended by PDRI from time to time. The Cooperative will conduct advertising campaigns for the Franchised Business(es) located in that region. Contributions to a Cooperative are determined by a majority vote of the Franchised Business(es).

~~1.6 Co-operative Marketing Program. PDRI may establish a co-operative marketing program for franchisees in certain Designated Marketing Areas, also referred to as a "DMA." All franchisees located in a DMA for which a co-operative marketing program has been established must agree to participate in such program and execute an addendum to this Agreement, in the form prescribed by PDRI, that governs Franchisee's participation in the program. In the event of a new or resale of a Franchise Business that participates in a DMA co-operative marketing program, the purchaser of the Franchise Business will also be subject to the terms of the addendum described in the preceding sentence.~~

1.7 Exclusions and Reservations. Franchisee expressly understands and agrees that Franchisor and Franchisor's affiliates will have the right, in Franchisor's sole discretion, to: (i) establish and operate, and license third parties the right to establish and operate, other Franchised Businesses using the Proprietary Marks and System at any location(s) outside of the Protected Territory (as defined in Section 4.1 of this Agreement); (ii) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to the Franchised Business under marks other than the Proprietary Marks at any location; (iii) merge with, acquire, or be acquired by, including through purchase or sale of substantially all assets, any other person or entity, including any competitor of Franchisor or Franchisee, and continue to conduct and franchise others the right to conduct in any location any business engaged in by the merging, acquiring, acquired person or entity, including any business directly competitive with the Franchised Business and to identify such outlets or businesses as being related to or an affiliate of PDR or PDRI; and (v) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited under this Agreement within or outside the Protected Territory.



## **ARTICLE 2 : FRANCHISE FEE**

2.1 Franchise Fee. As consideration for the granting of the license to use the Marks and the Franchise System, Franchisee shall pay to PDRI a fee (the “Franchise Fee”) in the amount and manner provided in Item A of the Schedule of Additional Terms and

Conditions, set forth on Exhibit B, attached hereto and incorporated herein. Franchisee agrees that the Franchise Fee is non-refundable after payment thereof except at PDRI's election pursuant to Section 8.6 of this Agreement.

### **ARTICLE 3: ROYALTY AND OTHER FEES**

3.1 Royalty Fee. Franchisee shall pay to PDRI a monthly royalty fee (the "Royalty Fee") equal to Four Percent (4%) (the "Royalty Rate") times the amount of monthly Gross Sales invoiced. "Gross Sales" includes the total amount of all closed invoiced sales or other revenue for labor, material, and services performed or rendered (a) by Franchisee or (b) by third party vendors and subcontractors who provide services or materials for Franchisee's clients as a part of Franchisee's services and pay Franchisee a fee of any

kind. Invoiced Gross Sales does not include the amount of any applicable sales tax imposed by any federal, state, municipal or other governmental authority if such taxes are stated separately when the customer is charged and Franchisee pays such amounts as and when due to the appropriate taxing authority. Invoiced Gross Sales includes all items included on an estimate or work authorization including items paid for directly by the client or insurer. In the case of jobs involving multiple franchisees, each franchise will be responsible to report Gross Sales to the extent the franchisee bills, or is paid by, the ultimate customer or insurer. Sales are deemed to be "closed" and reported for royalty purposes at the time when an invoice is generated on the work. Franchisee shall report Gross Sales using such forms or in such format as PDRI may specify from time to time. PDRI may at any time modify the required format and content of the sales report. Royalty Fees are ~~non-refundable~~nonrefundable. Failure to invoice and/or report sales on work performed under this Agreement is a material breach of Article 17 herein. Any failure to pay royalty on work performed, and/or a failure to invoice losses properly for any reason may result in termination of this Agreement.

3.2 Minimum Royalty. The term "Minimum Royalty" shall mean an annual amount equal to the Royalty Rate times the Minimum Sales Amount times the population of the Franchise Territory. The term "Minimum Sales Amount" for New Franchises shall mean: (a) \$0.00 for the partial year following the date the Franchise opens ; (b) \$1.00 for the first full calendar year; (c) \$2.00 for the second full calendar year; (d) \$3.00 for the third full calendar year; (e) \$3.50 for the fourth full calendar year; (f) \$4.00 for the fifth full calendar year; (g) \$4.50 for the sixth full calendar year; (h) \$5.00 seventh full calendar year; (i) \$5.50 eighth full calendar year; and (j) \$6.00 for the ninth full calendar year and years thereafter. If this Agreement is a renewal of a prior franchise agreement, then the Minimum Sales Amount shall be set based on market penetration at the time of re-sale and/or at the sole discretion of PDRI. The Minimum Sales Amount will be set forth beginning on the Schedule of Additional Terms and Conditions (attached hereto as Exhibit B) and escalated to a \$6.00 maximum. If the Minimum Royalty amount exceeds the amount of the Royalty Fee for the previous twelve (12) months, then Franchisee shall pay the amount of such excess to PDRI. The annual Minimum Royalty amount shall be prorated for any partial years resulting from the termination, renewal or non-renewal, or transfer of the franchise. PDRI shall notify Franchisee in writing of any amounts due pursuant to this section and such amounts shall be due and payable within thirty (30) days of such notice. If Franchisee owes Minimum Royalty for any year, then in the following year, PDRI may assess the pro rata amount of Minimum Royalty on a quarterly basis with credit allowed for any overpayment on a full year basis. Beginning on the tenth (10<sup>th</sup>) anniversary of the effective date of this Agreement, the Minimum Sales Amount shall be increased annually to reflect changes in the Consumer Price Index since the date of this Agreement. PDRI and Franchisee agree that the

population for calculating the Minimum Royalty will be the latest population as determined from generally accepted demographic sources, such as U.S. Department of Commerce - Bureau of Census, Rand McNally, or Donnelley Marketing Information Services, and as determined by ESRI - Arc GIS or other GIS system currently used by PDRI to set and update Network territories. The current population is set forth on the Schedule of Additional Terms and Conditions. If ~~Franchise~~Franchised Business is acquired from a prior franchisee or upon renewal, then, for purposes of this Section 3.2, the initial Minimum Sales Amount will be determined, at the sole discretion of PDRI, based on current sales divided by the current population to determine the market penetration, with the Minimum Sales Amount thereafter increasing to a maximum of \$6.00 as determined by PDRI. If the Franchise is at the maximum Minimum Sales Amount it shall also be subject to a Consumer Price Index adjustment upon renewal of this Agreement. Failure to meet or exceed Minimum Royalty

two times in any Five (5) year term shall be considered a performance breach of this Agreement and may be the basis of non-renewal by PDRI.

3.3 Computer Software Fee. Franchisee shall pay to PDRI, for providing support of the Common Software (defined in Section 9.1), a monthly fee in the amount determined from time to time by the General Council (defined in Section 10). This fee does not cover Franchisee's costs of local support or training, if required, the cost of replacing Franchisee's computer hardware if required during the term of this Agreement, or support for other software obtained from third party suppliers.

3.4 Intentionally Omitted.

3.5 Quality Review Fee. PDRI shall have the right to assess fees and costs for two (2) annual quality control or sales audit inspections of Franchisee. Franchisee agrees that, so long as PDRI waives the right to impose the two annual quality control or sales audit inspections together with their accompanying costs, Franchisee shall pay a monthly fee to PDRI of \$50, or such greater amount as may be established by the General Council. In consideration of payment of this fee, PDRI representatives shall provide certain consulting and technical assistance as described in Subsection 6.7(d) of this Agreement.

3.6 Intentionally omitted.

3.7 Guarantee and Indemnity Fund Fees.

(a) Definitions. The Job Completion and Guarantee Fund (the "Guarantee Fund") and the Indemnity and Insurance Reimbursement Fund (the "Indemnity Fund") are cooperative programs under Booklet One of the Operations Manual. The Guarantee Fund and the Indemnity Fund are administered by Completion Services, Inc., ("CSI") a corporation owned by PDR franchisees and managed by its Board of Directors (the "CSI Board").

(b) Franchisee Contributions.

(1) Guarantee Fund. Franchisee shall pay a monthly Guarantee Fund fee deposit equal to ~~one-half~~one-half percent (1/2%) of invoiced Gross Sales, up to an account balance of: (a) \$25,000 for a population of 0-500,000; plus (b) \$2,000 for each additional 100,000 population or portion thereof in excess of 500,000, or such greater amount as may be established by the CSI Board. Guarantee Fund deposits shall be increased every year based

on the Consumer Price Index. Franchisee's Guarantee Fund contributions shall be held by CSI for the account of Franchisee in accordance with the Operations Manual. If this franchise was acquired from a prior franchisee, then the amount of the monthly Guarantee Fund fee shall equal to one percent (1%) of Gross Sales.

(2) Indemnity Fund. Franchisee shall pay a monthly Indemnity Fund fee based on the following scale for annual cumulative invoiced Gross Sales. PDRI / CSI reserves the right after year one to charge a pro-rated monthly fee based on the prior year expense to support the Indemnity Fund:

a.	\$0	to \$2,000,000	=	0.10%
b.	\$2,000,000.01	to	=	0.08%
<u>c.</u>	<u>\$4,000,000.01</u>	<u>to</u>	<u>=</u>	<u>0.06%</u>
<u>d.</u>	<u>\$8,000,000.01</u>	<u>or greater</u>	<u>=</u>	<u>0.04</u>

~~e. \$4,000,000.01 to \$8,000,000 = 0.06%~~

~~d. \$8,000,000.01 or greater = 0.04%.~~

(3) Monthly Payments. The Guarantee Fund fee and the Indemnity Fund fee shall be paid as directed by CSI at the same time Royalty Fees are due to PDRI.

(c) Payments Following Termination. Following termination of this Agreement for any reason, the balance in Franchisee's Guarantee Fund account shall be paid to Franchisee two years following such termination in accordance with the procedures contained in the Operations Manual, provided however, that Franchisee agrees and hereby instructs CSI that CSI shall first deduct and remit to PDRI the amount of any sums due to PDRI under this Agreement or any other instrument. Franchisee remains liable for all fees and royalty associated with the operation of the Franchise after termination. In the event that a Franchisee's sale includes the CSI deposit, the new Franchisee will be liable for any sums due from such deposit, owed by the selling Franchisee. [The Indemnity Fund Fee is not a deposit and will not be returned upon termination of the Franchise.](#)

3.8 Fee Adjustments for Underpayment. Franchisee agrees to pay to PDRI, within ten (10) days after receipt of written notice, any amount due to PDRI as determined by either (a) the financial statements or reports prepared by Franchisee's certified public accountant as required by this Agreement or (b) the audit inspection performed by PDRI's authorized agent in accordance with Section 6.7(b). If such an examination discloses any underpayment of the amounts required to be paid to PDRI, then Franchisee shall pay, in addition to the amount owed, interest on the unpaid amount as provided in Section 3.11. In addition, if such an examination discloses an underpayment greater than two percent (2%), Franchisee shall be subject to other actions allowed to PDRI under the terms of this Agreement, including, but not limited to, termination for breach of this Agreement.

3.9 Changes in Fees. PDRI reserves the right to change fees on Optional Programs pursuant to section 1.5, and prospectively in any new form of Franchise Agreement, and Franchisee acknowledges that it will be bound by the terms of PDRI's then-current form of Franchise Agreement in the event Franchisee chooses to renew for an additional term.

3.10 Due Date of Royalty and Other Monthly Fees. Franchisee agrees to pay Royalty Fees for the prior month's invoiced Gross Sales and all other monthly fees payable to PDRI by the twenty-fifth (25th) day of each month. For start-up franchises (not acquired from existing franchisees) all monthly fees other than the Royalty Fee shall commence in

the second full month following the completion of new owner school, if applicable. The payment of fees must be via automatic direct electronic withdrawals from Franchisee's bank account and Franchisee agrees to cooperate with PDRI in such procedure and to execute any and all authorizations required for such withdrawals, though PDRI reserves the right to change the manner of payment at any time. Franchisee must also provide PDRI with necessary credit card information as a back-up in the event that the electronic funds transfer ("EFT") fails or is denied. Franchisee hereby authorizes PDRI to charge this credit card in the event of an EFT denial or failure. A form of EFT authorization is attached to this Agreement as Exhibit C. Franchisee also authorizes PDRI to collect, retain, and apply program payments due the Franchisee to past due balances owed to PDRI, the SMP and for CSI.

3.11 Late Payment. Franchisee agrees that any amounts due to PDRI and not



received by PDRI on or before their due date shall immediately begin to accrue interest as of the due date at the maximum rate allowed by law or one and one-half percent (1½%) monthly, whichever is less, without waiver of any other rights of PDRI.

3.12 Additional Penalty for Failure to Timely Pay Fees. Franchisee hereby acknowledges that fees and royalties set forth herein provide Franchisee access to and may be used to fund programs established under this Agreement and the Operations Manual. In addition to any other rights of PDRI hereunder, PDRI has the right to withhold or terminate access to all services, including the use of the Common Software, Programs or to apply program work payments to past due balances, in the event of Franchisee's failure to pay promptly all sums due PDRI. PDRI, in its sole discretion, may reinstate Franchisee when all sums due are paid.

3.13 Strategic Marketing Plan. The Strategic Marketing Plan ("SMP") is a cooperative program established by the General Council, which requires financial contributions from each Franchisee. The current SMP fee established by the General Council is a monthly payment of: (a) \$500.00 plus (b) three quarters of one percent (0.75%) of invoiced Gross Sales subject to an annual CPI adjusted SMP sales cap, as described in Booklet 1 of the Operations Manual. A maximum amount per franchise and/or common majority owned Franchised ~~businesses~~Businesses in contiguous territories shall be adjusted by the trailing twelve (12) months Consumer Price Index until such time as the Network changes the funding of the SMP. Such calculation may be subject to change based on a 2/3rds vote of the General Council authorizing such change.

3.14 Conference Registration Fee. PDRI at its option may from time to time hold franchisee conferences, which provides required branding, training and education for the Network. Franchisee agrees to pay, within 30 days of billing, a conference registration fee determined for each conference. PDRI reserves the right to charge Franchisee this fee in the event that Franchisee fails to attend or send a management representative to the conference.

3.15 Call Center Fee. PDRI, at its option, may maintain ~~a~~one or more centralized ~~call-center~~call centers for the purpose of answering First Notice of Loss and dispatching leads and processing incoming customer service related telephone calls, for action by the Franchisee. PDRI shall charge Franchisee a per lead/call service charge, provided that such charge shall not exceed the actual cost per lead/call plus an administrative charge of up to 20%. Call Center Fees are payable at the time and in the manner prescribed by PDRI.

3.16 Program ~~Account Review~~Management Fee. PDRI may from time to time establish referral programs with insurance companies or other referral sources, which require estimate and invoicing standards (a "Program Account"). PDRI may at its discretion, operate or outsource to a Claims Force, our Quality Assurance (~~"QA"~~) Team, the review of Program Account job estimates and invoices to program Service Level Agreement compliance. PDRI may charge Franchisee a Program Account Fee on a per job basis, equal the actual cost of maintaining the ~~QA Review~~Claims Force Team plus an administrative charge of up to 20% for PDRI to administer such program. Program Account fees are payable at the time and in the manner prescribed by PDRI. In collaboration with the NEC, PDRI will review the needs, cost and efficiency of the ~~QA~~Claims Force Team annually, and may adjust the per job fee.

3.17 Dishonored Check and EFT Denial Fee. Franchisee shall pay a fee of \$100

to PDRI within thirty days for any dishonored checks and denied electronic funds withdrawals.

3.18 Right of Offset. Without limiting or waiving any other rights that PDRI has under this Agreement or applicable law, PDRI has and hereby reserves the right to set off against and withhold from any amounts due or owing to Franchisee, including but not limited to any CSI deposit balance or program payments PDRI receives for and on behalf of Franchisee, any and all past due fees or other amounts owed to PDRI from Franchisee.

#### **ARTICLE 4: TERRITORY**

4.1 Territory Defined. The territory for which this Franchise is granted (the "Franchise Territory") shall be the geographic area described on Exhibit A, attached hereto and incorporated herein. Franchisee agrees to locate the franchise office within the Franchise Territory. Franchisee shall not locate any additional offices outside the Franchise Territory without the prior written permission of PDRI and Franchisee acknowledges that such permission shall not entitle Franchisee to any franchise rights in such other locations. The Franchise Territory is described on Exhibit A using zip code boundaries. In the event these boundaries are modified by applicable authority or for technological changes required to dispatch losses and service Paul Davis customers, PDRI shall have the authority to re-describe the Franchise Territory using such modified boundaries and maintaining as closely as possible the original geographic size and shape of the Franchise Territory but giving due consideration to any adjoining franchise territories. Franchisee agrees to incorporate any updated map into their then-current Franchise Agreement by Addendum. Such change may affect Franchisee's Minimum Royalty obligations as described herein.

4.2 Population. The parties acknowledge that the Franchise Territory currently has a population as set forth in Exhibit B on the Schedule of Additional Terms and Conditions.

4.3 Right to Reassign Certain Work. Franchisee agrees that if Franchisee does not participate in Regional, National or Optional Program Account work, refuses Regional, National or Optional Program Account work, or does not qualify for any such Regional, National or Optional Program Account, then PDRI may re-assign such work to another Franchisee who qualifies for such work, regardless of whether this work is performed in the Franchise Territory.

4.4 Limitation on Franchise Territory. PDRI will not, during the term of this Agreement, open, or authorize another Paul Davis franchisee to open an office within the Franchise Territory.

## **ARTICLE 5: TERM AND RENEWAL OF FRANCHISE**

5.1 Term. This Agreement and the rights granted to Franchisee hereunder shall be for a term of five (5) years.

5.2 Renewal. Franchisee may renew this Agreement for successive five (5) year renewal terms, provided that the following conditions are met:

(a) Franchisee gives written notice of intent to renew or not renew at least ninety

(90) days, but not more than one hundred eighty (180) days, prior to the expiration date, which notice requirement may be waived by PDRI, in its sole and absolute discretion;

(b) Franchisee has paid all amounts due and payable under this Agreement, including, without limitation, any Minimum Royalty due;

(c) Franchisee has reported Gross Sales of at least the greater of (i) sales above the national annual median sales for PDR territories in the Network or (ii) \$6.00 times the net population of the Franchise Territory for each of the immediately preceding two calendar years. Franchisee must also have met all Minimum Royalty obligations through invoiced Sales in four (4) of the preceding 5 years prior to Renewal. For clarity only, in the event that franchisee does not meet minimum royalty obligations in two (2) or more years of the five (5) year term, PDRI may consider non-renewal of the franchise. If this is a renewal of an existing Franchise Agreement with or without this requirement, and Franchisee does not meet these requirements, Franchisee may meet this requirement by reducing the territory population, as approved by PDRI, to align sales to the size of the territory. Such reduction in territory may not be used to reduce the minimum royalty charges already incurred;

(d) Franchisee has remained throughout the term substantially in compliance with the terms of the Agreement and is in compliance as of the date of renewal. Three notices of default in any twelve (12) month period shall be considered evidence of non-compliance;

(e) Franchisee complies with PDRI Brand Standards, replaces any equipment and conforms to software requirements (including any computer equipment) used in operating the PDRI franchise so as to comply with the then-current requirements for new franchisees;

(f) Franchisee executes a new franchise agreement and any other documents then customarily used by PDRI in granting new franchises. The terms and conditions of the new franchise agreement may differ materially from the terms of this Agreement; provided, however, that the Franchise Fee shall be waived; and

(g) Franchisee pays a renewal fee equal to \$5,000 upon execution of the renewal franchise agreement.

(h) Failure to renew within 90 days after the renewal is presented by PDRI to

Franchise is a material Breach of this Agreement and PDRI may consider the failure to renew by Franchisee a termination of this Agreement at the election of the Franchisee. At the expiration of the Term of the Franchise Agreement, PDRI may, at its sole discretion, elect to continue with the terms of the old Agreement pending renewal.

PDRI will provide at least thirty (30) days' notice of its intent to non-renew should Franchisee not meet the above criteria.

## **ARTICLE 6: OPERATIONAL OBLIGATIONS**

6.1 Commencement of Operations. Franchisee agrees to commence operations within eight (8) weeks after completion of new owner school as set forth in Article 8. For purposes of this Agreement, "commence operations" shall be construed to mean the

earliest date on which the Franchisee has satisfied all of the following conditions precedent: (i) has successfully completed all requisite training programs as prescribed by PDRI; (ii) holds valid and effective insurance coverages as required by this Agreement; (iii) possesses all necessary licenses and certifications mandated by law and PDRI's standards; and (iv) begins offering services to the public which shall, at a minimum, include activities such as contacting insurance agents, adjusters or property owners or writing estimates. PDRI may, at its sole discretion, extend the time for opening.

6.2 Operating Capital. Franchisee shall have an initial operating capital, per franchise territory, of not less than Five Hundred Thousand Dollars (\$500,000). Following the completion of the initial year of operation, or in the event that the Franchisee acquired the franchise from a prior franchisee, the Franchisee shall maintain working capital, including established and PDRI approved unused lines of credit. This working capital must be equal to at least the greater of (a) ten percent (10%) of Franchisee's prior year's Gross Sales or (b) Five Hundred Thousand Dollars (\$500,000). PDRI may increase the required operating capital, in its sole discretion, based on the size, location and other circumstances that could affect the operation of the franchise.

6.3 Operation under Corporate Structure. Franchisee shall be, and Principal Owner hereby represents and warrants that Franchisee is, a corporation (the term corporation shall be deemed to include a limited liability company) formed in accordance with applicable law and duly authorized to do business in the state in which the Franchise Territory is located. Franchisee must complete the Legal Entity Information Sheet attached hereto as Exhibit F and must provide PDRI with the corporation's articles of incorporation or articles of organization, as applicable. In the case where Franchisee is not a presently existing corporation, Principal Owner shall form such corporation within thirty days of the effective date of this Agreement and shall cause such corporate to ratify this Agreement and otherwise assume all of the obligations of Franchisee under this Agreement. The corporate name of the Franchisee shall be as set forth in the preamble of this Agreement, or other such name as PDRI may approve in writing, but in no event shall the corporate name include "Paul Davis," "PD," or any of the Marks of PDRI. All shares of stock (or other ownership interests) of Franchisee shall be held solely by such Principal Owners as indicated by the percentages in the corporate documents and as set forth on the signature page of this Agreement. All Principal Owners shall be required to sign this Franchise Agreement and be bound by its terms. Any transfer of shares shall be subject to the provisions of Article 20 of this Agreement and all stock certificates shall include the legend: "The transfer of this stock is subject to the terms, conditions, and restrictions of a Franchise

Agreement with Paul Davis Restoration, Inc." The ~~Franchise~~Franchised Business shall be operated under Franchisee's corporate form and under the full fictitious name set forth in the preamble to this Agreement or such other fictitious name as PDRI may approve in writing. Franchisee shall register or file such fictitious name as required by local law. The Franchisee shall comply with all relevant laws and regulations applicable to its corporation. This includes, but is not limited to, maintaining the corporation in a good standing, filing appropriate documentation with the government authority, and obtaining appropriate permits. Violation of this section will be considered a material breach of this Agreement and may be subject to termination.

6.4 Services Offered and Special Requirements. During the term of this Agreement, Franchisee agrees to offer to customers within the Franchise Territory ~~insurance~~property restoration construction, loss mitigation, emergency services, drying, cleaning services and catastrophe response for residential and commercial properties, as

appropriate to service Paul Davis clients and customers. For losses in excess of \$500,000 (hereinafter "Complex Loss"), Franchisee

agrees to adhere to additional PDRI requirements and be PDRI qualified before accepting such losses including, but not limited to, completing PDRI training and certification, and by meeting all other requirements under this Agreement. At PDRI's request, Franchisee must provide evidence of bondability ~~for any loss over \$1,000,000~~ prior to contracting for such ~~loss~~ losses. PDRI in its sole discretion may require that Franchisee obtain a bond on a Complex Loss before proceeding with the work. In the event that Franchisee contracts to perform a Complex Loss and cannot obtain a bond, PDRI reserves the right to obtain a bond for the project at Franchisee's expense. Claims paid out against a PDRI bond will be the responsibility of the Franchisee. Franchisee can comply with this section by subcontracting such loss to a Franchisee that is bondable. Franchisee must comply with all licensing and other requirements as set forth in Section 6.8 herein. Franchisee shall not engage in any other business which is not directly related to this Agreement.

6.5 Compliance with Operations Manual. Franchisee agrees to carry on, conduct and operate the ~~Franchise~~ Franchised Business on a full-time basis, in accordance with good business practice and in accordance with the standards and policies set forth in the Operations Manual. Franchisee shall maintain such records and furnish such reports to PDRI as are set forth in the Operations Manual and shall acquire, retain and own, during the term of this Agreement, all assets determined by PDRI to be reasonably necessary for the operation of the ~~Franchise~~ Franchised Business and to conduct no business other than the ~~Franchise~~ Franchised Business from the Franchise office.

6.6 Name Change on Termination. Upon termination or nonrenewal of this Agreement, Franchisee shall immediately cease to use, and shall take such steps as are necessary to notify the public and to withdraw from any public records, any and all use of the Marks, tradenames, logos, or corporate name (or portions thereof) of PDRI. Franchisee hereby irrevocably appoints PDRI as Franchisee's attorney-in-fact to execute in Franchisee's name and on Franchisee's behalf all documents necessary to comply with this Section and to otherwise discontinue Franchisee's use of PDRI's Marks, tradenames, logos or corporate name (or portions thereof). Furthermore, Franchisee expressly acknowledges that PDRI shall be entitled to immediate injunctive relief in order to enforce the terms of this Section.

## 6.7 Reports; Inspections; Records.

(a) Franchisee shall provide to PDRI on or before the fifth calendar day of each month a monthly statement of Gross Sales invoiced for the prior month, on the Gross Sales Report form and in the format designated by PDRI. Franchisee shall also submit job specific information in the form, format and frequency designated by PDRI. Franchisee shall submit quarterly and annual financial statement reports prepared in accordance with generally accepted accounting principles and in a format specified by PDRI and at PDRI's request. Quarterly reports shall be provided to PDRI within thirty (30) days following the end of the quarter and are not required to be prepared by a certified public accountant. Annual financial reports shall be provided to PDRI within ninety (90) days following the end of the fiscal year and are required to be compiled, but not audited, by a certified public accountant. Franchisee shall submit copies of all federal and state tax returns filed by Franchisee, and any job data or metrics specified by PDRI, upon PDRI's request.

(b) Franchisee shall maintain adequate books and records for its operations and such records shall be stored at Franchisee's principal place of business. Franchisee

agrees to permit PDRI, through its authorized representatives and agents, to inspect Franchisee's records, premises and methods of operation from time to time during regular business hours in order to determine that Franchisee has complied with the sales reporting and other provisions of this Agreement. These records shall include but not be limited to: job files; bank statements; check registers; canceled checks; federal and state tax returns of Franchisee and Principal Owners; financial statements; general ledgers; computer generated reports; and disbursement records including subcontractor files. Franchisee also agrees to provide PDRI with authorization to request a business credit report for Franchisee and agrees to fully cooperate with PDRI in connection with any of the activities described in this Section.

(c) Franchisee agrees to pay for all expenses incurred in connection with such inspections, including air fare, transportation, meals, motels, miscellaneous expenses, and an hourly fee based on a prorated percentage of the inspector's salary or the independent auditor's actual fee. Franchisee shall not, however, be obligated to pay expenses incurred in connection with more than two (2) inspections during any one year period. Inspections shall be performed by the designated inspector of PDRI.

(d) In consideration of payment of the fee set forth in Section 3.5, and until PDRI notifies Franchisee otherwise, Franchisee shall not be obligated to pay the inspection fees set forth in Subsection 6.7(c) for inspections described in Subsection 6.7(b) above. PDRI's representative (currently the assigned Regional Business Consultant) shall provide such consulting and technical assistance to the Franchisee as PDRI deems appropriate and reasonable. PDRI's representative shall have the right to review all books and records of Franchisee.

(e) Franchisee agrees to allow PDRI or its designated representative to copy records and remove such copies from Franchisee's premises and to copy any electronic data via electronic or on-line access. Franchisee shall cooperate in PDRI's inspection and copying, including directing PDRI's designated representative to the records, responding fully to all inquiries with respect the records, and allowing reasonable use of photocopiers and any equipment necessary to read or copy information on magnetic or similar media.



6.8 Compliance with Law. “Law” means the collective body of state and federal constitutions, statutes, regulations, ordinances, codes, rules, official opinions, rulings, guidelines, orders, case precedents, and other expressions or prescriptions of civil authorities regulating Data Protection Laws as described in section 9.1 herein, safety, conduct, property, and rights within or affecting their jurisdictions. Within the Law, Franchisee shall strictly follow and comply with the procedures, methods, service levels and standards in this Agreement, Program and/or Optional Program requirements and the Operations Manual. If any of these documents conflict with the Law, Franchisee shall instruct its employees and agents in writing on how to comply with the Law, attach such instructions to its copies of the applicable document, and send a copy of the special instructions to PDRI. Franchisee also agrees to comply with all applicable laws pertaining to the privacy of the customer, employee, and transactional information (“Privacy Laws”) and other applicable data protection laws that are applicable to the PDRI franchise system as a whole.

Any violation of Law by Franchisee is a breach of this Agreement. Franchisee acknowledges that PDRI will not, and properly could not, render legal, accounting, or tax advice to Franchisee and that it shall be Franchisee's obligation to retain independent counsel as needed in those areas. Franchisee shall comply with all Law regulating general contracting, including data privacy and security laws, policies and procedures of PDRI or its affiliates or parent company, and any licensing requirements. Upon PDRI's written request, Franchisee shall provide PDRI with written documentation and evidence of Franchisee's compliance with federal, state and local laws, permits,



certifications, insurance requirements, background checks, and/or any other information requested by PDRI, and in a form or manner required by PDRI. Failure to submit evidence of compliance in accordance with this Section will be considered a material breach of this Agreement and may result in termination.

6.9 Pricing Recommendations. From time to time, PDRI may advise Franchisee

of suggested prices for services offered. PDRI and Franchisee expressly agree that any such suggested prices are a recommendation only and is not binding or mandatory.

6.10 Quality Surveys. Franchisee shall submit to PDRI, or its designee, job

information in a format specified by PDRI for the purposes of conducting customer satisfaction surveys. PDRI may reveal the results of such surveys to insurance company representatives and use such results in its advertising.

6.11 Brand Identity Program. Franchisee agrees to comply with any brand

identity programs instituted by PDRI and acknowledges that such program may include mandatory standard employee apparel or uniforms, vehicle appearance and signage, office appearance and signage, and use of a PDRI approved after-hours telephone answering service. Violation of such Brand Identity Program is a default under section 17.1 this Agreement and subject to corrective action up to and including termination of this Agreement.

## **ARTICLE 7: RELATIONSHIP OF PARTIES**

7.1 Independent Contractor Status. Franchisee is an independent contractor

and is not an agent, partner, joint venturer or employee of PDRI. No fiduciary relationship between the parties exists. Franchisee shall have no right to bind or obligate PDRI in any way or

represent that Franchisee has any right to do so. Franchisee has the sole ability and control to manage its employees and to make all employment decisions in operating the ~~Franchise~~Franchised Business. Neither this Agreement nor PDRI's course of conduct is intended, nor may anything in this Agreement (nor PDRI's course of conduct) be construed to state or imply that PDRI is the employer of Franchisee's employees and/or independent contractors. You will have sole authority and control over the day-to-day operations of your business and your employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or its employees be deemed to be employees of PDRI or PDRI's affiliates.

7.2 Signage. Franchisee shall, if requested by PDRI, exhibit on its premises and display on its advertising, forms and paper products, in such places and in such format as PDRI may designate, a notification that the ~~Franchise~~Franchised Business is owned and operated by a separate and independent corporation and not by PDRI.

## **ARTICLE 8: TRAINING PROGRAM**

8.1 Training Obligation. The Franchisee and/or Franchisee's designated General Manager must satisfactorily complete the new owner training program which consists of: (i) up to three weeks of new owner training school conducted in Jacksonville, Florida or in a place designated by PDRI; (ii) up to one week of new owner field training conducted at the franchise location; (iii) up to two weeks of online training prior to attending training school; and (iv) PDRI may, at its discretion, require a three day advanced new owner training class in Jacksonville approximately one year after completion of new owner school as described in section 8.3. The Franchisee's Job Cost Accountant must satisfactorily complete the job cost accountant training program which may take the form of up to one week of field training conducted at the franchise location or training via computer

desktop streaming or other online courses. The fee for the new owner training program is included in the Franchise Fee, provided, however, that if this franchise was acquired from a prior franchisee, then Franchisee shall pay the training fee set forth in Exhibit B, the Schedule of Additional Terms and Conditions. The advanced training as well as all travel, living, and related expenses incurred by Franchisee or Franchisee's representative(s) during all owner training school is at Franchisee's expense.

8.2 Paul Davis New Owner Training. PDRI will train one (1) designated representative of Franchisee at the next scheduled new owner training school or at such other regularly scheduled school as is agreeable to both parties. Franchisee may have one or more additional representatives participate in the new owner training school for an additional training fee of ~~\$5,000~~\$8,000 per person. During the new owner training school PDRI shall provide to Franchisee's designated representative copies of the Operations Manual and of the Common Software.

8.3 Phase II Training. Franchisee agrees that when the franchise has exceeded cumulative annual Gross Sales of \$1,000,000 in any one calendar year, or as recommended by PDRI, the owner and/or General Manager may be asked to attend Phase II training in Jacksonville, Florida or as directed by PDRI. Franchisee is responsible for all fees and costs associated with this training.

8.4 Post Training Review. Franchisee agrees that during launch and at the  
~~initial eight (8)~~  
discretion ~~weeks~~ of PDRI during the operation of the franchise, PDRI shall have the right to review and approve Franchisee's estimates for contracted services prior to the release of such estimates, utilizing the FAST program as appropriate. PDRI shall make best efforts to complete each review within thirty-six (36) hours after receipt but assumes no obligation to do so within this time period. ~~This right may be waived by PDRI at any time during the 8 week period. The initial eight week period may be extended at PDRI's discretion.~~

8.5 Post Opening ~~On-Site~~On-site Training. Upon commencement of the Franchisee's operations, PDRI shall furnish to Franchisee, at PDRI's expense, a Launch trainer for field operations to provide on-site training at the Franchisee's place of business for a period of up to five (5) working days, to include Operations, Marketing, and Financial training to include job cost functions and computer desktop streaming. The franchisee agrees to require its designated Job Cost Accountant to complete this training.

8.6 Rescission and Refund. At its sole discretion, PDRI reserves the right at any time prior to opening the ~~Franchise~~Franchised Business to rescind this Agreement and refund to Franchisee within five (5) business days any cash payment paid to PDRI, if, in PDRI's sole discretion, Franchisee fails to meet PDRI's performance standards as evidenced through evaluations determined by classroom training and personal interviews. Franchisee agrees that if PDRI rescinds this Agreement as stated herein, any fees for Training completed will be retained by PDRI from the returned Franchise Fee. Franchisee shall continue to be bound by the arbitration provisions of the Operations Manual and the non-competition and the non-disclosure of trade secrets provisions set forth in Article 22

hereof and shall bear the costs incurred in pursuing the purchase of the franchise, other than the Franchise Fee paid to PDRI.

8.7 Recertification Training. PDRI reserves the right to require that any owner

or qualifying representative be recertified upon sixty (60) day's written notice. If PDRI recommends such a program, Franchisee agrees to attend a three to five (3-5) day recertification training program at PDRI's place of business or in any other location where the course is offered. Franchisee agrees to pay PDRI'S recertification training fee as well as Franchisee's travel and living expenses. PDRI shall provide no less than sixty (60) days' notice to Franchisee of the date of each recertification training program.

8.8 Intentionally omitted.

8.9 Post Training ~~On-Site~~ On-site Consultation. In its sole discretion, PDRI may provide

personal consultation, advisory and supervisory services at Franchisee's principal place of business, at a fee based on time and expense incurred by PDRI's representative, as agreed in advance, at such time as is mutually agreed by the parties.

#### **ARTICLE 9: COMPUTER SOFTWARE, EQUIPMENT, DATA OWNERSHIP, USE, PROTECTION, AND SUPPLIES**

9.1 Computer Software. Franchisee acknowledges that it is essential to the

franchise network and to the future development of marketing and electronic commerce programs that all franchisees possess the ability to use a common software system (the "Common Software"). During the term of this Agreement, Franchisee shall acquire and

maintain such computer system, including hardware and software components and electronic transmission capabilities (including internet connection), as part of the Common Software and as may be required to operate your business. Franchisee shall transmit (or “up-load” or “auto-sync”) to PDRI data captured and maintained by the Common Software in the format, and using the protocols and frequency, designated by PDRI from time to time. PDRI requires that Franchisee use third party accounting, estimating and other systems which may be required by our customers and/or, at PDRI’s sole discretion, an innovative technology used in the industry for a market advantage, as part of the Common Software. Franchisee is responsible for costs of obtaining, installing and maintaining such systems, including all license fees associated with its possession, use or operation. Franchisee acknowledges that the insurance restoration industry and technology are subject to change and therefore it may be desirable from time to time for PDRI to designate one or more commercially available software systems as the Common Software and Franchisee agrees to obtain, at Franchisee’s expense, the designated Common Software and such computer system as may be required to operate the Common Software. Additional software (such as an operating system and an accounting program) will be required for the operation of the franchise and, in addition, some insurance companies may require a specific software system (as part of the Common Software) be used to generate and submit estimates. All additional software is the responsibility of Franchisee. In the event that PDRI elects to designate a required software program to aggregate financial data or for compliance purposes, Franchisee agrees to utilize the software designated by PDRI and to pay any fees or costs associated therewith. Franchisee acknowledges and agrees that changes to technology are dynamic and not predictable within the Term. In order to provide for these unpredictable changes to technological needs and opportunities, Franchisee agrees that PDRI may establish system standards for the implementation of technology as part of the Common Software. Franchisee agrees to abide by and fully adopt and implement, at its expense, the system standards for the Common Software as established by PDRI from time to time. There is no contractual limit on this obligation.

9.1.1 You agree that PDRI has the right to require you to update or upgrade computer hardware components, Software, and/or cloud-based subscriptions as PDRI deems necessary from time to time, with no limitations as to the number or cost of such updates or upgrades. You must take all steps, including but not limited to those related to visibility and management of your Business network, that are necessary to ensure that your Business is compliant with all data privacy and security laws and Payment Card Industry Data Security Standards (PCI DSS) requirements, as such standards may be revised and modified by the PCI Security Standards Council (see [pcisecuritystandards.org](http://pcisecuritystandards.org)), or such successor organization or standards that we may reasonably specify. You agree to use any computer network, intranet system, extranet system, email, and handheld devices required or authorized for use in connection with the Business in strict compliance with our standards, protocols, and restrictions that we include in the Operations Manual or in our other written policies, which include but are not limited to PDRI’s privacy policies, encryption requirements, data and IT security policies - including the implementation of phishing and other security awareness programs and training, cyber incident notification requirements, and Artificial Intelligence policies. You further agree not to violate our privacy policies or user terms on PDRI’s Website.

#### 9.1.2 Data Ownership, Use and Protection.

(a) Ownership. Franchisee agrees and acknowledges that, with the exception of

personnel records and information relating to its employees, PDRI is the sole owner of any data collected or processed by Franchisee in relation to the Franchised Business, including, without limitation, any information relating to customers, sales, profitability ("PDRI Data"). PDRI grants Franchisee a limited license to use PDRI Data during the term for the sole purpose of operating a Franchised Business, which license shall be automatically revoked upon the earlier of the termination or expiration of this Agreement.

(b) Data and Consumer Protection Laws. Franchisee represents, warrants and covenants that it is familiar with the requirements of, and that it has been, is and will continue at all times to be, in compliance with all consumer protection, data protection, privacy and cyber security laws applicable to the Franchised Business, the System, including but not limited to Regulation 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the Processing of Personal Data and on the free movement of such data (the General Data Protection Regulation known as "GDPR"), The California Consumer Privacy Act of 2018 ("CCPA"), the Telephone Consumer Protection Act of 1991 ("TCPA"), the Controlling the Assault of Non-Solicited Pornography Prevention Act (the "CAN-SPAM Act"), the Telemarketing Sales Rule ("TSR"), and the Junk Fax Prevention Act, Payment Card Industry Data Security Standards (PCI Compliance) and any regulations thereto, and similar federal, state and local privacy and telemarketing laws, rules, regulations and ordinances (collectively, "Data Protection Laws"). In the event that Franchisee receives notice of any potential violation of any Data Protection Laws from any person or entity, Franchisee shall notify PDRI within 2 business days of Franchisee's receipt of such notice, action or investigation. Franchisee shall take any action as required by law or as requested by PDRI that are necessary for compliance with any Data Protection Laws by PDRI. Franchisee shall reimburse PDRI for all costs and damages incurred in connection with Franchisee's noncompliance with such Data Protection Laws.

(c) Individual Rights Requests. Franchisee shall promptly notify PDRI within two (2) business days of receipt, unless specifically prohibited by law applicable to Franchisee, if Franchisee receives (i) any request from an individual with respect to a consumer's personally identifiable information, including opt-out requests, request for access and/or rectification, erasure, restriction, requests for data portability and all similar requests; (ii) any complaint related to the processing of personally identifiable information, including allegations that the processing infringes on an individual's rights ("Individual Rights Requests"). Franchisee is obligated to provide any relevant information and assistance reasonably requested by PDRI that demonstrates Franchisees compliance with Data Protection Laws. Franchisee shall be solely responsible for ensuring its online presence is maintained with accurate disclosures and policy notices and complies with Data Protection Laws.

(d) Protection of Data. Franchisee shall and shall cause its employees and representatives to implement, maintain and enforce adequate administrative, electronic, technical, physical, logical and other security measures and safeguards consistent with the most stringent and protective of the following: (i) Industry best practices; (ii) any applicable PDRI policies; (iii) the information security policies of the Franchisee; and (iv) applicable laws.

These information security protections shall (i) prevent unauthorized access use or disclosure of PDRI Data and Confidential Information (including during storage, transmission and disposal); (ii) protect against any anticipated threats or hazards to the security or integrity of PDRI Data and Confidential Information; (iii) limit access to PDRI Data and Confidential Information within possession or to those personnel of Franchisee who have a reasonable need for such information; and (iv) ensure the proper, secure and lawful storage, transmission and disposal of PDRI Data and Confidential Information within the possession or control of Franchisee, its employees or other representatives. PDRI may, from time to time, notify Franchisee of additional, new or updated security requirements; provided, that Franchisee shall be responsible for any Franchisee costs related to the implementation of such new security requirements.

Franchisee shall ensure that PDRI Data is not physically transferred to, accessed by, or otherwise processed by any personnel or systems outside of the United States or any country or territory where the Franchisee is located; provided however, that PDRI shall have unlimited access to PDRI Data.

- (e) Unauthorized Disclosure of Data and Security Incidents. Franchisee agrees to monitor its system for unauthorized access and to implement an incident response policy that specifies actions to be taken when PDRI detects or becomes aware of an unauthorized access to information systems. As part of this response system, Franchisee agrees to notify PDRI, by telephone, within twenty-four (24) hours upon becoming aware of any breach, or attempted or suspected breach, of its security related areas, locations, or computer systems which contain PDRI Data or other Confidential Information, including (without limitation) any instance of theft, loss, unauthorized access, alteration or destruction by fraud, deception or other malfeasance or inadvertent access (s "Security Incident"). For the avoidance of doubt, a Security Incident shall include, without limitation, a ransomware attack, distributed denial-of-service attack or any similar incident where a third party obtains control of Franchisee's systems.

In the event of such Security Incident, , Franchisee shall provide to PDRI, in writing, details concerning the Security Incident as PDRI may reasonably request and Franchisee shall cooperate with PDRI, regulators and law enforcement to assist in gaining possession of such Confidential Information and prevent its further unauthorized use, and take (and document) and necessary remedial actions as may be required to prevent other or future Security Incidents. If requested Franchisee shall permit PDRI and its agents to access Franchisee's facilities and/or hardware or software, as applicable, to conduct a forensic analysis of the Security Incident. Franchisee shall bear all direct and indirect costs associated with such determination including, without limitation, the costs of remedial measures. Franchisee's obligations under this Section and any breach by Franchisee of the obligations of this Section shall not be subject to any limitations on damages suffered by PDRI.

9.2 Initial Printing and Sales and Marketing Supplies Package. Except in the case where the franchise is being acquired from an existing franchisee or a franchise renewal, PDRI shall supply an initial printing and sales and marketing supplies package to Franchisee, to be delivered to Franchisee during the classroom training program attended

by Franchisee or after receipt of required information from Franchisee. Franchisee shall thereafter use only such sales and marketing materials as shall be approved by PDRI.

9.3      Subsequent Printing Supplies. Franchisee shall purchase printing supplies



only from suppliers approved by PDRI.

## **ARTICLE 10: COUNCILS**

### **10.1 Establishment of Councils.** Booklet Two of the Operations Manual, entitled

“Plan of Operation for the Paul Davis Council” (the “Plan of Operation”) describes the [internal](#) governing body for the franchisees: the General Council, comprised of all operating PDRI franchisees; the District Councils for each operating district, comprised of one representative of each PDRI franchise in a defined geographic area designated by PDRI, which serve as the decision making bodies for the PDRI franchisees; and the National Executive Committee, comprised of one (1) franchisee from each District Council and a PDRI representative. The Plan of Operation establishes rules and regulations for the governance and operation of the General Council, the District Councils and the National Executive Committee. Such rules and regulations include procedures for consideration and approval of recommendations that may be submitted by District Councils, PDRI or any franchisee for new programs, for amendments to the Operations Manual (including amendments to the Plan of Operation) and for any other change in the operations of the franchises. Franchisee agrees to be bound by and comply with any and all such new programs, amendments to the Operations Manual and other changes in the operations of the franchises as may be approved from time to time in accordance with the Plan of Operation.

### **10.2 Designated District.** PDRI shall assign Franchisee to a District Council

designated by PDRI which encompasses the Franchise Territory.

## **ARTICLE 11: ADVERTISING**

### **11.1 Franchisee's Right to Advertise.** PDRI grants to Franchisee the right to

establish, create, and undertake promotional and advertising programs at Franchisee's own cost and expense, with the prior written approval of PDRI. To the extent such promotional and advertising programs do not violate the Agreement and/or the Operations Manual, such approval by the PDRI shall not be unreasonably withheld.

### **11.2 Franchisee Web Site.** PDRI shall establish a franchise specific web site

(“Franchise Web Site”) and with a unique Universal Resource Locator or URL (“URL”, defined as a unique set of characters that when entered into a commercially available and readily accessible device for resolving IP addresses that the only possible resolution is an http page that is clearly specific to a unique franchise referenced in this Agreement) domain name for Franchisee's use during the term of this Agreement and Franchisee shall not establish or maintain any other web site or URL related to the ~~Franchise~~[Franchised](#) Business without PDRI's prior written consent. Franchisee shall be responsible to maintain and update the Franchise Web Site content and for all fees required by third party web site companies to host and maintain the Franchise Web Site. PDRI reserves the right, at any time and at its sole discretion, to modify or delete any Franchise Web Site content, to modify the

appearance or functionality of the Franchise Web Site, or to discontinue the Franchise Web Site.

11.3 Use of Third Party Web Sites. Franchisee may establish and use third party web sites such as social media or directory web sites ("Third Party Web Sites") to advertise and promote the ~~Franchise~~Franchised Business. PDRI reserves the right, at its sole discretion, to

require that Franchisee discontinue or modify its use of, or content provided to, such Third Party Web Sites and Franchisee agrees to comply with such requirements. Franchisee shall provide PDRI access to such Third Party Web Site accounts (including URLs, access codes, logins, and passwords) and PDRI at its discretion may from time to time provide content updates to such Third Party Web Sites. Failure to comply with this section and section 6.8 above, including but not limited to Franchisee's failure to comply with Federal, State or local laws governing privacy or accessibility is a material cause for termination.

11.4 Approval of Electronic Transmission. Franchisee shall not use the name or Marks of PDRI in connection with any electronic commerce or other electronic transmission, including, without limitation, communication via the internet, e-mail, web sites, social media networks, or text messages without the prior written approval of PDRI.

11.5 Domain Names / E-Mail Addresses. Franchisee hereby irrevocably assigns to PDRI all rights, title and interest that Franchisee may have now or in the future in any internet domain name/URL, e-mail address, and Third Party Web Site URL, access codes, logins, and passwords that Franchisee establishes or uses in the operation of the ~~Franchise~~Franchised Business, whether or not such domain name or the web site to which it relates or e-mail address was provided or approved by PDRI.

## **ARTICLE 12: INSURANCE**

12.1 Required Insurance. The Franchisee shall obtain and keep in effect insurance policies or other deposits in escrow to adequately protect its business interests and fulfill its obligations under this Agreement. At minimum, Franchisee must procure and maintain insurance policies providing the following coverage, which may be updated at any time within the term of this Agreement:

(a) Worker's Compensation Insurance coverage for the Owner and Franchisee's employees notwithstanding the statutory requirements of the state in which Franchisee operates.

(b) ~~Employer's~~Employer Practices Liability Insurance with limits of not less than \$500,000 each occurrence and in aggregate.

(c) Commercial General Liability Insurance, including products liability and broad form contractual liability, with limits of not less than \$1 million per occurrence and \$2 million aggregate.

(d) Contractor's Pollution Liability Insurance with limits of not less than \$1 million per occurrence and in aggregate.

(e) Business Automobile Liability Insurance (including Automobile Non-Ownership Liability) with a combined single limit of not less than \$1 million per occurrence.

(f) Umbrella or Excess Liability Insurance with limits of not less than \$4 million each occurrence and in aggregate.

(g) Bailee Insurance for personal property in the care, custody or control of Franchisee with limits of not less than \$250,000 per occurrence and in aggregate.

(h) Cyber Insurance to cover your business, with limits if not less than \$1 million per occurrence and \$2 million aggregate.

(i) You shall obtain and maintain at your sole cost and expense, and keep in full force and effect during the term of this Agreement, such types and amounts of insurance as required by Brand, as set forth in this Agreement, the Operations Manual, or other written policies, as they may be updated from time to time.

~~Each policy shall provide a separate endorsement naming PDRI, Franchisee agrees to name Paul Davis Restoration, Inc., and its parent, affiliates and subsidiaries, FS Brands, Inc., and CSI as additional named insureds; shall~~ insureds ("Additional Insureds") on all policies, except for any required Workers' Compensation and Employers' Liability policies. Each such policy shall provide that the policy is primary over the coverage of PDRI; cannot be canceled without ~~thirty (30)~~ days prior written notice to PDRI; and shall insure the contractual liability of Franchisee.

Any failure to have the appropriate insurance as described herein shall be considered a material breach of this Agreement. PDRI shall have the right to change these requirements at any time to comply with contractual obligations or industry standards.

12.2 Certificates of Insurance. Prior to the commencement of operations, Franchisee shall furnish to PDRI, or its designee, a Certificate of Insurance reflecting that the required insurance coverage is in effect and, if requested, a copy of all such insurance policies. All policies shall be renewed, and Franchisee shall provide PDRI with a renewal Certificate of Insurance for each policy, in a manner designated by PDRI, prior to the expiration of the prior policy.

### **ARTICLE 13: HOLD HARMLESS**

13.1 Liability to Third Parties. Franchisee is solely responsible for any and all

claims, demands, losses, obligations, liens, costs, expenses, liabilities, debts, or damages to or by third parties arising out of or in connection with the possession, ownership, operation, transfer, or proposed transfer of the ~~Franchise~~ Franchised Business, including violations of this Agreement, and for all alleged claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom, and for any payment made by PDRI to any third-party including a TPA, carrier, homeowner, or commercial partner in connection with any alleged workmanship issues, incomplete work, or other service related issues, and for all claims involving alleged state or federal employment or labor law violations, violations of data privacy laws, or the negligent acts of Franchisee's employees (collectively, a "Claim").

Without limitation, except as provided by the applicable law, Franchisee agrees to defend, indemnify and save PDRI, its parent, subsidiaries, affiliates, officers, directors and employees harmless from and assume all liability of, with respect to and for any and all such

Claims unless resulting directly from the gross negligence or willful misconduct of PDRI. PDRI shall notify Franchisee of any Claim, and Franchisee may assume the defense of the matter. If Franchisee fails to assume the defense in a timely manner or otherwise resolve the claim to the satisfaction of PDRI, or if an actual or potential conflict of interest exists or arises for any counsel selected by Franchisee to represent PDRI, PDRI may resolve the claim and/or defend the action in the manner it deems appropriate. Franchisee shall pay to PDRI all costs, including attorney's fees, incurred by PDRI in defending any Claim, in addition to any loss which PDRI may pay by reason of any payment, settlement or judgment against PDRI. Failure by Franchisee to indemnify, defend or resolve claims under this section is a material breach of this Agreement under section 17.1 and may be cause for default up to and including termination.

PDRI's right to indemnity under this Agreement shall arise notwithstanding that joint or concurrent liability may be imposed on PDRI by statute, ordinance, regulation or other law. This Article 13 shall survive the termination, transfer or non-renewal of this Agreement.

13.2 Insurer and Program Indemnification. As a requirement for Franchisee's participation in certain claim referral programs, PDRI is required to indemnify the insurance company, commercial customer, or Third Party Administrator making the referral from any claims arising from

Franchisee's servicing of the claim. The cost of insurance policies insuring these obligations are currently reimbursed by CSI. PDRI, at its sole discretion may require additional coverage through CSI to cover workmanship or other franchisee risks related to the operation of the business. If CSI discontinues reimbursement of the cost of the insurance policy, then PDRI may, at its option, discontinue the indemnification of the insurance company or condition participation in the programs on Franchisee individually reimbursing PDRI for their pro rata share of the cost of the insurance policy insuring the indemnification. Nothing in this section 13.2 shall alter the obligations contained in section 13.1 above.

## **ARTICLE 14: TAXES; LICENSING**

14.1 Taxes. Franchisee agrees that it will promptly pay any and all income taxes, personal property taxes, real property taxes, or other taxes of any nature that may be imposed, levied or assessed against Franchisee by any federal, state, county or municipal government.

14.2 Licensing. Franchisee agrees to obtain any general contracting and other licenses required by the laws of the jurisdiction(s) in which Franchisee operates the ~~Franchise~~Franchised Business and to promptly pay any licensing fees that may be required from time to time under local or state law to operate the ~~Franchise~~Franchised Business in the Franchise Territory. Franchisee hereby represents that Franchisee has investigated the licensing requirements of the jurisdiction(s) in which Franchisee intends to do business prior to the execution of this Agreement.

## **ARTICLE 15: EMPLOYEES OF FRANCHISEE**

15.1 Franchise Staffing. Franchisee shall at all times employ a full-time General Manager, with training or experience equivalent (determined in PDRI's sole judgment) to the new owner training program ~~as well as a full time employee dedicated to residential and commercial Sales and Marketing of your business. It is recommended that Franchisee employ a trained Job Cost Accountant at the time of opening. A Start-up Franchisee may employ a part time employee or vendor to perform the JCA function, as approved by PDRI.~~ The General Manager may be a franchise employee and not a Principal Owner, if approved by PDRI and upon completion of Exhibit D attached to ~~this Agreement. After one year in operation, Franchisee shall employ a full-time Mitigation Technician certified in water damage, fire and smoke, applied structural drying, and mold remediation.~~ this Agreement. A Restoration Project Supervisor (RPS) must be employed at the time of opening. The owner may perform either the RPS role or the General Manager role until such time business dictates the hiring and employment of that position within the company. A full-time Mitigation Technician must be onboard prior to the franchise being opened. Franchisee shall employ a trained Job Cost Accountant (JCA) at the time of opening. After one year in operation, if not sooner, a Franchisee should employ a dedicated Business Development professional.

15.2 Employees are Under Control of Franchisee. Franchisee agrees that all persons hired or employed by or under contract with Franchisee in connection with the operation of

the ~~Franchise~~Franchised Business shall be considered to be employees or agents of Franchisee and not of PDRI, and such employees and agents shall be solely and exclusively under Franchisee's orders, direction and control, and Franchisee shall at its own cost and expense comply with all unemployment insurance, old age pension, and other social security acts or statutes applicable to employers or employees or both, and whether now in force, or hereafter enacted, and shall pay, duly and punctually, any and all rates, taxes, assessments, and contributions that may be required or demanded under or by virtue



of any of such acts or statutes. Franchisee acknowledges that PDRI may, as part of the Franchise System, provide “Best Practices” to support Franchisee, but has no direct or indirect control over the staffing or operational decisions of Franchisee employees. The Franchisee explicitly acknowledges and agrees that it shall retain sole and exclusive control over all employment-related decisions within its operation, including but not limited to hiring, firing, wage and hour policies, day-to-day operations, and management. The Franchisee understands that adherence to Best Practices as recommended by the PDRI is entirely at Franchisee’s discretion and does not constitute a directive or mandate from PDRI.

## **ARTICLE 16**

16.1 Intentionally Omitted.

## **ARTICLE 17: TERMINATION BY PDRI**

17.1 Termination with Opportunity to Cure. PDRI may terminate this Agreement and all franchise rights granted hereunder at any time, if Franchisee fails to cure within fifteen (15) days of written notice defaults under this Agreement, including but not limited to any of the following:

(a) Non-payment of any sums due to PDRI or any affiliate as required by the terms of this Agreement or by any other agreement, note, or instrument between PDRI and the Franchisee. The Sums herein shall include any monetary amount whatsoever owed to PDRI by the Franchisee, including, but not limited to, Royalty Fees, transfer fee, program fee, software fees, any amount owed to PDRI or any affiliate under indemnification obligations of the Franchisee, any loss caused to PDRI or any affiliate due to a dispute between the Franchisee and a third-party. The failure to timely invoice shall also be a violation of this section.

(b) Failure by Franchisee to maintain and operate the ~~Franchise~~Franchised Business in accordance with good business practices and in accordance with the rules, regulations, methods and procedures contained in this Agreement and the Operations Manual as now compiled or as amended from time to time during the term of this Agreement; including but

not limited to the failure to pay subcontractors, materialmen, vendors, employees or taxing authorities;

(c) Failure by Franchisee to procure or maintain any licenses, certifications, or permits necessary for the operation of Franchisee's ~~Franchise~~Franchised Business, and/or failing to provide PDRI with written documentation evidence Franchisee's compliance with such rules, regulations, laws, insurance requirements and/or standards set forth in this Agreement and the Operations Manual;

(d) Failure by Franchisee to enforce to the fullest extent permitted by law any non-competition and trade secrets provision in this Agreement or in any agreement between Franchisee and any of Franchisee's employees or associates; or

(e) Commission or omission by Franchisee of any other act, not enumerated herein, which constitutes a breach of the terms and conditions of this Agreement.

17.2 Termination without Opportunity to Cure. PDRI may terminate this Agreement and all rights granted hereunder at any time, without a right to cure, upon written notice of termination, in the event of any of the following:

(a) Three (3) breaches of this Agreement within any rolling twelve (12) month period, for which PDRI has provided notice and a right to cure the first two breaches under Section 17.1;

(b) Filing by Franchisee or Principal Owner of a voluntary petition in bankruptcy, adjudication of bankruptcy, any assignment for the benefit of creditors, or appointment of a trustee or receiver in bankruptcy for Franchisee;

(c) Failure of Franchisee to commence operations (as defined in this Agreement) within eight (8) weeks after completion of the classroom training program;

(d) Abandonment of the ~~Franchise~~Franchised Business, defined as either (i) Franchisee's announced intention to close or abandon the ~~Franchise~~Franchised Business, (ii) Franchisee's failure to report sales or sync with the common software such that sales may be properly reported for two (2) consecutive months, or (iii) Franchisee's failure to operate the ~~Franchise~~Franchised Business for ten (10) consecutive days;

(e) Franchisee's material misrepresentation to PDRI on the application for the ~~Franchise~~Franchised Business, or with respect to ownership of the ~~Franchise~~Franchised Business, or Franchisee's omission or misrepresentation of any material fact relevant to the decision of PDRI to enter into this Agreement;

(f) Conviction of Franchisee or Principal Owner of a felony offense, a crime involving moral turpitude, or any other crime or offense that PDRI believes is reasonably likely to have an adverse effect upon the ~~Franchise~~Franchised Business, the Marks, or the goodwill associated therewith;

(g) An unapproved Transfer, as defined in Article 20;

(h) A violation of the in-term covenant not to compete or of the covenants of

non-disclosure of trade secrets set forth in Article 22 of this Agreement;

(i) A violation of the terms of Section 6.7 relating to reporting and inspection requirements, including but not limited to the failure to provide financial statements as required therein;

(j) Other acts which PDRI determines may reflect adversely on the Franchise System, the Marks, or the services offered through the Franchise System, or which may otherwise bring discredit on the entire franchise organization such as, but not limited to, willful acts of dishonesty toward PDRI, property owners, insurers, and other third parties dealing with Franchisee, PDRI or other franchises;

(k) Reporting of financial or operational information to PDRI or an affiliate, that is either i) Fraudulent, including Franchisee knowingly maintaining false books or records, knowingly submitting a false or fraudulent report, statement, or document to PDRI or ii) negligent or intentional business practices that result in false or erroneous books and records to PDRI that result in failure to accurately report invoiced sale for royalty purposes. This includes but is not limited to performing work outside of the common software and other methods that results in the failure to pay royalty and other fees.

- (l) Failure to maintain insurance as set forth in Article 12 of this Agreement;
- (m) Misuse or any unauthorized use of PDRI's name or any of the Marks, the Common Software, or the Operations Manual, or other impairment of the goodwill associated with them or PDRI's rights in them; or
- (n) Franchisee's disclosure of the contents of the Operations Manual or other confidential information provided to Franchisee contrary to the terms of this Agreement.
- (m) Non-renewal of the Franchise subject to Article 5 of this Agreement.

## **ARTICLE 18**

18.1 Intentionally omitted.

## **ARTICLE 19: PROCEDURES AFTER TERMINATION**

19.1 Obligations of Franchisee. Upon termination (including non-renewal) of this Agreement for any reason and by any party, Franchisee and Principal Owner agree to immediately do the following:

- (a) Surrender all rights under this Agreement;
- (b) Pay in full all outstanding amounts due to PDRI under the term of the Franchise Agreement, Franchisee's employees, independent agents, tradespeople, subcontractors, vendors and suppliers;
- (c) Refrain from using the Marks or any name or initials similar thereto in Franchisee's corporate name, on signs, places of business or advertising of any nature, directly or indirectly;

(d) Surrender to PDRI the Operations Manual and the Common Software and not utilize the system, procedures and methods contained therein for the conduct of any construction business at any time or any place thereafter forever;

(e) Assign to PDRI or its designee, or, at PDRI's election, disconnect, any telephone numbers (including telefax numbers), e-mail addresses, and Domain Names (URLs) used in operating, or associated with, the franchise, pursuant to the Telephone Number and Internet Agreement attached hereto as Exhibit E, which Franchisee is required to complete, sign, and notarize prior to opening the ~~Franchise~~Franchised Business;

(f) ~~De-identify~~De-Identify the premises used in operating the ~~Franchise~~Franchised Business, including, but not limited to, removal and destruction of signs, markings and materials containing the Marks;

(g) De-Identify any vehicle used in connection with the ~~Franchise~~Franchised Business, including, without limitation, removal and destruction of the vehicle wrap, lettering, window graphics or other markings and materials containing the Marks;

(h) Forego use of and destroy any materials containing the Marks; and

(i) Abide by the ~~Non-Competition~~Non Competition and Trade Secrets provisions in Article 22.

(j) Surrender to PDRI all lists and contact information for all customers, clients, suppliers, and subcontractors with which the ~~Franchise~~Franchised Business has had business relations of any kind.

19.2 Rights of PDRI. Upon termination of this Agreement for any reason PDRI may, in its sole discretion:

(a) Enter Franchisee's premises and destroy all computer programs supplied by PDRI or containing PDRI's Trade Secrets and/or Customer Information (as defined in Section 22.3), on any and all computers owned, leased, rented or in any way operated for the benefit of Franchisee;

(b) Have all existing telephone numbers, e-mail addresses and Domain Names (URLs) which have been used in any way in the operation of, or associated with, Franchisee's business transferred, disconnected or referred to another number;

(c) Collect the Operations Manual and any other of PDRI's proprietary material and the Common Software;

(d) Sell the franchise rights for the Franchise Territory and retain the proceeds;

(e) De-identify the premises and vehicles at Franchisee's expense to the extent such de-identification has not been timely accomplished by Franchisee; and

(f) PDRI shall have the right to purchase for cash the ~~Franchise~~Franchised Business at fair market value. Such purchase may take the form, at PDRI's option, of the purchase from Principal Owner of all of the stock or other ownership interests in Franchisee or the purchase from Franchisee of all of the assets of Franchisee used in the operation of the ~~Franchise~~Franchised Business. PDRI may exercise such right by giving written notice of its intention to purchase the ~~Franchise~~Franchised Business within ninety (90) days of the date of termination. The notice shall specify the price and other terms of purchase including a two (2) year non-competition agreement for the Franchise Territory and the area within one hundred (100) miles of the franchise office. If Franchisee disagrees with the offered price and other purchase terms, Franchisee may file arbitration to have a PDR arbitration committee determine the price and other purchase terms with the standard being fair market value and commercially reasonable purchase terms. Franchisee shall have the burden of providing evidence that the offer is not commercially reasonable or at fair market value. In the event an arbitration committee modifies the price or other purchase terms, then PDRI shall have ten (10) days in which to withdraw its notice of intent to purchase.

## **ARTICLE 20: ASSIGNMENT, SALE OR TRANSFER**

20.1 Restriction on Transfers. "Transfer" shall mean any sale, assignment, transfer or encumbrance, in whole or part, of: (i) this Agreement; (ii) Principal Owner's or Franchisee's rights and interests under this Agreement; (iii) the ~~Franchise~~Franchised

Business; or (iv) the capital stock or other ownership interest of the Franchisee corporate entity. "Minority Transfer" shall mean any Transfer of less than fifty percent (50%) of the total capital stock or other ownership interest of Franchisee, measured both individually and in the aggregate of all Minority Transfers and which does not result in the change of majority control of Franchisee. Franchisee and Principal Owner shall not make any Transfer (including any Minority Transfers) without the prior written consent of PDRI, which shall not be

unreasonably withheld. In addition to the consent of PDRI, all Transfers shall be conditioned on the following:

(a) Franchisee shall have submitted to PDRI a written request for PDRI's consent to Transfer, accompanied by a copy of the agreement for such Transfer (the "Transfer Contract");

(b) Franchisee shall have paid to PDRI a transfer fee of \$10,000 (\$5,000 in the case of a Minority Transfer); in addition to this transfer fee, in the case of a majority resale, a resale fee of two and a half percent (2.5%) of the sale price to a maximum of ~~\$25,000~~40,000 shall also be due to cover PDRI's due diligence and other expenses related to the re-sale (including qualification of the transferee), and such amounts must accompany the request for consent to Transfer and shall be non-refundable;

(c) There shall be no existing default in the performance or observance of any of Franchisee's obligations under this Agreement or, any other agreement between Franchisee and PDRI and Franchisee shall be current in all sums due PDRI and CSI;

(d) 10 days prior to closing, Franchisee shall deposit to ~~PDRI~~ PDR, to be kept in escrow, I a sum equal to the average of the monthly sums due to PDRI for the preceding ~~twelve~~six (~~12~~6) months invoiced that includes royalty, license and technology fees. PDRI shall be authorized to deduct any final sums due, including minimum royalties, up to the date of closing. Any excess payment will be refunded to Franchisee within ~~40~~90 days of closing.

(e) The Franchisee and the proposed transferee shall execute a Tri-Party Agreement for the Transfer of a Paul Davis Restoration Franchise, in its then-current form,



and the proposed transferee shall agree to assume all liabilities of Franchisee for completion of work in progress and for servicing all warranties in effect for work completed by Franchisee;

(f) The proposed transferee shall have completed, to the satisfaction of PDRI, all documents required by PDRI as part of its then current application process and shall meet PDRI's then current criteria for the granting of a new franchise, including a personal interview with a PDRI representative; and

(g) The proposed transferee shall have agreed with PDRI to:

(i) attend PDRI's next available training program for new franchisees at a time and location designated by PDRI;

(ii) pay to PDRI the then established training fees for all training required to qualify the proposed transferee as a new franchisee. Currently such fees are ~~\$18,000 per person (for majority transfer) or \$5,000 per person (for minority transfer)~~22,000 for one transferee and \$8,000 per additional person.

(iii) execute the then-current franchise agreement (the standard franchise agreement used for a new franchise) and perform all the duties and obligations required to be performed, fulfilled and observed by the franchisee under such franchise

agreement (excluding the payment of the initial franchise fee);

(iv) acquire, if necessary, computer hardware compatible with the Common Software in use by PDRI franchisees as of the date of transfer; and

(v) assume all conditions and obligations set forth in Article 13 hereof, holding PDRI harmless for loss or damage to third parties.

20.2 Sale of Franchise to Prospect Identified by PDRI. Franchisee acknowledges that PDRI invests in on-going efforts to identify and develop prospects for franchise sales. If any transferee was first identified as a sales prospect by PDRI or any sales agent engaged by PDRI, then Franchisee shall pay (due upon closing) to PDRI the sum of \$30,000 or such greater sum as PDRI may be obligated to pay any such sales agent. An individual shall be identified as a PDRI sales prospect by PDRI's receipt of confidential information form from the individual that was not first associated with a transfer transaction. Fees due under this Section are in addition to any other transfer or resale fees outlined in this Agreement.

20.3 Right of First Refusal. At any time within thirty (30) days after receipt by

PDRI of both the written request to consent to a Transfer and a copy of the Transfer Contract, PDRI shall have the option to purchase or otherwise acquire such of Franchisee's rights under this Agreement together with all such other property and rights of Franchisee as may be the subject matter of such Transfer Contract, upon the same terms and conditions as those set forth in the Transfer Contract. PDRI may exercise its option by giving written notice of its acceptance to Franchisee. The provisions of this paragraph shall not apply to any proposed Transfer to any child, parent, sibling or spouse of Principal Owner.

20.4 Involuntary Transfer. The personal confidence reposed in Principal Owner

is a material part of the consideration for PDRI's entering into this Agreement and no person

or entity shall succeed to any of the rights of Franchisee or Principal Owner under this Agreement by virtue of any voluntary or involuntary proceeding in bankruptcy, receivership, attachment, execution, assignment for the benefit of creditors or other legal process.

20.5 Violation. Any attempt by Franchisee or Principal Owner to affect a Transfer without the prior written consent of PDRI shall constitute a material breach of this Agreement and any such Transfer shall be null and void.

20.6 Transfers to Heirs. The legal heirs of Principal Owner may inherit the Principal Owner's rights under this Agreement, subject to approval by PDRI (which shall not be unreasonably withheld) and completion by the new Principal Owner of PDRI's New Owner training program within ~~threesix~~ (36) months after the date of transfer. Such heirs shall be subject to all of Franchisee's obligations hereunder but shall not be required to pay any transfer fee.

20.7 Transfers by PDRI. PDRI may assign, sell, transfer or encumber its rights under this Agreement without the prior consent of Franchisee. Any such assignment, sale, transfer or encumbrance by PDRI shall relieve PDRI of its liability to Franchisee under the terms of this Agreement.

## **ARTICLE 21: REFUND POLICY**

21.1 No Refund. Neither Franchisee nor Principal Owner, upon termination or cancellation of this Agreement or the franchise for any reason, shall be entitled to any refund or rebate in whole or in part of the Franchise Fee, or of any Royalty Fee or other fees herein agreed to be paid, other than as provided in Section 8.6 of this Agreement.

## **ARTICLE 22: NON-COMPETITION; POST-TERMINATION COMMISSIONS; AND TRADE SECRETS**

22.1 Non-Competition. Franchisee and Principal Owner acknowledge that as a participant in PDRI's Franchise System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which PDRI has developed. Therefore, to protect PDRI and all of PDRI's franchisees, Franchisee and Principal Owner agree as follows:

(a) During the term of this Agreement, neither Franchisee, Franchisee's officers or Principal Owner, nor any member of their immediate family may, directly or indirectly (unless void by State law):

- (i) Engage in any business involving emergency services (including drying, cleaning, decontamination, repair, board-up, demolition, loss mitigation, and mold remediation), insurance restoration construction and reconstruction of residential and commercial buildings, structures and contents (a "Competing Business"); provided, however, that this section does not apply to the operation of any other PDRI ~~Franchise~~Franchised Business;
- (ii) Employ or otherwise disrupt the employment of any person who is at that time employed by PDRI, PDRI affiliates or any other Franchise

System franchisee; or

- (iii) Divert or attempt to divert any business or customer of the ~~Franchise~~Franchised Business to any competitor, or otherwise harm the goodwill associated with the Marks or the Franchise System.

(b) During the two (2) year period commencing on the termination, expiration, or transfer of this Agreement, neither Franchisee, Franchisee's officers or Principal Owner, nor any member of their immediate family may, directly or indirectly:

(i) Engage in a Competing Business at any location within one hundred (100) miles of the Franchise Territory or within the franchise territory of any other franchisee of PDRI; or

(ii) Contact Franchisee's former PDRI customers, suppliers or vendors, or any employees of PDRI or its affiliates or franchisees, for a competitive business purpose.

(c) Franchisee hereby agrees that the existence of any claim Franchisee may have against PDRI, whether or not arising from this Agreement, shall not constitute a

defense to PDRI's enforcement of the covenants contained in this Article 22. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) which PDRI incurs in connection with the enforcement of this Article 22.

(d) Franchisee and Principal Owner acknowledge that the limitations contained

in this Article are necessary to protect the legitimate business interests of PDRI, including, but not limited to, its confidential business processes and training provided to Franchisee and Principal Owner, protection of its trade secrets, as defined herein, and its ability to rebrand the Franchise Territory.

(e) For purposes of this Article, the term "directly or indirectly" engaging in a

Competing Business shall include, but not be limited to: (i) acting as an agent, representative, consultant, officer, director, independent contractor or employee of any entity or enterprise; and (ii) participating directly or indirectly in any such entity or enterprise as an owner, partner, limited partner, joint venturer, material creditor or stockholder (except as a stockholder holding less than a one percent (1%) interest in a corporation whose shares are traded on a national securities exchange or in the over-the-counter market).

(f) Franchisee and Principal Owner agree that PDRI, or any franchisee or

affiliate of PDRI, as the case may be, shall be entitled to enforce the provisions of this article. Each such party shall be entitled, in addition to any other remedies that it may have under this Agreement or otherwise, to preliminary and permanent injunctive and other equitable relief to prevent or curtail any breach or threatened breach of this Agreement by Franchisee or Principal Owner. No reference in this Agreement to a specific legal or equitable remedy shall be construed as a waiver of other legal or equitable remedies in the event of such a breach.

(g) Except to the extent required to operate the ~~Franchise~~Franchised Business and to train

its employees, associates and independent subcontractors in accordance with the Operations Manual, Franchisee and Principal Owner agree that they will at no time,

regardless of the terms of this Agreement, reveal any of the methods or systems used by PDRI in its business to any person, corporation, or other entity unless written permission is given in advance by PDRI.

(h) Franchisee and Principal Owner agree that they will enforce these non-competition provisions as to contracts with its employees and associates. Franchisee shall ensure that Franchisee's principals, employees and members of their immediate families who have access to PDRI's Trade Secrets (as defined below), including Franchisee's managers and other key employees, execute a Confidentiality and Restrictive Covenant Agreement, in the form attached as Exhibit D to this Agreement, or as PDRI, in PDRI's sole discretion, otherwise prescribes. Franchisee must furnish PDRI a copy of each executed agreement, upon request.

22.2 Post-Termination Commissions. Franchisee and Principal Owner acknowledge that they may develop relationships with various insurance companies (each an "Insurance Company") as a result of introductions by PDRI or by other Paul Davis Restoration franchisees or their status as a PDRI franchisee. Franchisee and Principal Owner each agree that for a period of two years following Termination that any business that Franchisee or Principal Owner receives or accepts from Insurance Company shall automatically result in a sales commission of 25% of the gross sales amount, immediately due

and payable from Franchisee and Principal Owner to PDRI. For purposes of this section 22.2, the term Insurance Company shall include any person or entity acting on behalf of an Insurance Company to assign, arrange for, or manage reconstruction, restoration or cleaning services for losses insured by such Insurance Company.

22.3 [Confidential Information and Trade Secrets](#). Franchisee and Principal Owner hereby agree to the following limitations on their right and the right of Franchisee's employees to use certain information obtained in connection with this Agreement:

(a) [Confidential Information and Trade Secret Defined](#). Upon completion of the Training Program, Franchisee shall possess certain secret and confidential information of PDRI consisting of customer lists; contract forms; appraisal techniques; ideas and data contained in the Common Software and Operations Manual; knowledge of sales and profit performance of PDRI's other franchisees; sources of construction suppliers; methods of selecting subcontractors and other methods, techniques, know-how, formulas and data, now existing or hereinafter developed or acquired relating to the operation and franchising of a Paul Davis Restoration franchise, but not including information or techniques in the public domain and generally known and used by general contractors and cleaning service suppliers other than through disclosure by Franchisee. [Through operation of the Franchised Business, Franchisee may possess a range of data collected from former, existing, and/or potential customers, including customer names and addresses, discounts and credit extensions to customers, customer contracts, designs, and status information \(collectively, "Customer Information"\). All of the foregoing, as well as the PDRI Data discussed in Section 9.1.2 of this Agreement, is hereinafter referred to as the "Trade Secrets." You will not disclose any Trade Secrets to third parties, including entering such information into public/open Artificial Intelligence models or any other AI model that uses such information to train the Artificial Intelligence unless specifically authorized by us in writing, and you agree to strictly adhere to our privacy policies we may now, or in the future, establish with respect to Customer Information and Trade Secrets generally.](#)



(b) Right to Use Customer Information, and Trade Secrets. PDRI shall disclose the Trade Secrets to Franchisee by lending to Franchisee, for the term of this Agreement, the Operations Manual and other written materials, and the Common Software, all containing the Trade Secrets, through training and assistance provided to Franchisee hereunder, and by and through the performance of PDRI's other obligations under this Agreement. Franchisee acknowledges that PDRI is the sole owner of all Customer Information, and Trade Secrets; that such information is being imparted to Franchisee only by reason of its special status as a Franchisee of the Paul Davis Restoration franchise; and that the Trade Secrets are not generally known to the trade or public and are not known to Franchisee except by reason of such disclosure. Franchisee further acknowledges that it shall acquire no interest in the Trade Secrets other than the right to use them in the development and operation of the Franchise during the term of this Agreement. Franchisee further acknowledges that the use or duplication of the Customer Information or Trade Secrets except as expressly permitted by this Agreement shall constitute an unfair method of competition and that PDRI shall suffer irreparable injury thereby.

(c) Covenant Not to Disclose. Franchisee acknowledges that the Customer Information and Trade Secrets are disclosed to Franchisee solely on the condition that Franchisee agrees, and Franchisee hereby does agree, that Franchisee:

(i) will use the Customer Information and Trade Secrets in strict accordance with the Operations Manual and with directions given by PDRI from time to time;

(ii) will not use the Customer Information and Trade Secrets in any other business or capacity;

(iii) will maintain the absolute confidentiality of the Customer Information and Trade Secrets during and after the term of this Agreement;

(iv) will not duplicate copy or otherwise reproduce any written materials or computer software containing the Customer Information and Trade Secrets unless it has received prior written consent

from PDRI;

(v) will observe and implement those procedures established by PDRI and set forth in the Operations Manual to control the use and disclosure of [Customer Information and](#) Trade Secrets by employees of Franchisee; and

(vi) will immediately notify PDRI in writing of any suspected or actual use of the [Customer Information and](#) Trade Secrets by a third party.

(d) Covenant to Secure Materials. Franchisee shall keep all Operations Manual, other written materials and the Common Software containing the [Customer Information and/or](#) Trade Secrets in a secure location and shall maintain control over such materials at all times. Franchisee shall disclose the [Customer Information and/or](#) Trade Secrets to employees or independent contractors only to the extent required for such employees or independent contractors to perform their duties of employment.

(e) Changes to Trade Secrets. PDRI retains the right to make additions, deletions and revisions to the Trade Secrets. Such changes shall become binding upon Franchisee upon notification thereof and Franchisee agrees to take all steps necessary to

implement such changes and to update all written materials evidencing such changes.

22.4 Reformation of Provisions. Any arbitration panel or court of law shall have the right to reform this article to make it reasonable and enforceable under applicable law. PDRI reserves the right to reduce the scope of Franchisee's obligations under the foregoing covenants without Franchisee's consent, effective immediately upon notice.

## **ARTICLE 23: DISPUTE RESOLUTION**

23.1 Arbitration. Any controversy or claim arising out of or relating to this Agreement or the operation or the actual or proposed acquisition or sale of the ~~Franchise~~Franchised Business shall be settled by Paul Davis internal binding arbitration in accordance with the arbitration procedures as set forth in the Operations Manual. Any arbitration governed by this Agreement shall not be given class status. The initiation or pendency of any arbitration proceeding involving the Franchisee shall have no effect on PDRI's right to terminate this Agreement. Franchisee acknowledges that notwithstanding any ambiguity as to the enforceability of this arbitration agreement contained in any State Addendum to this Agreement or in PDRI's Franchise Disclosure Document, that it is the intent and agreement of the parties that this arbitration agreement shall be enforced to the maximum extent allowed by law and Franchisee waive any right to challenge this Arbitration procedure. The obligation to arbitrate shall survive the termination, transfer, or non-renewal of this Agreement. The obligation to arbitrate shall apply to any disputes involving Franchisee's Principal Owner, Franchise's officers, directors, stockholders, members, partners, trustees, beneficiaries, principals and any person controlled by, controlling or under common control with Franchisee.

23.2 Costs and Attorneys' Fees. Except as required by any indemnification obligations herein or for Franchisee's material breach of this Agreement, in any dispute arising out of this Agreement each party shall be responsible for their own costs and expenses, including attorneys' fees provided, however, that any party hereunder failing to comply with Section 23.1 above including, but not limited to, failing or refusing to arbitrate

a dispute or to abide by the decision of the arbitration panel shall be liable to the other party for all costs and attorneys' fees incurred in enforcing the arbitration provisions

23.3 Bankruptcy Costs and Attorneys' Fees. In the event of a bankruptcy by the Franchisee, the Franchisee shall be liable to PDRI for all of PDRI's costs and attorneys' fees associated with the bankruptcy.

23.4 Federal Arbitration Act. Any controversies or disputes concerning the enforceability or scope of this arbitration agreement shall be resolved pursuant to the Federal Arbitration Act, 9 U.S.C. 1, et. seq. (the "FAA"), and Franchisee acknowledges that, notwithstanding any contrary language in PDRI's Franchise Disclosure Document or in any State Addendum, the FAA preempts any state law restrictions on the enforcement of this arbitration agreement according to its terms.

23.5 NO CLASS OR CONSOLIDATED ACTIONS. ALL CLAIMS, CONTROVERSIES, AND DISPUTES MAY ONLY BE BROUGHT BY FRANCHISEE ON AN INDIVIDUAL BASIS AND MAY NOT BE CONSOLIDATED WITH ANY CLAIM, CONTROVERSY OR DISPUTE FOR OR ON BEHALF OF ANY OTHER FRANCHISEE OR BE PURSUED AS PART OF A CLASS ACTION.

23.6 Limitation of Actions. Franchisee agrees that no cause of action arising out of or related to this Agreement may be maintained by Franchisee against PDRI unless Franchisee brings an action/suit and/or Arbitration against PDRI before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against PDRI hereunder, whichever occurs sooner. Any action/suit that Franchisee does not bring this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by PDRI, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement.

## **ARTICLE 24: RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT**

24.1 Acknowledgment of Receipt. By the signing of this Agreement, Franchisee and its Principal Owner acknowledge receipt of a Paul Davis Restoration Franchise Disclosure Document at least fourteen (14) days prior to the signing of this Agreement.

## **ARTICLE 25: INTERPRETATION OF RIGHTS AND OBLIGATIONS**

25.1 ~~Intentionally omitted.~~ PDRI's Rights. Whenever this Agreement provides that PDRI has or reserves/retains a certain right, that right is absolute and the parties intend that PDRI's exercise of that right will not be subject to any limitation or review. PDRI has the right to operate, administrate, develop and change the Franchise System in any manner that is not specifically precluded by the provisions of this Agreement.

25.2 PDRI's Reasonable Business Judgment. Whenever PDRI reserves discretion in a particular area or where PDRI agrees or is required to exercise its rights reasonably or in good faith, PDRI will satisfy its obligations whenever it exercises "reasonable business judgment" in making its decision or exercising its rights. A decision or action by PDRI will be deemed to be the result of "reasonable business judgment," even if other reasonable or even arguably preferable alternatives are available, if PDRI's decision or action is intended to promote or benefit the Franchise System generally even if the decision or action also promotes a financial or other individual interest of PDRI. Examples of items that will promote or benefit the Franchise System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the Franchise System. Neither Franchisee nor any third party (including a trier of fact), will substitute its judgment for PDRI's reasonable business judgment.

## **ARTICLE 26: MODIFICATION**

26.1 Written Consent Requirement. No other agreement or understanding hereafter modifying or supplementing this Agreement shall be binding in any way upon either party unless confirmed in writing and signed by the duly authorized representatives of each party.

## **ARTICLE 27: VALIDITY**

27.1 Effect of Invalidity of Clause. Should one particular article or provision of this Agreement, or any word, phrase, sentence, clause or paragraph thereof be declared invalid or illegal by any arbitration panel or court such invalidity or illegality shall not affect the remainder of this Agreement which shall remain in full force and effect and shall be construed in all respects as if such invalid or illegal articles or provisions were omitted.

## **ARTICLE 28: WAIVER**

28.1 Waiver of Breach. A waiver or forbearance of any of the terms, covenants, or conditions of this Agreement shall not be deemed or considered as a waiver in the future of any new or continuing breach of the terms, covenants or conditions of this Agreement.

## **ARTICLE 29: CONSTRUCTION**

29.1 Governing Law. This Agreement shall be deemed to have been written, approved and accepted at Jacksonville, Duval County, Florida, and the construction and interpretation of said Agreement, wherever executed and wherever to be performed, shall be governed by and construed under the laws of the State of Florida, excluding its conflict of laws principals. In the event of any conflict between this Agreement and the Operations Manual, the provisions of this Agreement shall govern and supersede any contrary provisions contained in the Operations Manual.

## **ARTICLE 30: GUARANTEE OF PRINCIPALS**

30.1 Personal Guaranty. If Franchisee is a business entity, all shareholders, partners, and/or members/managers (as applicable) of Franchisee hereby personally and unconditionally guarantee without notice, demand or presentment, the payment of all of Franchisee's monetary obligations under this Agreement and any other agreement between Franchisee and PDRI and/or PDRI's affiliates, as if each were an original party to this or any other agreement in his or her individual capacity. All such personal guarantors further agree to be bound by the restrictions upon Franchisee's activities upon transfer, termination or expiration and nonrenewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity.

30.2 Spousal Acknowledgement. If any Franchisee or Principal Owner is married or has a registered domestic partner as of the effective date of this Agreement, such Franchisee's or Principal Owner's spouse or registered domestic partner shall execute the spousal acknowledgment (the "Spousal Acknowledgement") immediately following the signature page of this Agreement.

## **ARTICLE 31: NOTICE**

31.1 Provision of Notice. Any notices required to be given by this Agreement shall be directed to PDRI, Franchisee or any one of the Principal Owner(s) at their respective last known business address. The notice must be delivered prepaid by one of the following methods: personal delivery; Federal Express® or other similar overnight delivery service; verified facsimile transmission; or United States express, certified, or registered mail, return

receipt requested. A notice shall be deemed received on the earliest of the day it was actually received, the day its delivery was refused, or the third business day following the day it was deposited with one of the specified carriers.

### **ARTICLE 32: ENTIRE AGREEMENT**

32.1 Integration of Agreement. This Agreement, including all addenda signed by the parties, contains the entire agreement between the parties. All prior and collateral representations, promises and conditions in connection with the subject matter hereof are deemed to have been merged herein, and any representation, promise or condition not incorporated herein shall not be binding upon either party. Nothing contained in this Agreement is intended to disclaim the representations made by PDRI in the franchise disclosure document provided to Franchisee. This Agreement may be executed in



counterparts and each such counterpart is deemed an original. The signature of any party on any one counterpart binds that party to the Agreement.

**SIGNATURES AND SPOUSAL ACKNOWLEDGEMENTS ON FOLLOWING PAGES**

**IN WITNESS WHEREOF**, the parties hereto have hereunto set their hands and seals effective the day and year first above written.

**PDRI:**

Paul Davis Restoration, Inc.

\_\_\_\_\_  
Date signed

By: \_\_\_\_\_  
Its: COO

**PRINCIPAL OWNER:**                      (% OWNERSHIP)

\_\_\_\_\_  
Date signed

\_\_\_\_\_  
Print name:                      (\_\_\_\_%)

\_\_\_\_\_  
Date signed

\_\_\_\_\_  
Print name:                      (\_\_\_\_%)

**FRANCHISEE:**

\_\_\_\_\_  
Date signed

By: \_\_\_\_\_  
Print name: \_\_\_\_\_  
Its (title): \_\_\_\_\_

\_\_\_\_\_

**PRINCIPAL OWNERS ACKNOWLEDGE THAT THE CORPORATE DOCUMENTS MUST MATCH THE OWNERSHIP INTERESTS AS REFLECTED IN THIS AGREEMENT. ANY TRANSFER WITHOUT THE PRIOR WRITTEN CONSENT OF PDRI MAY NOT BE HONORED AND THIS AGREEMENT MAY BE SUBJECT TO TERMINATION.**

**IF THE PRINCIPAL OWNERS OF FRANCHISEE ARE MARRIED, THE SPOUSAL ACKNOWLEDGMENT ON THE FOLLOWING PAGE MUST BE SIGNED BY EACH PRINCIPAL OWNERS' SPOUSE.**

**SPOUSAL ACKNOWLEDGMENT: N/A**

I, \_\_\_\_\_ as spouse of a Principal Owner of Franchisee, hereby acknowledge that I have read and understand the Franchise Agreement, and hereby consent and agree to be bound by the following provisions of this Franchise Agreement: (i) the non-competition covenants and non-disclosure covenants contained in Article 22; (ii) the dispute resolution provisions contained in Article 23; and (iii) the governing law provision contained in Section 29.1.

**SPOUSE**

By: \_\_\_\_\_

Print name: \_\_\_\_\_

Date Signed: \_\_\_\_\_

**SPOUSAL ACKNOWLEDGMENT: N/A**

I, \_\_\_\_\_ as spouse of a Principal Owner of Franchisee, hereby acknowledge that I have read and understand the Franchise Agreement, and hereby consent and agree to be bound by the following provisions of this Franchise Agreement: (i) the non-competition covenants and non-disclosure covenants contained in Article 22; (ii) the dispute resolution provisions contained in Article 23; and (iii) the governing law provision contained in Section 29.1.

**SPOUSE**

By: \_\_\_\_\_

Print name: \_\_\_\_\_

Date Signed: \_\_\_\_\_

**EXHIBIT A**

**Description of the Franchise Territory**

Exhibit A

## **EXHIBIT B**

### **Schedule of Additional Terms and Conditions**

This Schedule of Additional Terms and Conditions is incorporated in the Franchise Agreement to which it is attached. In the event of any conflict between the Franchise Agreement and this Schedule of Additional Terms and Conditions, the provisions of this Schedule of Additional Terms and Conditions shall govern.

A. [Applicable for sale of a new franchise] The amount of the Franchise Fee shall be \$\_\_\_\_\_, which is the sum of \$~~0.230.26~~ per person for the population within the Franchise Territory. The Franchise Fee shall be due and payable: (i) the greater of \$50,000 or 50% of the Franchise Fee in cash upon the signing of this Agreement; and (ii) the remainder in the form of a four year, \_\_\_\_\_percent (\_\_\_%) promissory note.

B. [Applicable for transfer of an existing franchise] Principal Owner and Franchisee have acquired the subject franchise rights from an existing franchisee, pursuant to a purchase and sale agreement to which PDRI is not a party. PDRI has approved the transfer of franchise rights effective as of the Transfer Date defined in the Tri-Party Agreement executed in connection with this Agreement and subject to the completion of all training requirements and the receipt of all sums due. Franchisee shall pay to PDRI the sum of \$\_\_\_\_\_, which sum includes a new owner training fee of \$~~18,000~~22,000 per person and a transfer fee of \$10,000 for majority transfers and a resale fee of \$\_\_\_\_\_.

.PDRI shall provide to Franchisee the new owner training program described in section 8.1. For all purposes of this Agreement, including the Warranty Fund obligations described in section 3.7, the franchise shall be deemed to have been acquired from an existing franchisee. For purposes of determination of Minimum Royalty only, the anniversary date of this

~~PDRI shall provide to Franchisee the new owner training program described in section 8.1. For all purposes of this Agreement, including the Warranty Fund obligations described in section 3.7, the franchise shall be deemed to have been acquired from an existing franchisee. For purposes of determination of Minimum Royalty only, the anniversary date of this Agreement shall be deemed to be \_\_\_\_\_.~~

C. [Applicable for the renewal of an existing franchise] This Franchise Agreement renews and replaces an existing franchise agreement dated \_\_\_\_\_ (the "Prior Agreement"), but does not extinguish or otherwise release any sums due or other obligation due under the Prior Agreement. As a renewal of an existing franchise agreement, this Franchise Agreement is modified as follows:

1. The Franchise Fee provided in section 2.1 has already been paid.
2. The Royalty Rate shall be: %.
3. For purposes of determining the Minimum Royalty provided in section 3.2, the anniversary date of this Agreement shall be deemed to be \_\_\_\_\_, provided, however, that in calculating the Minimum Royalty, the Minimum Sales Amount shall not be increased above \$\_\_\_\_ (adjusted for changes in the Consumer Price Index).

4. PDRI's contribution of \$1,000 to CSI provided in section 3.7(c) has already been paid.
5. Pursuant to section 6.1 the franchise commenced operation on .

6. Franchisee has already received the new franchise training provided in Article

8.

7. Franchisee has already received the initial printing and sales and marketing supplies package provided in section 9.2.

B. The current population of the Franchise Territory is deemed to be .  
Such population is determined as the gross population of\_\_\_\_\_.

## EXHIBIT C

### Electronic Funds Transfer Authorization

Bank Name \_\_\_\_\_ :

ABA# \_\_\_\_\_ :

Acct. No. \_\_\_\_\_ :

Acct. Name \_\_\_\_\_ :

Effective as of the date of the signature below, \_\_\_\_\_ (“Franchisee”) hereby authorizes Paul Davis Restoration, Inc. (“Franchisor”) or its designee to withdraw or deposit funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Franchisor under the franchise agreement entered into by and between Franchisor and Franchisee for the franchise located at \_\_\_\_\_

(the “Franchise Agreement”):  
(1) all royalty fees; and (2) any other fees that Franchisor may impose under the terms of the Franchise Agreement from time to time. Such withdrawals will occur on a weekly basis, or on such other schedule as Franchisor will specify in writing. Franchisor is also authorized to deposit funds into the above-referenced account, electronically or otherwise, for program work or any other reason. This authorization will remain in full force and effect until terminated in writing by Franchisor. Franchisee will provide Franchisor, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

FRANCHISEE

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



## **EXHIBIT D**

### **Confidentiality and Restrictive Covenant Agreement** ***(for managers, key employees, and principals of Franchisee, and any members of their immediate families with access to Franchisor's Trade Secrets)***

In consideration of my being a \_\_\_\_\_ of \_\_\_\_\_ ("Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that Franchisee has acquired the right from Paul Davis Restoration, Inc. (the "Franchisor") to establish and operate a Paul Davis Restoration® franchise (the "~~Franchise~~~~Franchised~~ Business") and the right to use in the operation of the ~~Franchise~~~~Franchised~~ Business the Franchisor's trade names, trademarks and service marks (the "Marks") and the Franchisor's unique and distinctive format and system relating to the establishment and operation of a ~~Franchise~~~~Franchised~~ Business (the "Franchise System"), as they may be changed, improved and further developed from time to time in the Franchisor's sole discretion, only at the following authorized and approved location: \_\_\_\_\_ (the "Approved Location").

1. Franchisor possesses certain proprietary and confidential information relating to the operation of the Franchise System, consisting of customer lists; contract forms; appraisal techniques; ideas and data contained in the PDRI's operations manual (the "Operations Manual"); knowledge of sales and profit performance of PDRI's other franchisees; sources of construction suppliers; methods of selecting subcontractors and other methods, techniques, know-how, formulas and data, now existing or hereinafter developed or acquired relating to the operation and franchising of a Paul Davis Restoration franchise, but not including information or techniques in the public domain and generally known and used by general contractors and cleaning service suppliers other than through disclosure by Franchisee. All of the foregoing is hereinafter referred to as the "Trade Secrets."

2. Any and all information, knowledge, know-how, and techniques which the Franchisor specifically designates as confidential shall be deemed to be Trade Secrets for purposes of this Confidentiality and Restrictive Covenant Agreement (the "Agreement").

3. As a \_\_\_\_\_ of the Franchisee, Franchisor and Franchisee will disclose the Trade Secrets to me in furnishing to me the training program and subsequent ongoing training, the Operations Manual and other general assistance during the term of Franchisee's Franchise Agreement (the "Franchise Agreement").

4. I will not acquire any interest in the Trade Secrets, other than the right to utilize them in the operation of the ~~Franchise~~~~Franchised~~ Business during the term hereof, and the use or duplication of the Trade Secrets for any use outside the System would constitute an unfair method of competition.

5. The Trade Secrets are proprietary, are confidential information, and are disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Trade Secrets and all other information designated by Franchisor as confidential. Unless Franchisor otherwise agrees in writing, I will disclose and/or use the Trade Secrets only in connection with my duties as \_\_\_\_\_ of Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such

information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Except as otherwise approved in writing by Franchisor, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any "Competing Business", as that term is defined in the Franchise Agreement, except a ~~Franchise~~Franchised Business operating under the Franchise System and Marks.

7. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

8. I understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

9. Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause Franchisor and Franchisee irreparable harm; therefore, I acknowledge and agree that Franchisee and/or Franchisor may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay Franchisee and Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to Franchisee and Franchisor, any claim I have against Franchisee or Franchisor is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

10. All disputes under this Agreement shall be settled pursuant to the dispute resolution procedures set forth in the franchise agreement entered into between Franchisor and Franchisee that governs the operation of the ~~Franchise~~Franchised Business at the Approved Location. The only way this Agreement can be changed is in writing signed by both Franchisee and me.

Executed the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

EMPLOYEE

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

ACKNOWLEDGED BY FRANCHISEE

Franchisee Name: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

© ~~2024~~2025 Paul Davis Restoration, Inc.

## EXHIBIT E

## Telephone Number and Internet Agreement

(Name of Telephone Company)

(Address)

(City, State, Zip)

This TELEPHONE NUMBER AND INTERNET AGREEMENT, ASSIGNMENT AND POWER OF ATTORNEY ("Assignment") is made pursuant to the terms of the Franchise Agreement dated \_\_\_\_\_ ("Agreement") by and between Paul Davis Restoration, Inc. ("Franchisor") and \_\_\_\_\_ ("Franchisee"), authorizing Franchisee to establish and operate a Paul Davis Restoration® franchise (the "FranchiseFranchised Business") and the right to use in the operation of the FranchiseFranchised Business the Franchisor's trade names, trademarks and service marks (the "Marks") and the Franchisor's unique and distinctive format and system relating to the establishment and operation of a FranchiseFranchised Business.

For value received, Franchisee hereby irrevocably assigns to Franchisor the Telephone Listings and Internet Listings (collectively referred to herein as "Listings") described under "A" and "B" below:

A. All telephone listings and numbers used by Franchisee in any printed or internet telephone directory in connection with the operation of the ~~Franchise~~Franchised Business covered by the Agreement, whether now-existing or adopted by Franchisee in the future, (collectively “Telephone Listings”) including, without limitation, the following numbers:

[illegible]

Number	Telephone Company/Service Provider	Account Number
--------	------------------------------------	----------------

B. All email addresses, domain names, social media accounts and comparable electronic identities that use the Marks or any portion of them used by Franchisee in connection with any Internet directory, website or similar item in connection with the operation of the ~~Franchise~~Franchised Business, whether now-existing or adopted by Franchisee in the future, (collectively “Internet Listings”) including, without limitation, the following:

--	--	--

Internet	Service Provider	Account

Franchisee agrees to update this form as soon as possible to include Listings adopted by Franchisee in the future. Franchisee shall have the right to use the Listings only in connection with advertising the ~~Franchise~~Franchised Business as permitted under the Agreement. Franchisee agrees to pay all amounts pertaining to the use of the Listings incurred by it when due. Upon expiration or termination of the Agreement for any reason, Franchisee’s right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee agrees to pay all amounts owed in connection with the Listings, including all sums owed under existing contracts for telephone directory advertising and to immediately at Franchisor’s request, (i) take any other action as may be necessary to transfer the Listings and numbers to Franchisor or Franchisor’s designated agent, (ii) install and maintain, at Franchisee’s sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of any telephone directory or directory assistance listing, Internet directory, website or advertising, whether published or online.

Franchisee agrees that Franchisor may require that all telephone numbers and telephone and internet equipment and service must be owned or provided by Franchisor or a supplier approved by Franchisor and that Franchisor has the right to require Franchisee to “port” or transfer to Franchisor or an approved call routing and tracking vendor all phone numbers associated with the ~~Franchise~~Franchised Business or published in any print or online directory, advertisement, marketing or promotion associated with the Marks.

Franchisee appoints Franchisor as Franchisee’s attorney-in-fact, to act in Franchisee’s place, for the purpose of assigning any Listings covered by the Assignment to Franchisor or Franchisor’s designated agent or taking any other actions required of Franchisee under this Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the forgoing powers, including full power of substitution and execution or

completion of any documents required or requested by any telephone or other company to transfer such numbers, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee's rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it

or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

Signed this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
(Signature)

**[FOR THE PAUL DAVIS RESTORATION CENTRAL OFFICE USE ONLY]**

I hereby assume and agree to pay all charges outstanding, either billed or unbilled, including White pages directory charges, on the telephone number(s) and other Listings listed above.

\_\_\_\_\_  
Date

\_\_\_\_\_  
New Customer's Signature



**EXHIBIT F**

**Legal Entity Information Sheet**

**Franchisee is:**

☐

**corporation**

**limited liability company**

***Name of Legal Entity:***

***State of Formation:***

***Date of Formation:***

***Principal Owner:*** \_\_\_\_\_

**List of Shareholders/Members:**

% Interest

Title

Name

\_\_\_\_\_

\_\_\_\_\_

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**Conditions:**

The legal entity's activities must be confined exclusively to operating the ~~Franchise~~Franchised Business.

Each shareholder, member, partner or other beneficial owner must personally guarantee Franchisee's performance under the Franchise Agreement.

The legal entity must maintain a current list of all shareholders, members, partners and other beneficial owners, and furnish an updated list to PDRI on request.

The legal entity must provide PDRI with a copy of its articles of organization/articles of incorporation.

**EXHIBIT D**  
**TO THE PAUL DAVIS RESTORATION**  
**FRANCHISE DISCLOSURE DOCUMENT**  
**COMMERCIAL PROGRAM AGREEMENT**

**NATIONAL COMMERCIAL SALES PROGRAM PARTICIPATION AGREEMENT**  
(Optional Program)

**THIS COMMERCIAL PROGRAM PARTICIPATION AGREEMENT** (this “Agreement”) is made effective as of \_\_\_\_\_, and is by and among PAUL DAVIS RESTORATION, INC., a Florida Corporation (“PDRI”); \_\_\_\_\_, d.b.a. Paul Davis of \_\_\_\_\_ and \_\_\_\_\_, Principal Owners (collectively, “Franchisee”). This Agreement replaces any prior executed National Commercial Sales Program Agreement.

**WHEREAS**, Franchisee is a franchise of Paul Davis Restoration, Inc. and offers restoration services as described in the Franchise Agreement (the “Services”); and

**WHEREAS**, PDRI, has relationships with commercial loss referral sources (“Commercial Clients”) and has establish an Optional Commercial Program for its franchisees; and,

**WHEREAS**, PDRI has delegated to Paul Davis Commercial Division, Inc. (“PDCDI”) the authority to manage the administration, account management and sales of the commercial program, providing referrals for commercial clients through the PDCDI internal program assignment center; and,

**WHEREAS**, these Commercial Clients consist of business premises of all types and sizes, covered by a commercial insurance policy including, but not limited to hospitals, warehouses, strip malls, offices, factories, schools and other government facilities, banks, churches and other entities that require the coordination of service referrals under specific Service Levels; and,

**WHEREAS**, Franchisee understands and acknowledges that it is important to PDRI, the Network and the Brand that commercial losses be handled efficiently and properly according to Service Level Agreements (“SLA”) and that failure to properly handle a commercial loss and can have ramifications for the entire Network; and,

**WHEREAS**, many commercial clients impose contractual duties and SLAs as a condition to referral and the performances of services including, but not limited to, indemnification, insurance, cyber and information security, document retention, compliance requirements for the franchisee and its sub-contractors such as background checks; and,

**WHEREAS**, PDCDI will refer commercial losses to qualified and approved Franchisees who wish to be a part of this Optional program to provide timely and exceptional delivery of services according to Commercial Customer SLAs. To ensure these objectives are met, PDRI and PDCDI will collaborate with a Commercial Advisory Board to provide oversight and advice to PDCDI and the Network on qualification levels and distribution of claims; and,

**WHEREAS**, PDCDI will not make commercial referrals to a Franchisee who has not opted into the Commercial Program and not agreed to abide by the terms of this Agreement and each commercial client's SLA, nor to a franchisee that has not been trained in the handling of commercial losses, unless training (or re-training, if required) has been completed to the sole satisfaction of PDCDI and the Commercial Advisory Board on commercial certification; and,

**WHEREAS**, Franchisee would like to participate in this optional program and receive referrals to perform services for commercial clients;

**NOW, THEREFORE**, for valuable consideration, PDRI and Franchisee agree as follows:

**1. Referrals.**

- 1.1 Franchisee agrees to participate in the Optional Commercial Program administered by Paul Davis Commercial Division, Inc. and Franchisee agrees that it will provide Services for Commercial Client losses referred to and accepted in the manner specified in this Agreement. Franchisee also agrees to comply with all SLAs, compliance and performance standards required by Commercial Clients including the performance of appropriate background checks that are compliant with State and Federal laws. Franchisee understands that commercial program standards and agreements may be changed from time to time by a Commercial Client. Upon notification of such changes, which shall be in writing, Franchisee agrees to comply with such changes.
- 1.2 PDCDI will refer to Franchisee all commercial losses in their territory and according to Franchisee's training and skills, but a specific number of referrals is not guaranteed. Qualified sub-contractors may be used if approved by Commercial Client requirements.
- 1.3 PDCDI may designate specific procedures for Franchisee to have deemed to have accepted a referral, and such referral and acceptance may be done telephonically or electronically. Such procedures may be subject to change at PDCDI's sole discretion. Acceptance of the referral is an acceptance by Franchisee of all compliance and service requirements for the Commercial Client.
- 1.4 Some Commercial Clients must approve Franchisee as a participant to receive their commercial losses. Franchisee understands that if a Commercial Client has not approved Franchisee on their program or for a specific project, PDCDI cannot refer such losses to Franchisee until they are approved. PDCDI agrees to provide best efforts to assist Franchisee in becoming eligible for a commercial program. Franchisee acknowledges that participation in the Commercial Program does not guarantee referrals or acceptance on any client program.

- 1.5 Franchisee shall not take any legal action, including the filing of a lien, against any Commercial Client or customer, without first notifying PDCDI in writing and obtaining its written consent, which shall not be unreasonably withheld.
- 1.6 Franchisee will only accept losses for which it has the expertise, training or capacity to perform, notwithstanding the referral by PDCDI. Franchisee shall accept all losses referred to them unless Franchisee believes it is not qualified to handle the loss. Franchisee is prohibited from invoicing the customer directly.

## **2. Audit by PDCDI.**

- 2.1 PDCDI may, at its sole discretion, perform audits on specific commercial jobs which were referred under this program, including the review of job documentation, inspection of work performed at the job site, evaluate the performance of Franchisee and Franchisee's ability to continue servicing such losses.
- 2.2 PDCDI, at its sole discretion, may recommend or require that: commercial losses performed by Franchisee be reviewed for a probationary period by a commercial loss account manager; Franchisee participate in additional training; size of referrals be reduced to conform with the level of expertise exhibited; and/or, that billing outside of industry standards be adjusted to comply with Commercial Standards.
- 2.3 Franchisee agrees to follow the recommendations of PDCDI staff in order to continue participation in the Program. Failure to comply with Audit requirements may result in suspension of referrals by PDCDI until such corrections are complete.

## **3. Fees and Reporting**

- 3.1 Franchisee understands and agrees that losses received and invoiced under this program for customers where Franchisee has no prior contractual relationship, are subject to an administrative and dispatch fee. A per loss fee cap of \$50,000/job shall apply. The fee shall be based on the franchisee invoiced amount and calculated according to the following levels, subject to the fee cap:

< \$250k	5%
\$251k - \$1.5mm	4%
>\$1.5mm - \$3mm	3%
>\$3mm	2%

This fee is payable to PDCDI and is in addition to royalties and other fees payable under the Franchise agreement. Invoiced sales include all items included on an estimate or work authorization including items paid for directly by

the Commercial Client or insurer. In the case of jobs involving multiple franchisees, each franchise will be responsible to report invoiced sales to the extent the franchisee bills, or is paid by, the ultimate customer or insurer. Sales are deemed to be “closed” and reported for royalty purposes at the time when an invoice is generated on the work.

3.2 A reduced administrative and dispatch fee of 50% of the fee applicable in section 3.1 above will apply to customer losses that Franchisee has signed through their own efforts, even if PDCDI has commercial relationships with the customer that helped facilitate the signing or retaining of the job. The parties agree that the jobs described herein will be invoiced and collected centrally through PDCDI. Franchisee agrees to notify PDCDI of any losses signed with a customer in order to be subject to this lower fee.

3.3 The 5% administrative dispatch fee shall be waived when Franchisee, through its own efforts, facilitates the signing of a National Account by PDCDI. In addition, Franchisee shall be entitled to a 1% rebate on all work of this National Account performed, invoiced and collected outside of the Franchise territory for a period of four (4) years from the date PDCDI signs the National Agreement. Rebates to be paid upon collection and by the 30<sup>th</sup> day of the month following the end of each quarter and capped at \$20,000 per loss. To remain eligible for the rebate the franchisee must remain active in the account management process unless directed to refrain from such activities in writing by PDCDI. Being active in the management process is defined by the following but may be adjusted from time to time at the discretion of PDCDI:

- Growing the relationship through constant contact and continued marketing that is documented in a PDCDI approved CRM system.
- Providing a monthly report to PDCDI documenting calls, visits, emails, and meetings with Commercial Client.
- Helping to resolve any issues that arise
- Helping with collections when necessary.

3.4 Franchisee agrees to report all commercial losses into RMS (or other Common Software designated by PDRI). Franchisee shall report sales using such forms or in such format as PDRI may specify from time to time. PDRI may at any time modify the required format and content of the sales report. All fees under this Agreement are non-refundable.

3.5 Commercial Clients may request that PDCDI provide centralized payment for distribution to program participants and Franchisee agrees to accept remittance of payments through such centralized system and authorizes PDCDI to accept and remit payments (Franchisee shall receive payment for losses performed once paid by the Commercial Client), less the administrative fee provided for under this Agreement in section 3.1.

- 3.6 Franchisee agrees that PDCDI may hold and offset any payments due to Franchisee by any amount owed to PDRI and delinquent.
- 3.7 If Franchisee wishes to participate in, and market the First Priority® program, Franchisee shall be required to register their participation with PDCDI and must adhere to PDRI Brand standards for the use of such Mark.

#### **4. Training and Compliance**

- 4.1 Franchisee understands that the performance of commercial losses involves specialized training and compliance to laws and service levels which must be met prior to opting into this Optional program. In addition, Franchisee agrees to continuing compliance and training, new training or re-training as required by PDCDI in its sole discretion.
- 4.2 Franchisee shall notify PDCDI immediately if the Franchisee receives any commercial job by a Program customer, by any source, that is or expects to exceed the Franchisee's training and certification level. PDCDI at its sole discretion may require that the Franchisee utilize a project manager from another Franchise office that possesses the requisite skill, training and certification in order to complete the assignment.

#### **5. Incorporation by Reference**

- 5.1 This Agreement incorporates by reference all commercial requirements and service standards of PDRI, PDCDI and its Commercial Clients. This includes any new Agreements, changes, revisions and amendments, which will modify this Agreement, without the requirement of a separate addendum to this Agreement or any formal written amendment. Franchisee's continuing request for referrals and PDCDI's compliance to all Commercial Client requirements as a condition to such referral to Franchisee, is sufficient consideration to support modification of this Agreement without the necessity of a formal amendment. The parties waive any statute, law rule or regulation that may be interpreted as requiring any modification of this Agreement be in writing.
- 5.2 This Agreement also incorporates by this reference the Franchise Agreement and all Addendums between the parties. This Agreement does not supercede or replace any terms of the Franchise Agreement, but is meant to be read together and in harmony with the Franchise Agreement. Any terms in conflict, the Franchise Agreement will govern.

#### **6. Confidentiality**

- 6.1 Franchisee expressly acknowledges that in the course of its performance under this Agreement, it will have access to certain confidential, copyright, business, trade secret, proprietary and other protected information of

Commercial Clients or third parties. Franchisee agrees that it will keep such information strictly confidential and warrants that it will protect and not share any proprietary or Trade Secret information. Franchisee agrees to retain all information belonging to third parties in strictest confidence and will only use the information as necessary to perform the work herein.

## **7. Term and Termination**

- 7.1 Franchisee may participate in this Program for as long as they meet all Program requirements. PDCDI reserves the right to suspend job referrals for any Franchisee that does not meet Program or other franchise compliance requirements. Franchisee may terminate this Agreement with five (5) days written notice for any reason.
- 7.2 Following termination of this Agreement, regardless of reason, PDCDI may refer commercial losses within Franchisee's Territory to other qualified Franchisee to provide commercial services to Commercial Clients (not related to insurance restoration or emergency service) that Franchisee is not qualified (or does not wish) to perform. Cross Territory provisions may apply.

## **8. Indemnification**

The indemnification provisions in Franchisee's Franchise Agreement are incorporated into this Agreement by this reference, as set forth fully herein, and adds all Commercial Clients as additional indemnitees.

## **9. Dispute Resolution; Choice of Law**

The dispute resolution provision of Article 23 of the Franchise Agreement and as provided for in Booklet Two of the Operations Manual shall govern this Agreement. Notwithstanding the above, Franchisee agrees that as a condition precedent to Arbitration and in the best interests of maintaining relationships between the parties and with customers, all disputes that arise herein shall be submitted to a Commercial Dispute Resolution process established jointly by PDRI, PDCDI and the NEC. In the event that the dispute cannot be resolved by the Commercial Dispute Resolution process, Franchisee may pursue the Arbitration remedy under the Franchise Agreement. This Agreement shall be governed, interpreted and construed in accordance with the laws of the State of Florida.

## **10. Miscellaneous**

- 10.1 Severability. If any provision of this Agreement or its application to any person or circumstance is deemed invalid or unenforceable, all other provisions of this Agreement shall remain in full force and effect and will not be affected thereby. In lieu of such invalid or unenforceable provision, a valid, enforceable provision that is as similar in intent to such invalid or unenforceable provision will



be automatically inserted into this Agreement. If this is not possible, the unenforceable provision shall be severed from this Agreement.

- 10.2 Waiver. The failure of PDRI to strictly enforce any provision herein shall not be construed as a waiver or relinquishment of any right under this Agreement. PDRI shall retain any and all right to strictly enforce any provision of this Agreement, not matter the course of dealing or PDRI's failure to exercise any power given to it hereunder.

**IN WITNESS WHEREOF**, the parties hereto have executed this Addendum effective as of the date first written above.

**PDRI:**  
PAUL DAVIS RESTORATION, INC.

date signed By:  
Its:

**FRANCHISEE:**

date signed By: \_\_\_\_\_  
Print name:  
Its:

**PRINCIPAL OWNERS:**

date signed [Owner name]  
\_\_\_\_\_

date signed [Owner name}  
\_\_\_\_\_

EXHIBIT E  
TO THE PAUL DAVIS RESTORATION  
FRANCHISE DISCLOSURE DOCUMENT

SCHEDULE OF STATE ADMINISTRATORS  
AND AGENTS FOR SERVICE OF PROCESS

## LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states. 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. Additionally, we have included the contact information for Paul Davis Restoration, Inc., below:

**Paul Davis Restoration, Inc.  
7251 Salisbury Road, Suite 6  
Jacksonville, FL 32256**

State	State Agency	Agent for Service of Process
CALIFORNIA	California Commissioner Department of Financial Protection and Innovation: 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677  2101 Arena Blvd. Sacramento, CA 95834 (916) 327-7585  1455 Frazee Road, Suite 315 San Diego, CA 92108 (619) 610-2093  One Sansome St., #600 San Francisco, California 94104	California Commissioner
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	Commissioner of Securities State of Hawaii 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722
ILLINOIS	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division, E-111 302 Washington Street Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360	Maryland Securities Commissioner
MICHIGAN	Consumer Protection Division Michigan Department of Attorney General 525 W. Ottawa Street, G. Mennen Williams Building, 1st Floor Lansing, Michigan 48933 (517) 373-7117	Corporations Division Bureau of Commercial Services Department of Labor and Economic Growth P.O. Box 30054 Lansing, Michigan 48909
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600	Minnesota Commissioner of Commerce
NEW YORK	Office of the Attorney General Investor Protection Bureau 28 Liberty Street, 15th Floor New York, NY 10005 Tel: 212-416-8222	Attention: New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712	North Dakota Securities Commissioner
RHODE ISLAND	Securities Division Department of Business Regulation, Bldg 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9582	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563	Director of South Dakota Division of Securities
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507-9033 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501
WISCONSIN	Division of Securities Department of Financial Institutions 201 W. Washington Ave., 3rd Floor Madison, Wisconsin 53703 (608) 266-1064	Administrator, Division of Securities Department of Financial Institutions 201 W. Washington Ave., 3rd Floor Madison, Wisconsin 53703

EXHIBIT F  
TO THE PAUL DAVIS RESTORATION  
FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDA

**PAUL DAVIS RESTORATION, INC.**  
**CALIFORNIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

1. Neither the franchisor nor any person 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. 78a et seq., suspending or expelling such person from membership in that association or exchange.

2. The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.

3. The Franchise Agreement requires binding arbitration. The arbitration will occur at a site chosen by the arbitrators with the costs being borne by each party except where a party fails to comply with the arbitration provisions of the Franchise Agreement, in which case, that party shall be liable to the other party for all costs and attorneys' fees incurred by the other party to enforce the arbitration provision.

4. The following paragraph is added to the end of Item 6 of the disclosure document

A. Liquidated Damages Provision:

If the Franchise Agreement contains any liquidated damage clauses, California Civil Code Section 1671 may render them unenforceable.

5. The following paragraph is added at the end of Item 10 of the disclosure document:

We will comply with all appropriate laws governing any direct financing offered by us to you including, if applicable, the California Finance Lenders Law.

6. The following paragraphs are added at the end of Item 17 of the disclosure document:

A. Termination and Non-Renewal:

California Business and Professional Code Sections 200000 through 20043 provide rights to franchisees concerning termination or non-renewal of a franchise. If the Franchise Agreement contains any provision that is inconsistent with the law, the law, as amended from time to time, will control.

B. Post Termination Non-Competition Covenants:

Any non-competition and non-solicitation agreement containing a covenant not to compete that extends beyond the termination/expiration of the franchise, may not be enforceable under California law.

C. Liquidated Damages Provision:

If the Franchise Agreement contains any liquidated damage clauses, California Civil Code Section 1671 may render them unenforceable.

D. Termination upon Insolvency, Bankruptcy or Reorganization:

Where the Franchise Agreement provides for termination upon insolvency, bankruptcy or reorganization, such a provision might not be enforceable under California Law.

E. Material Modifications:

Section 31125 of the Franchise Investment Law requires us to give you a disclosure document approved by the Commissioner of the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

7. The following paragraph is added at the end of Item 19 of the disclosure document:

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

**NOTICE REQUIRED BY THE STATE OF CALIFORNIA**

The financial performance representations do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.



**PAUL DAVIS RESTORATION, INC.**  
**CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN  
THE STATE OF CALIFORNIA ARE HEREBY AMENDED AS FOLLOWS:**

1. Section 31125 of the California Corporation Code requires the Franchisor to give you a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to solicitation of a proposed material modification of an existing franchise.
2. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
3. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec 101 et seq.).
4. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This may not be enforceable under California law.
5. The Franchise Agreement requires binding arbitration. This provision may not be enforceable under California 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 made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

<u>Title:</u> _____	<u>Title:</u> _____
<u>Date Signed:</u> _____	<u>Date Signed:</u> _____

~~Link to previous setting changed from on in original to off in modified.~~

**PAUL DAVIS RESTORATION, INC.**

**PAUL DAVIS RESTORATION, INC.**

**FRANCHISEE**

By: \_\_\_\_\_ By: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

~~Title:~~ \_\_\_\_\_ ~~Title:~~ \_\_\_\_\_

~~Date Signed:~~ \_\_\_\_\_ ~~Date Signed:~~ \_\_\_\_\_

**PAUL DAVIS RESTORATION, INC.**  
**HAWAII ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

<u>Title:</u> _____	<u>Title:</u> _____
<u>Date Signed:</u> _____	<u>Date Signed:</u> _____

*[Link-to-previous setting changed from off in original to on in modified.]*

**PAUL DAVIS RESTORATION, INC.  
HAWAII ADDENDUM TO THE FRANCHISE AGREEMENT**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN  
THE STATE OF HAWAII ARE HEREBY AMENDED AS FOLLOWS:**

No release language set forth in the Franchise Agreement shall relieve PDRI or any other party, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

Article 17 of the Franchise Agreement is hereby supplemented with the following provision (Section 17.3 in Franchise Agreement):

Hawaii Law. Pursuant to Section 482E-6(3) of the Hawaii Revised Statutes, for so long as such statute remains in effect and so provides, upon termination or refusal to renew the franchise, Franchisee shall be compensated for the fair market value, at the time of termination or expiration of the franchise, of Franchisee's inventory, supplies, materials and furnishings purchased from the Franchisor or a supplier designated by the Franchisor, exclusive of personalized materials which have no value to the Franchisor. If the Franchisor refuses to renew a franchise for the purpose of converting the franchised business to one owned by the Franchisor, the Franchisor, in addition to the remedies provided in this paragraph, shall compensate Franchisee for the loss of goodwill. The Franchisor may deduct from such compensation reasonable costs incurred in removing, transporting and disposing of Franchisee's inventory, supplies, materials and furnishings pursuant to this paragraph, and may offset from such compensation any moneys due to the Franchisor.

**PAUL DAVIS RESTORATION, INC.**

**FRANCHISEE**

By: \_\_\_\_\_ By: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

~~Title:-~~ \_\_\_\_\_ ~~Title:-~~ \_\_\_\_\_

~~Date Signed:-~~ \_\_\_\_\_ ~~Date Signed:-~~ \_\_\_\_\_

**PAUL DAVIS RESTORATION, INC.**  
**ILLINOIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

**NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF ILLINOIS**

The following are revisions to Item 17 of the disclosure document:

The Illinois Franchise Disclosure Act applies. The conditions under which the franchise can be terminated and the rights upon non-renewal may be affected and are governed by Illinois Compiled Statutes 1992, Chapter 815, Section 705/18 through 705/20.

Illinois law governs the franchise agreement between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

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

**PAUL DAVIS RESTORATION, INC.**

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

<del>Title: _____</del>	<del>Title: _____</del>
<del>Date Signed: _____</del>	<del>Date Signed: _____</del>
<del>Date Signed: _____</del>	<del>Date Signed: _____</del>

**PAUL DAVIS RESTORATION, INC.  
ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN  
THE STATE OF ILLINOIS ARE HEREBY AMENDED AS FOLLOWS:**

1. The Franchisor and Franchisee hereby acknowledge that this Agreement shall be governed by Illinois law.
2. Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of Illinois is void.”
3. The conditions under which the Franchised Business may be terminated and the Franchisee’s rights upon non-renewal are governed by Illinois Compiled Statutes 1992, Chapter 815, Section 705/18 through 705/20.
4. With respect to any agreement executed and operational in the State of Illinois, any governing law or choice of law clause granting authority to a state other than Illinois is hereby amended to grant authority of the Illinois Franchise Disclosure Act.

~~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 made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

**PAUL DAVIS RESTORATION, INC.**

**FRANCHISEE**

By: \_\_\_\_\_ By: \_\_\_\_\_

**PAUL DAVIS RESTORATION, INC.**

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

Date Signed: \_\_\_\_\_ Date Signed: \_\_\_\_\_



**PAUL DAVIS RESTORATION, INC.**  
**INDIANA ADDENDUM TO THE FRANCHISE AGREEMENT**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN  
THE STATE OF INDIANA ARE HEREBY AMENDED AS FOLLOWS:**

1. Any agreement executed in and operative within the State of Indiana shall be governed by applicable Indiana franchise laws and the right of any franchisee to institute a civil action or initiate arbitral proceedings within the State of Indiana shall not be deemed to have been abridged in any form or manner by any provisions contained in this Agreement.
2. In compliance with Indiana Code 12-2-2.7-1(9), any provisions in this Franchise Agreement relating to non-competition upon the termination or non-renewal of the Franchise Agreement shall be limited to a geographic area not greater than the Franchise Area granted in this Franchise Agreement and shall be construed in accordance with Indiana Code 23-2-2.7-1(9).
3. Indiana Code section 23-2-2.7-1(10) prohibits the choice of an exclusive forum other than Indiana.
4. Indiana Code section 23-2.2.7-1(10) prohibits the limitation of litigation. The Indiana Secretary of State has interpreted this section to prohibit provisions in contracts regarding liquidated damages. Accordingly, any provisions in the Franchise Agreement regarding liquidated damages may not be enforceable.
5. In compliance with Indiana Code 23-2-2.7-1(10), any inference contained in this Franchise Agreement to the effect that the Franchisor "is entitled" to injunctive relief shall, when applicable to a Franchise Agreement executed in and operative within the State of Indiana, hereby be deleted, understood to mean and replace the words "may seek".
6. Indiana Code section 23-2-2.5 and 23-2-2.7 supersedes the choice of law clauses of the Franchise Agreement.
7. Indiana Code section 23-2.2.7-1 makes it unlawful for a franchisor to terminate a franchise without good cause or to refuse to renew a franchise on bad faith.
8. Any reference contained in this Franchise Agreement to a prospective franchisee's "exclusive Franchise Area" shall, in any Franchise Agreement executed in and operative within the State of Indiana, hereby be deleted and replaced with the words "non-exclusive Franchise Area".
9. In compliance with Indiana Code 23-2-2.7-1(5), any requirement that the Franchisee must execute a release upon termination of this Agreement shall not be mandatory and is hereby made discretionary. However, Franchisee shall execute all other documents necessary to fully rescind all agreements between the parties under this Agreement.

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

**PAUL DAVIS RESTORATION, INC.**

**FRANCHISEE**

By: \_\_\_\_\_ By: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

Date Signed: \_\_\_\_\_ Date Signed: \_\_\_\_\_

**PAUL DAVIS RESTORATION, INC.**  
**MARYLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

1. Item 17 of the disclosure document shall be amended as follows:

The general release required as a condition of the sale of an existing franchise by a franchisee shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Despite the provisions of Item 17, the franchise may sue in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

<del>Title: _____</del>	<del>Title: _____</del>
<del>Date Signed: _____</del>	<del>Date Signed: _____</del>
<del>Date Signed: _____</del>	<del>Date Signed: _____</del>

**PAUL DAVIS RESTORATION, INC.  
MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT**

**THE FRANCHISE AGREEMENT TO WHICH THIS ADDENDUM IS ATTACHED AND INCORPORATED IS HEREBY AMENDED AS FOLLOWS:**

1. Despite anything to the contrary contained in the Franchise Agreement, the general release required as a condition of the resale of an existing franchise by a franchisee shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. Despite the provisions of Article 29 and Article 23, the Franchisee may sue in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. The acknowledgements and representations contained in the Franchise Agreement are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred by PDRI under the Maryland Franchise Registration and Disclosure 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 made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

**The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.**

**PAUL DAVIS RESTORATION, INC.**

**FRANCHISEE**

By: \_\_\_\_\_ By: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

Date Signed: \_\_\_\_\_ Date Signed: \_\_\_\_\_

~~Title:~~ \_\_\_\_\_ ~~Title:~~ \_\_\_\_\_

~~Date Signed:~~ \_\_\_\_\_ ~~Date Signed:~~ \_\_\_\_\_

~~Date Signed:~~ \_\_\_\_\_ ~~Date Signed:~~ \_\_\_\_\_

**PAUL DAVIS RESTORATION, INC.**  
**MICHIGAN ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

**NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF MICHIGAN**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES FOUND IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

(A) A prohibition on the right of a franchisee to join an association of franchisees.

(B) A requirement that a franchisee assent to release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(C) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(D) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are subject to compensation. This subsection applies only if: (1) the term of the franchise is less than 5 years and (2) the franchisees is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of the franchisor's intent not to renew the franchise.

(E) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(F) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(G) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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

(2) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE ADDRESSED TO:

DEPARTMENT OF ATTORNEY GENERAL  
CONSUMER PROTECTION DIVISION  
670 LAW BUILDING, 525 W. OTTAWA STREET  
LANSING, MICHIGAN 48913  
Telephone (517) 373-7117



## **NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF MINNESOTA**

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80c. 14, subsections 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

Notwithstanding anything to the contrary in the Franchise Agreement, pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, the Franchisor is prohibited from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Notwithstanding anything contained in the Franchise Agreement to the contrary, the Franchisor shall protect the Franchisee's right to use the trademarks, service marks, trade names, logotypes, symbols, and other commercial symbols belonging to the Franchisor and which the Franchisee has been permitted to use under the Franchise Agreement.

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

**PAUL DAVIS RESTORATION, INC.**  
**MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN  
THE STATE OF MINNESOTA ARE HEREBY AMENDED AS FOLLOWS:**

1. Any reference to liquidated damages or termination penalties contained in this Franchise Agreement, shall be deleted and replaced with the words "actual damages".
2. Notwithstanding anything contained in the Franchise Agreement to the contrary, the Franchisor shall protect the Franchisee's right to use the trademarks, service marks, trade names, logotypes, symbols, and other commercial symbols belonging to the Franchisor and which the Franchisee has been permitted to use under the Franchise Agreement.
3. With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80c. 14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.
4. Any reference contained in the Franchise Agreement to the effect that the Franchisor "is entitled" to injunctive relief, or any imputation that the Franchisee can waive any rights under any law shall, in any Franchise Agreement entered into in the State of Minnesota be deleted and replaced with the words, "may seek".
5. Notwithstanding anything to the contrary in the Franchise Agreement, pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, the Franchisor is prohibited from requiring litigation to be conducted outside Minnesota. In addition, nothing in the offering circular or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
6. With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Rule 2860.4400D which prohibits a franchisor from requiring a franchisee to assent to a general release as a requirement to renew or extend.  
The undersigned agree and acknowledge that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

**PAUL DAVIS RESTORATION, INC.**

**FRANCHISEE**

By: \_\_\_\_\_ By: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

**PAUL DAVIS RESTORATION, INC.**  
**NEW YORK ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

**NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF NEW YORK**

ALTHOUGH THESE FRANCHISES HAVE BEEN ACCEPTED FOR FILING, SUCH FILING UNDER GENERAL BUSINESS LAW, ART. 33 OF THE STATE OF NEW YORK DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OF ENDORSEMENT BY THE NEW YORK STATE DEPARTMENT OF LAW THAT THE INFORMATION PROVIDED HEREIN IS TRUE.

THE DEPARTMENT'S REVIEW DID NOT INCLUDE A DETAILED EXAMINATION OF THE MATERIALS SUBMITTED. A FALSE, INCOMPLETE, INACCURATE OR MISLEADING STATEMENT MAY CONSTITUTE A VIOLATION OF BOTH FEDERAL AND STATE LAW, AND SHOULD BE REPORTED TO BOTH THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, NEW YORK, NEW YORK 10271. GENERAL BUSINESS LAW, ARTICLE 33 OF THE STATE OF NEW YORK MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE A COPY OF THE OFFERING PROSPECTUS, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE AT THE EARLIER OF (a) THE FIRST PERSONAL MEETING BETWEEN THE FRANCHISOR OR ITS AGENT AND THE PROSPECTIVE FRANCHISEE, (b) AT LEAST TEN BUSINESS DAYS PRIOR TO THE EXECUTION OF A BINDING FRANCHISE OR OTHER AGREEMENT OR (c) AT LEAST TEN DAYS PRIOR TO THE RECEIPT OF ANY CONSIDERATION IN CONNECTION WITH THE SALE OR PROPOSED SALE OF A FRANCHISE.

The following are revisions to Item 3 of the disclosure document:

Other than the matters described above, neither PDRI nor any person identified in Item 2: (1) has any pending administrative, criminal or material civil action alleging a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; (2) has been convicted of a felony or pleaded *nolo contendere* to a felony charge or, within the ten year period immediately preceding the application for registration, has been convicted of a misdemeanor or pleaded *nolo contendere* to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; or (3) is subject to any injunctive or restrictive order or

**PAUL DAVIS RESTORATION, INC.**

decree relating to franchises or under any Federal, State or Canadian franchise,  
securities, antitrust, trade

regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

The following are revisions to Item 4 of the disclosure document:

Neither PDRI, nor its affiliates, officers, or directors during the 10 year period immediately preceding the date of the offering prospectus have (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one (1) year after the officer or general partner of the franchisor held this position in the company or partnership.

The following are revisions to Item 5 of the disclosure document:

The Initial Franchise Fee is to be used for the purpose of sales development, training, and marketing costs as set forth in Item 7.

The following are revisions to Item 17(d) of the disclosure document:

The franchisee may terminate the agreement upon any grounds available by law.

<u>Name:</u>	<u>Name:</u>
<u>Title:</u>	<u>Title:</u>
<u>Date Signed:</u>	<u>Date Signed:</u>

*[Link-to-previous setting changed from on in original to off in modified.]*

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

**PAUL DAVIS RESTORATION, INC.  
NEW YORK ADDENDUM TO THE FRANCHISE AGREEMENT**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN  
THE STATE OF NEW YORK ARE HEREBY AMENDED AS FOLLOWS:**

The foregoing choice of law should not be considered a waiver of any right conferred upon Franchisor or upon Franchisee by the General Business Law of the State of New York, Article 33.

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

<u>Name:</u> _____	<u>Name:</u> _____
<u>Title:</u> _____	<u>Title:</u> _____
<u>Date Signed:</u> _____	<u>Date Signed:</u> _____



**PAUL DAVIS RESTORATION, INC.**

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

**PAUL DAVIS RESTORATION, INC.**

**FRANCHISEE**

By: \_\_\_\_\_ By: \_\_\_\_\_

~~Name:-~~ \_\_\_\_\_ ~~Name:-~~ \_\_\_\_\_

~~Title:-~~ \_\_\_\_\_ ~~Title:-~~ \_\_\_\_\_

~~Date Signed:-~~ \_\_\_\_\_ ~~Date Signed:-~~ \_\_\_\_\_

**PAUL DAVIS RESTORATION, INC.**  
**NORTH DAKOTA ADDENDUM TO THE FRANCHISE AGREEMENT**

For franchises and franchisees subject to the North Dakota Franchise Investment Law, the following information supersedes on supplements, as the case maybe, the corresponding disclosures in the main body of the text of the Paul Davis Restoration, Inc. Franchise Disclosure Document.

1. Item 17 is amended by the addition of the following language to the original language that appears therein;

(a) Covenants not to compete upon termination or expiration of a franchise agreement are generally unenforceable in North Dakota, except in certain instances as provides by law.

(b) Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of North Dakota is void with respect to any cause of action which is otherwise enforceable in North Dakota.

(c) Any provision in the Franchise Agreement which requires a franchisee to waive his or her right to a jury trial has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

(d) Any provision requiring a franchisee to sign a general release upon renewal of the franchise agreement has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

(e) Any provision in the Franchise Agreement requiring a franchisee to agree to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

(f) Apart from civil liability as set forth in Section 51-19-12 of the N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents and it is unfair to franchise investors to require them to waive their rights under North Dakota Law.

(g) Any provision in the Franchise Agreement requiring that the Franchise Agreement be construed according to the laws of a state other than North

<u>Name:</u> _____	<u>Name:</u> _____
<u>Title:</u> _____	<u>Title:</u> _____
<u>Date Signed:</u> _____	<u>Date Signed:</u> _____

*[Link-to-previous setting changed from on in original to off in modified.]*

Dakota are unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

(h) Any provision in the Franchise Agreement requiring a franchisee to consent to termination or liquidated damages is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

(i) Any provision in the Franchise Agreement requiring a franchisee to consent to a waiver of exemplary and punitive damages is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

**PAUL DAVIS RESTORATION, INC.**

**FRANCHISEE**

By: \_\_\_\_\_ By: \_\_\_\_\_

Name:- \_\_\_\_\_ Name:- \_\_\_\_\_

Title:- \_\_\_\_\_ Title:- \_\_\_\_\_

Date Signed:- \_\_\_\_\_ Date Signed:- \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_  
Name: \_\_\_\_\_ Name: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_  
Date Signed: \_\_\_\_\_ Date Signed: \_\_\_\_\_  
Date Signed: \_\_\_\_\_ Date Signed: \_\_\_\_\_

**PAUL DAVIS RESTORATION, INC.**  
**RHODE ISLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

For franchises and franchisees subject to the Rhode Island statutes and regulations, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Paul Davis Restoration, Inc.'s Franchise Disclosure Document.

Item 17:

1. §19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in the franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”
2. The Rhode Island Franchise Investment Act requires a franchisor to deliver a copy of a disclosure document reflecting all material changes together with a copy of all proposed agreements relating to the sale of the franchise at the earlier of: (i) the prospective franchisee’s first personal business meeting with the franchisor which is held for the purpose of discussing the sale or possible sale of the franchise, or (ii) ten business days prior to the execution of an agreement or payment of any consideration relating to the franchise relationship.

**PAUL DAVIS RESTORATION, INC.**

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

Name: _____	Name: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date Signed: _____	Date Signed: _____
Date Signed: _____	Date Signed: _____

**PAUL DAVIS RESTORATION, INC.  
RHODE ISLAND ADDENDUM TO THE FRANCHISE AGREEMENT**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE  
STATE OF RHODE ISLAND ARE HEREBY AMENDED AS FOLLOWS:**

1. Pursuant to the Rhode Island Franchise Investment Act, the choice of jurisdiction and venue provisions of this Franchise Agreement shall be governed by Section 19-28.1-14 of the Act.

2. Pursuant to Section 19-28.1-15 of the Act, any condition, stipulation or provision in this Franchise Agreement requiring a franchisee to waive compliance with or relieving a person of a duty of liability imposed by or a right provided by this Act or a rule or order under this Act is void. An acknowledgment provision, disclaimer or integration clause or a provision having a similar effect in the Franchise Agreement does not negate or act to remove from judicial review any statement, misrepresentations or action that would violate this Act or a rule or order under this Act. This section shall not affect the settlement of disputes, claims or civil lawsuits arising or brought under this Act.

~~3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

**PAUL DAVIS RESTORATION, INC.**

**FRANCHISEE**

By: \_\_\_\_\_ By: \_\_\_\_\_

**PAUL DAVIS RESTORATION, INC.**

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

Date Signed: \_\_\_\_\_ Date Signed: \_\_\_\_\_



**PAUL DAVIS RESTORATION, INC.**  
**SOUTH DAKOTA ADDENDUM TO THE FRANCHISE AGREEMENT**

Neither Paul Davis Restoration Inc. its Parent Corporation, its Predecessor nor any person identified in Item 2 has any material arbitration proceeding pending, or has during the 10-year period immediately preceding the date of this Disclosure Document been a party to concluded material arbitration proceedings.

Although the Franchise Agreement requires all arbitration proceedings to be held where the American Arbitration Association designates, the site of any arbitration started pursuant to the Franchise Agreement will be at a site mutually agreed upon by you and us.

We may not terminate the Franchise Agreement for a breach, for failure to meet performance and quality standards and/or for failure to make royalty payments unless you receive thirty (30) days prior written notice from us and you are provided with an opportunity to cure the defaults. Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of South Dakota.

The laws of the State of South Dakota will govern matters pertaining to franchise registration, employment, covenants not to compete, and other matters of local concern; but as to contractual and all other matters, the Franchise Agreement will be subject to the applications, construction, enforcement and interpretation under the governing law of Florida.

Any provision in the Franchise Agreement restricting jurisdiction or venue to a forum outside of the State of South Dakota or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the South Dakota Franchise Act.

Any provision that provides that the parties waive their right to claim punitive, exemplary, incidental, indirect, special or consequential damages may not be enforceable under South Dakota law.

**PAUL DAVIS RESTORATION, INC.**

**FRANCHISEE**

By: \_\_\_\_\_ By: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

Date Signed: \_\_\_\_\_ Date Signed: \_\_\_\_\_

**PAUL DAVIS RESTORATION, INC.**  
**VIRGINIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Paul Davis Restoration, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17:

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 ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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

*[Link-to-previous setting changed from on in original to off in modified.]*

**PAUL DAVIS RESTORATION, INC.**  
~~PAUL DAVIS RESTORATION, INC.~~

## **WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

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

**PAUL DAVIS RESTORATION, INC.**

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

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

**PAUL DAVIS RESTORATION, INC.**  
**WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF WASHINGTON ARE HEREBY AMENDED AS FOLLOWS:**

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

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

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

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

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

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

**~~PAUL DAVIS RESTORATION, INC.~~**

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

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

**PAUL DAVIS RESTORATION, INC.**

**FRANCHISEE**

By: \_\_\_\_\_ By: \_\_\_\_\_

*[Link-to-previous setting changed from on in original to off in modified.]*

Name: \_\_\_\_\_Name:\_\_\_\_\_

Title: \_\_\_\_\_Title:\_\_\_\_\_

Date Signed: \_\_\_\_\_Date Signed:\_\_\_\_\_



**PAUL DAVIS RESTORATION, INC.  
WISCONSIN ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

**NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF WISCONSIN**

IN THE STATE OF WISCONSIN CHAPTER 135 OF THE WISCONSIN FAIR DEALERSHIP LAW GOVERNS THIS AGREEMENT. YOU MAY WANT TO REVIEW THIS LAW.

For franchises and Franchisees subject to the Wisconsin Fair Dealership Law, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Paul Davis Restoration, Inc. Wisconsin Franchise Disclosure Document.

Item 17.

For Wisconsin Franchisees, ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract between Franchisor and Franchisee inconsistent with the Law.

**PAUL DAVIS RESTORATION, INC.  
WISCONSIN ADDENDUM TO THE FRANCHISE AGREEMENT**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE  
STATE OF WISCONSIN ARE HEREBY AMENDED AS FOLLOWS:**

The Franchisor and Franchisee hereby acknowledge that the Franchise Agreement shall be governed by The Wisconsin Fair Dealership Law (Wisconsin Statutes, 1979-1980, Title XIV-A, Chapter 135, Sections 135.01 through 135.07) which makes it unlawful for a franchisor to terminate, cancel or fail to renew a franchise without good cause, as well as providing other protections and rights to the franchisee. To the extent anything in the Franchise Agreement is contrary to the laws in the State of Wisconsin, said laws shall prevail.

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

**PAUL DAVIS RESTORATION, INC.**

**FRANCHISEE**

By: \_\_\_\_\_ By: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

Date Signed: \_\_\_\_\_ Date Signed: \_\_\_\_\_

**EXHIBIT G  
TO THE PAUL DAVIS RESTORATION  
FRANCHISE DISCLOSURE DOCUMENT**

**PROMISSORY NOTE**

## PROMISSORY NOTE

\$ \_\_.00 \_\_\_\_\_, 20\_\_\_\_  
Jacksonville, Florida

FOR VALUE RECEIVED, the undersigned (collectively, the "Maker") individually, jointly and severally promises to pay to the order of Paul Davis Restoration, Inc. ("Holder") at 7251 Salisbury Road, Suite 6, Jacksonville, FL 32256, or at such other address as the Holder of this Note may designate in writing from time to time, the principal sum of \_\_\_\_\_ AND 00/100 DOLLARS (\$\_\_\_\_\_.00) together with interest thereon of \_\_\_\_\_ percent (7%) per annum, to be paid as follows:

monthly installments of \$ \_\_\_\_\_ **commencing on** \_\_\_\_\_ **1, 20\_\_**, and continuing on the first (1<sup>st</sup>) day of each and every calendar month thereafter until the entire principal balance is paid in full.

If not paid in full sooner, the entire principal balance hereof, together with accrued and unpaid interest and all other sums due hereunder, shall be due and payable in full on \_\_\_\_\_ 1, 20\_\_. All payments hereunder are to be credited first to interest accrued and the balance to the reduction of principal. Payment shall be made to Holder via Electronic Funds Transfer unless otherwise agreed by the parties in writing. Maker shall cooperate with all administrative requirements to allow such a transfer as outlined herein.

This Note is being made in connection with a franchise agreement of even date herewith, as amended (the "Franchise Agreement"), between Holder and Maker. Maker acknowledges and agrees that the interest of Maker in the Franchise Agreement is directly related to this Note and that an event of a default under this Note shall also constitute an event of default under the Franchise Agreement. The non-payment when due of any installment under this Note shall constitute an Event of Default with respect to this Note. In addition, a default under the terms of the Franchise Agreement or a failure to abide by the terms of the Paul Davis Operations Manual shall be an Event of Default under this Note.

If an Event of Default occurs, or if any interest in the Franchise Agreement, whether in whole or in part, is sold to a third party, the Holder of this Note may declare the entire unpaid principal amount of this Note to be immediately due and payable and may proceed to protect its rights in the manner provided by applicable law. If an Event of Default occurs, the Maker shall pay all costs and expenses including reasonable attorney's fees and costs incurred by the Holder in connection with the collection of, or with the appeal of any proceeding respecting the payment or enforceability of this Note. Upon default, principal and interest shall both bear interest at the maximum legal rate until paid in full.

This Note may be prepaid in whole or in part at any time without penalty or premium. All persons now or at any time liable for payment of this Note hereby waive presentment, protest, notice of protest, and notice of dishonor. Each Maker expressly consents to any extensions and renewals, in whole or in part, and to all delays in time of payment or other performance that the Holder of this Note may grant at any time, and from time to time

without limitation, and without any notice or further consent of the Maker. This Note shall be governed by and construed and enforced according to the laws of the State of Florida.

IN WITNESS WHEREOF, the undersigned has caused this Note to be executed  
as of the day and year first above written.

MAKER:

\_\_\_\_\_  
Print Name: \_\_\_\_\_

\_\_\_\_\_  
(corporate name)

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT H  
TO THE PAUL DAVIS RESTORATION  
FRANCHISE DISCLOSURE DOCUMENT**

**PAUL DAVIS RESTORATION OPERATIONS MANUAL  
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# Paul Davis Operations Manual

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Total Pages

~~101~~102

**EXHIBIT I  
TO THE PAUL DAVIS RESTORATION  
FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISE RESALE PROCEDURES AND AGREEMENTS**

**PAUL DAVIS RESTORATION, INC.**  
**7251 Salisbury Road, Suite 6**  
**Jacksonville, FL 32256**  
**Telephone (904) 737-2779**

**FRANCHISE RESALES – INFORMATION FOR PURCHASERS**

Paul Davis Restoration, Inc., (“PDRI” or the “Franchisor”) has prepared this document for individuals considering purchasing an existing Paul Davis Restoration (“PDR”) franchise. In this document the acquisition of an existing franchise from the franchisee owner (the “Seller”) is referred to as a “resale.” The purposes of this document are to explain the role of PDRI in a resale transaction and to inform you (the “Purchaser”) of the steps necessary to obtain PDRI’s consent to the transfer of the franchise rights from the Seller to you. If you have any additional questions about the franchise resale process, please contact our General Counsel, Laura L. Ferrante, at 904-737-2779, extension 219, or [lferrante@pauldavis.com](mailto:lferrante@pauldavis.com).

In a resale, the Purchaser buys the franchise rights for an existing franchise directly from the Seller and not from PDRI. The purchase of a franchise may take one of two forms. In an “asset purchase” the Purchaser acquires the franchise rights and may also acquire a variety of other assets, such as equipment, vehicles, inventory, work-in-progress, receivables, goodwill, and leasehold interests, from the Seller’s company but does not acquire ownership of the Seller’s company. In a “stock transfer” the Purchaser acquires the stock or other ownership interests in the Seller’s company, which in turn owns the franchise rights and other assets. You should consult with your attorney about which form of transaction would serve you best. However, one issue you may wish to consider is that some insurers and other sources of business such as Third Party Administrators may be reluctant to do business with a brand new company and therefore a “stock transfer” purchase of an on-going company may be advantageous.

You and the Seller must negotiate a franchise purchase and sale agreement that specifies the assets being sold, the price, terms of sale, and other matters concerning the resale. The purchase of an existing franchise, like the purchase of any business, is a complex transaction. PDRI encourages you to consult with your attorney and other professional business advisors as you investigate this opportunity. It is the responsibility of you and your advisors to perform your due diligence in investigating the business you are buying and to negotiate the price and terms of sale. You should require that the Seller provide you with the information you need to conduct your due diligence. During this process you will be in contact with the Seller or the Seller’s representatives, such as the Seller’s broker, attorney or other agents. You should be aware that the Seller and the Seller’s representatives do not represent PDRI and cannot make any representations or commitments on behalf of PDRI.

All Purchasers are required to complete the PDRI training program for new owners. The new owner training program consists of four weeks of new owner school conducted at PDRI’s training facility in Jacksonville, Florida, and one week of new owner field training conducted at the franchise location. The cost of the new owner training program is ~~\$18,000~~\$22,000 per person. The training fee must be paid to PDRI at the earlier of (i) the closing of the purchase transaction, or (ii) seven days prior to the first day of new owner school.

PDRI conducts new owner schools three or four times a year. Contact PDRI for the schedule and availability of upcoming classes. Field training is scheduled, subject to the availability of PDRI field trainers, as soon as possible following the completion of new owner school. All class schedules are subject to change.

You will not be allowed to operate the franchise until you have completed the new owner training program. There are two options for transitioning the franchise from the Seller to the Purchaser. The option PDRI recommends is for you to attend new owner school before you close on the purchase of the franchise. In order to attend training you will need to submit a final signed purchase and sale agreement to PDRI, pay the nonrefundable transfer and training fees, and execute a new franchise agreement (which will automatically terminate if the purchase is not completed). This option will allow you to close on the purchase when you have completed school and are ready to operate the business. Alternatively, you may close on the purchase of franchise prior to attending new owner school. However, in this case you will need to hire the Seller or some other qualified individual to operate the franchise for you until you have completed the training program.

The franchise you are purchasing may engage in some of the optional franchise programs. These optional programs have their own requirements such as specialized training and other operational requirements. In order for the franchise to continue to participate in an optional franchise program you will need to meet the program requirements.

In addition to providing training for all Purchasers, PDRI must also exercise its right to consent to all transfers. The transfer approval process is described below. A non-refundable transfer fee of \$10,000 (a lesser amount may apply to some older franchise agreements or to the transfer of a minority interest) is required for all transfers, along with a re-sale fee equal to 2.5% of the sale price to a maximum of \$25,000.

Prior to the approval of a transfer, PDRI reviews both the proposed transaction and the qualifications of the proposed Purchaser. As part of our review of the proposed transaction, PDRI will review the franchise purchase and sale agreement. However, the purpose of our review is only to protect the interests of PDRI and the PDR network. You and your advisors must determine if the proposed transaction is in your best interest.

In order to assess the qualification of potential PDR franchise owners, we require that every candidate to purchase a franchise visit our office in Jacksonville, Florida, and submit the personal information listed below. During your visit to Jacksonville, you will have personal interviews with various members of our staff and senior managers. In addition to visiting Jacksonville and the franchise you are considering purchasing, we highly recommend you visit or contact by telephone other PDR franchises. You will also need to submit the following documents to PDRI:

1. Confidential Information Form ("CIF")
2. Authorization to Obtain Credit Information ("Credit Authorization")
3. Personality Profile
4. Franchise Purchase and Sale Agreement
5. Shareholder (Partnership) Agreement (if more than one owner)
6. Business Plan

The CIF, Credit Authorization, and Personality Profile may be obtained by contacting PDRI. The Franchise Purchase and Sale Agreement and Shareholder Agreement (if necessary) are prepared by the Seller's attorney or by your attorney. The Business Plan must contain a brief written narrative (1 – 2 pages) explaining your plans to operate the franchise and pro forma financial statements by month for the first two years and by year for the first three years. The pro forma financial statements must show the sources and uses of all funds for the purchase and operation of the franchise, including all closing costs, training and transfer fees, and ongoing debt service, owner's compensation, and maintenance of working capital equal to at least 10% of the prior 12 months gross sales.

After PDRI has reviewed and approved the proposed transfer, PDRI will issue a letter which grants PDRI's consent to the transfer subject to certain conditions (the "Consent to Transfer Letter"). Do not close on the purchase of the franchise before you have received the Consent to Transfer Letter. The conditions specified in the Consent to Transfer Letter will include the execution of the documents described below, the payment of all transfer and training fees and other sums due PDRI, and the Purchaser's completion of the new owner training program. After PDRI has received the non-refundable transfer fee and re-sale fee, PDRI will prepare and forward to you and the Seller the following documents:

1. Franchise Termination Agreement and Release
2. Tri-Party Agreement
3. Franchise Agreement

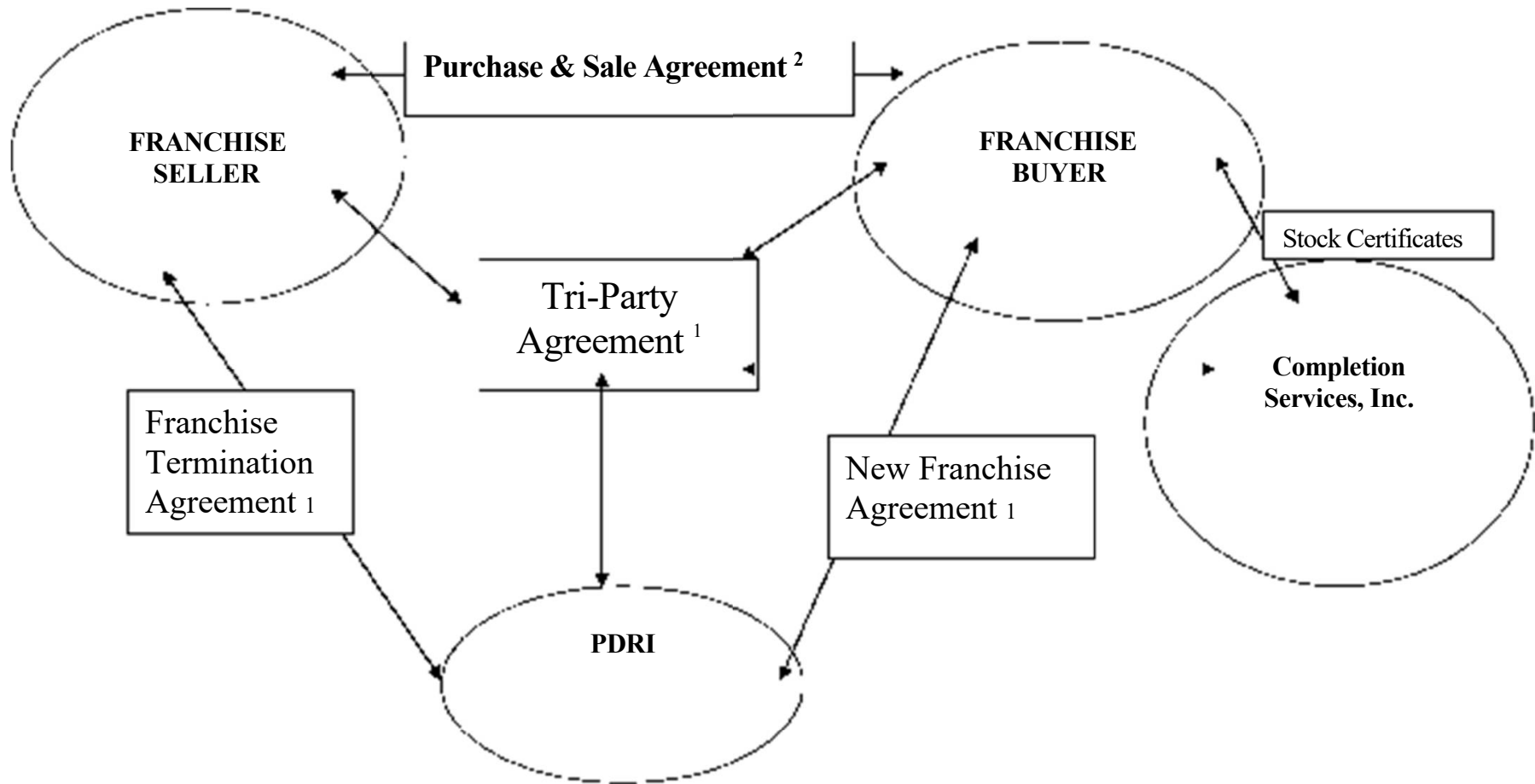
The Franchise Termination Agreement and Release terminates the Seller's franchise agreement. The Tri-Party Agreement deals with certain transitional issues, including the Job Completion and Guarantee Fund (CSI) and the buyer's responsibility for work-in-progress and warranty claims. The Franchise Agreement grants the subject franchise rights to the Purchaser. PDRI cannot enter into a new franchise agreement with you until you have received a Paul Davis Restoration Franchise Disclosure Document (FDD), which provides detailed information about owning and operating a PDR franchise. If you have not received an FDD please contact the Seller or PDRI Corporate Legal Counsel and one will be provided to you.

Copies of the standard form Franchise Termination Agreement and Release and the Tri-Party Agreement are attached. The standard form Franchise Agreement is contained in the FDD. A diagram of the transfer documentation process is also attached. (The documentation is somewhat modified [in](#) cases where only a partial interest in an existing franchise or the franchise rights for only a portion of the franchise territory are being acquired.)

The purchase of an existing franchise, like the purchase of any business, is a complex transaction. PDRI encourages you to consult with your attorney and other professional business advisors as you investigate this opportunity. Other than as set forth in the FDD, PDRI makes no representations of any kind concerning the business you are purchasing. Moreover, the consent of PDRI to the transfer of franchise rights to you is not a guarantee that the proposed transaction is in your best interest or that you will ultimately succeed in this venture. It is the responsibility of you and your advisors to investigate the business you are buying and to negotiate the price and terms of sale.

Attachments:      Diagram of Documentation for a Franchise Resale  
                         Tri-Party Agreement  
                         Franchise Termination Agreement and Release  
                         [Resale Escrow Letter](#)

## DOCUMENTATION REQUIRED FOR A FRANCHISE RESALE



1. The Tri-Party Agreement, Franchise Termination Agreement and New Franchise Agreement are standard form agreements and are prepared by PDRI.
2. The Purchase and Sale Agreements, and any related instruments such as Promissory Notes, Security Agreements and Employment Contracts, are prepared by Attorneys for Buyer and Seller and must be submitted to PDRI for review.

**TRI-PARTY AGREEMENT**  
**FOR THE TRANSFER OF A PAUL DAVIS RESTORATION FRANCHISE**  
(Sale of \_\_\_\_\_ )

**THIS TRI-PARTY AGREEMENT FOR THE TRANSFER OF A PAUL DAVIS RESTORATION FRANCHISE** (this "Agreement") is made as of \_\_\_\_\_, 20\_\_\_\_, by and among PAUL DAVIS RESTORATION, INC., f/k/a Paul W. Davis Systems, Inc., ("PDRI"); \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, INC. / LLC, d/b/a Paul Davis Restoration of \_\_\_\_\_ (collectively, "Selling Franchisee"); and \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, INC. / LLC, (collectively, "Purchasing Franchisee").

**Background**

Pursuant to a franchise agreement dated \_\_\_\_\_, as amended, (the "Seller's Franchise Agreement") PDRI has granted to Selling Franchisee the right to operate a Paul Davis Restoration franchise (the "Franchise"), in the franchise territory described in the Seller's Franchise Agreement (the "Franchise Rights"). Selling Franchisee has agreed to sell, and Purchasing Franchisee has agreed to buy, the Franchise business, including the Franchise Rights and, pursuant to Seller's Franchise Agreement, Selling Franchisee and Purchasing Franchisee have requested that PDRI consent to the transfer of the Franchise Rights from Selling Franchisee to Purchasing Franchisee. PDRI is willing to grant its consent to such transfer under the terms and conditions set forth herein.

**Terms of Agreement**

**NOW THEREFORE**, for and in consideration of mutual covenants, releases, and other good and valuable consideration the parties agree as follows:

1. The foregoing background is true and correct.
2. Except as set forth herein and in the franchise agreement to be signed by Purchasing Franchisee (the "Purchaser's Franchise Agreement"), PDRI is not a party to the transaction pursuant to which Purchasing Franchisee is acquiring the Franchise business from Selling Franchisee (the "Purchase Transaction"). PURCHASING FRANCHISEE HEREBY ACKNOWLEDGES THAT:
  - a. PURCHASING FRANCHISEE IS PURCHASING THE FRANCHISE FROM SELLING FRANCHISEE, NOT FROM PDRI;
  - b. PURCHASING FRANCHISEE IS RELYING SOLELY ON FACTS AND REPRESENTATIONS PROVIDED BY SELLING FRANCHISEE AND NOT ON REPRESENTATIONS OF PDRI OR ITS AGENTS; and
  - c. PDRI'S APPROVAL OF THIS TRANSFER DOES NOT CONSTITUTE A GUARANTEE OR REPRESENTATION OF SUCCESS BY PDRI.

Purchasing Franchisee represent that they have examined the books and records of Selling Franchisee and otherwise performed all due diligence that they have determined



necessary and appropriate. Purchasing Franchisee acknowledge that any agent or salesperson involved in the Purchase Transaction is an agent of Selling Franchisee and not an agent of PDRI. Purchasing Franchisee shall make no claim against PDRI for any actions or omissions arising out of, or in the course of, the Purchase Transaction or Purchasing Franchisee's relationship with Selling Franchisee. Purchasing Franchisee hereby waives all claims and releases PDRI, its officers, directors, employees and agents, from any claim Purchasing Franchisee may have, including any claim of fraud or misrepresentation, arising out of the Purchase Transaction. Selling Franchisee shall indemnify and hold harmless PDRI, its officers, directors, employees, and agents, from any claim arising out of the Purchase Transaction, including, without limitation, any claim of fraud or misrepresentation made by Selling Franchisee, its officers, directors, or agents, arising out of the Purchase Transaction.

3. Purchasing Franchisee acknowledge that they have received and examined the Purchaser's Franchise Agreement and the Paul Davis Operations Manual (the "Operations Manual"). Purchasing Franchisee agrees to abide by and be bound by the terms and provisions of the Purchaser's Franchise Agreement and the Operations Manual. As soon as practicable following the execution of the Purchaser's Franchise Agreement, Selling Franchisee shall turn over to Purchasing Franchisee the Operations Manual, all designated software, and all other materials provided by PDRI for the operation of the Franchise. Purchasing Franchisee acknowledge that their representative must attend and complete the next available Paul Davis Restoration training program for new franchise owners and that Purchasing Franchisee shall not commence Franchise operations prior to having a representative complete the training program. The transfer of the Franchise shall not be effective and Purchasing Franchisee shall not attend the new owner training program until all transfer fees and training fees have been paid. Purchasing Franchisee shall be responsible for, and shall pay to PDRI, any debts due or to become due to PDRI by Selling Franchisee if not paid by Selling Franchisee.

4. Purchasing Franchisee hereby assumes responsibility for warranty claims filed by customers of Selling Franchisee ("Seller's Warranty Claims") and for jobs begun but not completed by Selling Franchisee prior to the transfer of the Franchise (the "Work in Progress"). Purchasing Franchisee shall supply all labor, materials, and supervision required to complete the Work in Progress and to service Seller's Warranty Claims, if necessary. Purchasing Franchisee and Selling Franchisee shall be jointly and severally liable for Seller's Warranty Claims and the Work in Progress. Purchasing Franchisee and Selling Franchisee, jointly and severally, agree to indemnify and hold PDRI and CSI harmless from and against all claims of any nature arising out of the Work in Progress and Seller's Warranty Claims and any and all costs, fees and expenses incurred by PDRI or CSI in settling, completing, and/or servicing such claims, including but not limited to, attorneys' fees, court costs, and other expenses of investigation or defense.

5. Purchasing Franchisee agrees to indemnify and hold harmless PDRI and CSI from and against any claims, causes of action, suits or settlements arising out of the operation of the Franchise by Purchasing Franchisee (including, without limitation, any claims by customers of Selling Franchisee) and any and all costs, fees and expenses incurred by PDRI or CSI in settling, completing, and/or servicing such claims, including but not limited to, attorneys' fees, court costs, and other expenses of investigation or defense.

6. Purchasing Franchisee agrees to pay for, accept and acknowledge receipt

in writing of a new CSI stock certificate and Selling Franchisee agrees to surrender its CSI stock certificate.

7.a. Pursuant to the terms of the Purchaser's Franchise Agreement, all franchisees are required to maintain a deposit account balance in the Job Completion and Payment Guarantee Fund maintained by CSI (the "CSI Account"). The required amount of the CSI Account balance for each franchisee shall be determined from time to time by the Board of Directors of CSI. Purchasing Franchisee shall, on a month-to-month basis, pay one percent (1%) of its previous month's sales to CSI until Purchasing Franchisee's CSI Account balance equals the required account balance. The assignment of the Selling Franchisee's CSI Balance to the Purchasing Franchisee does not alter the Purchasing Franchisee's obligation to establish a new CSI Account.

7.b. Selling Franchisee's CSI Account balance is \$\_\_\_\_\_ as of \_\_\_\_\_ 20\_\_\_. CSI shall retain Selling Franchisee's CSI Account balance until the second anniversary date of this Agreement and CSI shall pay out Selling Franchisee's CSI Account balance to \_\_\_\_\_, subject to adjustment as provided in paragraphs 7c and 8 below and for any other sums Selling Franchisee may owe PDRI or CSI.

7.c. If there is either a positive or a negative retained earnings, including current profit or loss, shown on the most recent financial statement of CSI prior to the signing of this Agreement, the sum shown as Selling Franchisee's CSI Account balance shall be adjusted as follows:

- (1) For a positive retained earnings balance, the CSI Account balance shall remain unchanged and Selling Franchisee's pro rata share of such positive retained earnings shall be paid by CSI to Selling Franchisee not more than thirty (30) days after notification, by Selling Franchisee, of the sale.
- (2) For a negative retained earning balance, the CSI Account balance shall be reduced by Selling Franchisee's pro rata share of such negative retained earnings and such reduction shall be entered into all books and records maintained by CSI, PDRI, and the Franchisee.
- (3) In the event the franchise closes prior to the Payout Date, then the Payout Date shall be extended until the second anniversary date of the completion of the last open job and any warranty claims arising from Purchasing Franchisee's operation of the franchise shall be satisfied first from the Purchasing Franchisee's CSI Account and then from the Selling Franchisee's CSI Account.

7.d. In the event Selling Franchisee is selling only a portion of the franchise territory rather than the entire franchise, then section 7b. and 7c. shall not apply.

8. In the event PDRI or CSI incurs any cost or expense due to the Work in Progress, Seller's Warranty Claims or under any CSI Completion Guarantee Certificate, the funds for the full repayment of such cost or expense shall come from the following

sources in PDRI's or CSI's sole discretion:

- a. Purchasing Franchisee using sums due Selling Franchisee under any right of set-off until such right is exhausted;
- b. Selling Franchisee's CSI Account balance;
- c. Selling Franchisee; and
- d. Purchasing Franchisee.

9. Notwithstanding anything to the contrary set forth in this Agreement or any other agreement to which Selling Franchisee, Purchasing Franchisee, or PDRI may be a party, Selling Franchisee and Purchasing Franchisee agree that any security interest or lien of Selling Franchisee or Purchasing Franchisee in and to the Franchise, or any goods, general intangibles (including the Purchaser's Franchise Agreement and the Franchise Rights), accounts or proceeds thereof relating to the Franchise (collectively, the "Franchise Property") shall be inferior and subordinate to all claims, liens, security interests, encumbrances or other rights or interests, including the right of offset (collectively, "Claims") that:

- a. CSI may now or hereafter have which arise out of or in connection with the payment or performance by CSI in respect of any guaranty certificate issued by CSI on behalf of Selling Franchisee or Purchasing Franchisee; or
- b. PDRI may now or hereafter have for franchise fees or other amounts due and owing to PDRI by Selling Franchisee or Purchasing Franchisee.

In the event that CSI or PDRI shall have a Claim against Selling Franchisee, Selling Franchisee and Purchasing Franchisee hereby agree that (notwithstanding whether or not there exists a right of off-set between Selling Franchisee and Purchasing Franchisee) upon written notification by CSI or PDRI, Purchasing Franchisee shall make all payments owed by Purchasing Franchisee to Selling Franchisee, to CSI or PDRI as appropriate.

10. In the event that Selling Franchisee exercise their rights and remedies in respect to any security interest or lien that they have in and to the Franchise or the Franchise Property, the exercise of which results in the transfer of the Franchise to Selling Franchisee, or to any other party approved by PDRI, then in connection with such transfer:

- a. Selling Franchisee must cure any default under the Purchaser's Franchise Agreement and must pay to CSI and PDRI the amount of any Claims.
- b. Selling Franchisee agrees to be bound by the Operations Manual, the Purchaser's Franchise Agreement, and all other documents or agreements between Purchasing Franchisee and PDRI, CSI, or any other person.

11. Selling Franchisee and Purchasing Franchisee agree that nothing contained in this Agreement, or any other agreement to which Selling Franchisee, Purchasing Franchisee or PDRI may be a party, shall in any manner, limit, restrict or impair PDRI's right to terminate the Purchaser's Franchise Agreement for cause in

accordance with the terms and conditions of the Purchaser's Franchise Agreement and upon such termination of Purchaser's Franchise Agreement all rights, remedies, and interests of Selling Franchisee and Purchasing Franchisee in and to the Franchise Rights shall also terminate.

12. Any controversy or claim arising out of or relating to this Agreement or the Purchase Transaction, if involving PDRI, shall be settled by arbitration in accordance with the arbitration procedures set forth in the Operations Manual.

13. PDRI hereby consents to the transfer of the Franchise Rights from Selling Franchisee to Purchasing Franchisee, provided, however that such consent is expressly conditioned upon the satisfaction of each of the following conditions: (i) the execution of this Agreement, the Purchaser's Franchise Agreement, and the Voluntary Termination Agreement And Release terminating the Seller's Franchise Agreement; (ii) satisfactory completion of the new owner training program by the Purchasing Franchisee's designated representatives; and (iii) payment of all sums due PDRI and CSI. The transfer shall be effective on \_\_\_\_\_ (the "Transfer Date") or on such later date that all the conditions are satisfied, provided however, that if all conditions have not been satisfied within sixty (60) days of the date of the Agreement, then this consent to transfer shall be rescinded.

14. The following general provisions shall govern this Agreement:

a. This Agreement and the agreements referenced herein constitute the entire agreement between the parties. The parties to this Agreement understand and agree that no representations, warranties, agreement or covenants have been made with respect to this Agreement other than those expressly set forth herein and that in executing this Agreement, the parties are not relying upon any representation, warranty, agreement or covenant of PDRI or CSI not set forth herein.

b. Any notice required to be provided to the parties shall be sufficient if in writing and delivered by hand delivery, U.S. Mail, telefax, overnight or courier service addressed as follows, or to the last known business address:

PDRI:	Paul Davis Restoration, Inc. Attention: General Counsel 7251 Salisbury Road, Suite 6 Jacksonville, FL 32256
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Selling Franchisee:

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Purchasing Franchisee:

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- c. This Agreement may be amended only by written consent of the parties.
- d. The parties acknowledge and agree that each is an independent contractor of the other and not an employee or employer one of the other.
- e. This Agreement may be executed in multiple counterparts and all such counterparts shall be considered originals.
- f. This Agreement shall be governed and construed in accordance with the laws of the State of Florida, excluding its conflict of laws principals. Venue shall lie in Duval County, Florida.
- g. This Agreement may only be assigned by Purchasing Franchisee or Selling Franchisee upon written agreement of PDRI.
- h. In the event of a conflict between any provisions of this Agreement and the agreements establishing the Franchise, then the provisions of the agreements establishing the Franchise shall govern.
- i. Each individual signing this Agreement hereby represents and warrants that such individual has all necessary power and authority, and has obtained all necessary consents and authorizations, to execute this Agreement as a legally binding instrument.
- j. Prior to January 1, 2000, PDRI and its franchisees operated under the tradename of "Paul Davis Systems." "Paul Davis Restoration" was adopted as a new tradename on January 1, 2000, and therefore, all references to the term "Paul Davis Restoration" shall include "Paul Davis Systems."
- k. Neither PDRI's consent to the transfer of the Franchise Rights from Selling Franchisee to Purchasing Franchisee nor the terms of any agreement entered into by Selling Franchisee and Purchasing Franchisee to which PDRI is not a party shall in any manner limit, waive or alter any of PDRI's rights or obligations.
- l. Delay or failure by a party to enforce any term or condition of this Agreement shall not be deemed a waiver of enforcement or further enforcement of that or any other term or condition. The consent or approval by a party to or of any act by the other party of a nature requiring consent or approval shall not be deemed to waive or render unnecessary consent to or approval of any subsequent similar act. All rights and remedies conferred under this Agreement or by any other instrument or law shall be cumulative and may be exercised singularly or concurrently.
- m. Each and every clause of this Agreement shall be severable from each other. In the event that any particular clause herein shall be held invalid and null and void in any judicial proceeding, such finding shall have no effect on the remaining clauses.
- n. The transfer of the Franchise Rights and the execution of the Purchaser's Franchise Agreement shall not constitute a novation as between PDRI and the

Selling Franchisee.

o. This Agreement may be executed in multiple counterparts.

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

**PDRI:**

Paul Davis Restoration, Inc.

Date signed

By: \_\_\_\_\_

Print name: \_\_\_\_\_

**SELLING FRANCHISEE:**

\_\_\_\_\_  
Date signed

\_\_\_\_\_  
Print name: \_\_\_\_\_

\_\_\_\_\_  
(company)

Date signed

By: \_\_\_\_\_

Print name: \_\_\_\_\_

Its: \_\_\_\_\_

**PURCHASING FRANCHISEE:**

\_\_\_\_\_  
Date signed

\_\_\_\_\_  
Print name: \_\_\_\_\_

\_\_\_\_\_  
(company)

Date signed

By: \_\_\_\_\_

Print name: \_\_\_\_\_

Its: \_\_\_\_\_

**ACKNOWLEDGED:**

**COMPLETION SERVICES, INC.**

Date signed

By: \_\_\_\_\_

Its: \_\_\_\_\_

## **VOLUNTARY TERMINATION AGREEMENT AND RELEASE**

**THIS VOLUNTARY TERMINATION AGREEMENT AND RELEASE** (this "Agreement") is made by and between PAUL DAVIS RESTORATION, INC., \_\_\_\_\_ ("PDRI");

\_\_\_\_\_ ("Principal Owner"); and \_\_\_\_\_, d/b/a Paul Davis Restoration of \_\_\_\_\_ ("Franchisee").

**FOR AND IN CONSIDERATION** of the mutual covenants contained herein and other valuable consideration, the receipt and sufficiency of which are acknowledged by all parties, PDRI, Principal Owner, and Franchisee agree as follows:

1. The Franchise Agreement dated \_\_\_\_\_, as amended ("Franchise Agreement") is hereby terminated effective as of the Transfer Date (as defined in the Tri-Party Agreement For The Transfer of a Paul Davis Restoration Franchise executed in connection with this Agreement) or on such later date that all the Conditions Precedent to Transfer (as defined in the Tri-Party Agreement) are satisfied, provided, however, that any sums due and owing from Franchisee and/or Principal Owner to PDRI are not released under this Agreement.

2. Those provisions of the Franchise Agreement that govern the relationship of the parties after termination, including but not limited to restrictions against the improper use of PDRI's trade secrets, the covenant against competition, and the hold harmless provision, shall survive according to their terms.

3. After the Transfer Date, Principal Owners' telephone number and address will be:

Telephone: \_\_\_\_\_

E-Mail: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Franchisee and Principal Owner, for themselves and their heirs, successors and assigns, hereby release and forever discharge PDRI, its officers, directors, employees, agents, successors and assigns, from all causes of action, debts, covenants, contracts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, which Franchisee or Principal Owner ever had or may have against it or any of them, arising out of or in any manner related to the Franchise Agreement, or to any other instrument, course of dealing, or relationship between the parties arising out of or in any manner related to the Franchise Agreement or to the granting or operation of any Paul Davis Restoration franchise.

**SIGNATURE PAGE FOLLOWS**

**IN WITNESS WHEREOF**, the parties have executed or caused this instrument to be executed by their duly authorized representatives.

**PDRI:**

PAUL DAVIS RESTORATION, INC.

Date: \_\_\_\_\_ By: \_\_\_\_\_  
~~Its: CEO~~  
Its (Title):

**FRANCHISEE:**

\_\_\_\_\_  
Date: \_\_\_\_\_ By: \_\_\_\_\_  
Print name: \_\_\_\_\_  
Its: \_\_\_\_\_  
\_\_\_\_\_

**PRINCIPAL OWNER:**

Date \_\_\_\_\_ \_\_\_\_\_



[DATE]

**Seller:**

[Name]

[Corporate Entity]

[Address]

**Purchaser:**

[Name]

[Corporate Entity]

[Address]

Re: Sellers's Escrow Contingency Agreement for the sale of Paul Davis Restoration of [ ] d/b/a [ ] ("Franchise Code") herein ("Agreement")

Dear All:

We acknowledge your intention to enter into a resale transaction, whereby (hereinafter, collectively referred to as the "Seller") would sell their Paul Davis Franchise known as *Paul Davis Restoration of* to , which is owned by (hereinafter, referred to as the "Buyer"), such transaction hereinafter referred to as the "Sale". This Agreement will summarize the key issues and expectations of Paul Davis Restoration, Inc. ("Franchisor") prior to providing its consent to the Sale pursuant to Article 20 of the Franchise Agreement. Prior to any consent to the Sale transaction, the Seller is required to escrow certain royalty, software, and other fees associated with the operation of the franchise prior to the Sale ("Pre-close Operational Fees"). Seller will be required to pay to the Franchisor, as a deposit towards the Pre-close Operational Fees, as per the following terms and conditions:

**1. Seller's Escrow Amount**

Prior to the closing of the resale transaction, the Seller shall make a payment to the Franchisor in the amount of \$ ( "Escrow Amount"). This payment will be held in escrow for the settlement of Seller's Pre-close Operational Fees and post-close estimated billings. The Franchisor will retain this Escrow Amount for a period of 90 days following the later of completion of all Seller's WIP or the termination of all licenses. After applying the Escrow Amount towards any outstanding amounts owed by the Seller to the Franchisor, any surplus funds will be returned to the Seller. The total amount includes the following:

- a. The estimated royalty and fees for three months, which are calculated based on the average royalty fees for the last six months.
- b. Cost of licensing and use of PD systems.
- c. CSI and Marketing Fund fees.
- d. Other fees estimated to be owed to the Franchisor.

**2. Program Payments**

Effective as of the date of this letter, all program payments intended for the Seller shall also be escrowed and become part of the Escrow Amount. This escrow is necessary to ensure the payment of all fees to the Franchisor and will be refunded as noted in Section 1 above.

### **3. Payment Acknowledgment**

The Seller acknowledges and agrees to make a payment to the Franchisor for any outstanding fees not covered by the Escrow Amount withheld by the Franchisor. Nothing herein shall reduce or waive the Seller's obligations as set forth in the Franchise Agreement between the Franchisor and the Seller.

### **4. Dispute Avoidance**

Both the Seller and Buyer hereby acknowledge and agree that this arrangement is designed to preclude any future disputes, claims, or legal expenses related to the payment of royalty fees and other associated fees.

This Agreement is supplemental to and incorporated by reference into the Franchise Agreement. This Agreement does not modify, amend, or supersede any provisions of the Franchise Agreement between the Seller and the Franchisor, and is subject to all of the terms and conditions thereof. Nothing contained herein shall affect, waive, or reduce the Franchisor's rights under the Franchise Agreement or otherwise.

By signing below, each individual hereby represents and warrants that they have the full legal right, power, and authority to enter into this Agreement on behalf of the entity for which they are signing. Each individual further agrees to bind themselves and the entity they represent to the terms and conditions of this Agreement.

Sincerely,

[Name]

[Title]

Paul Davis Restoration, Inc.

**Acknowledged and Agreed:**

**SELLERS:**

**PURCHASER:**

\_\_\_\_\_  
[Name]

Date:

\_\_\_\_\_  
[Name]

Date:

\_\_\_\_\_  
[Name]

Date:

### State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registrations: 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
Florida	Effective
Hawaii	<del>April 26, 2024</del> <a href="#">Pending</a>
Illinois	Exempt
Indiana	<del>Exempt</del> <a href="#">Pending</a>
Kentucky (one-time exemption)	Exempt
Maryland	<del>April 4, 2024</del> <a href="#">Pending</a>
Michigan	Effective
Minnesota	<del>May 14, 2024</del> <a href="#">Pending</a>
Nebraska (one-time exemption)	Exempt
New York	Exempt
North Dakota	<del>April 2, 2024</del> <a href="#">Pending</a>
Rhode Island	<del>March 29, 2024</del> <a href="#">Pending</a>
South Dakota	<del>March 29, 2024</del> <a href="#">Pending</a>
Texas (one-time exemption)	Exempt
Utah	Exempt
Virginia	<del>March 29, 2024</del> <a href="#">Pending</a>
Washington	<del>April 26, 2024</del> <a href="#">Pending</a>
Wisconsin	March 27, <del>2024</del> <a href="#">2025</a>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**RECEIPT****STATE:**

This disclosure document summarizes certain provisions of the franchise agreement and other information

If Paul Davis Restoration, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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 the payment of any consideration, whichever occurs first.

If Paul Davis Restoration, Inc. 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed in Exhibit D.

Issuance date: March ~~22~~25, ~~2024~~2025

The names, principal business addresses, and telephone numbers of each franchise seller for this franchise offering are as follows:

---

PDRI authorizes the agent listed in Exhibit E to receive service of process for PDRI in your state.

I received a Franchise Disclosure Document that included the following exhibits:

EXHIBIT A	FRANCHISEE LIST
EXHIBIT B-1	FINANCIAL STATEMENTS
EXHIBIT B-2	GUARANTEE OF PERFORMANCE
EXHIBIT C	FRANCHISE AGREEMENT
EXHIBIT D	COMMERCIAL PROGRAM AGREEMENT
EXHIBIT E	SCHEDULE OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
EXHIBIT F	STATE ADDENDA
EXHIBIT G	PROMISSORY NOTE
EXHIBIT H	PAUL DAVIS OPERATIONS MANUAL
EXHIBIT I	FRANCHISE RESALE PROCEDURES AND AGREEMENTS

Date Received \_\_\_\_\_

~~Signature of Prospective Franchisee~~

**(FRANCHISEE'S COPY)**

~~Printed Name of Prospective Franchisee~~

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Date Received

Signature of Prospective Franchisee

**(PDRI's COPY)**

Printed Name of Prospective Franchisee

\_\_\_\_\_

\_\_\_\_\_