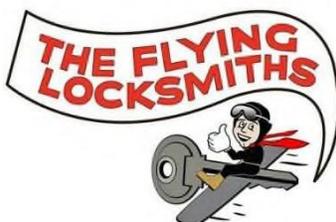


## FRANCHISE DISCLOSURE DOCUMENT

TFL Franchise Systems, LLC  
a Massachusetts Limited Liability Company  
859 Willard Street, Suite 100  
Quincy, Massachusetts 02169

<http://flyinglocksmiths.com> (781) 963-5080 [franchise@flyinglocksmiths.com](mailto:franchise@flyinglocksmiths.com)



As a The Flying Locksmiths franchisee, you will operate a franchised business that provides locksmith and security services and products, including doors, video cameras, and access control, for commercial and residential customers under the name of The Flying Locksmiths.

The total investment necessary to begin operation of a The Flying Locksmiths franchise is ~~\$150,514,201~~ -~~\$395,514,400,055~~. This includes ~~\$836,000~~ to ~~\$308,12,000~~ that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Brett M. McMenimon at 859 Willard Street, Suite 100, Quincy, Massachusetts 02169. Telephone: (781) 963-5080.

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.

**Issuance Date:** April 19, 2024, as amended September 9, 2024.

## How to Use This Franchise Disclosure Document

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

| QUESTION   | WHERE TO FIND INFORMATION  |
|--|--|
| <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 Exhibits H and I. |
| <b>How much will I need to invest?</b>   | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.   |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit G 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 Flying Locksmith business in the area?</b>               | Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.  |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.   |
| <b>What’s it like to be a Flying Locksmith franchisee?</b>                               | Item 20 or Exhibits H and I list 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 the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit B.

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in Massachusetts. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Massachusetts than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

## **MICHIGAN ADDENDUM TO THE DISCLOSURE DOCUMENT**

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:**

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

pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligation 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 directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

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

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### EXHIBITS

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| Exhibit A | State Addenda to the Disclosure Document                     |
| Exhibit B | State Administrators and Agents for Service of Process       |
| Exhibit C | Franchise Agreement  |
|           | Attachment 1: Franchised Business – Particulars              |
|           | Attachment 2: Marks  |
|           | Attachment 3: Principal Owners Statement                     |
|           | Attachment 4: Automatic Bank Draft Authorization             |
|           | Attachment 5: Personal Guaranty                              |
|           | Attachment 6: Master Equity Sublease Agreement               |
|           | Attachment 7: Franchisee Disclosure Acknowledgment Statement |
|           | Attachment 8: State Addenda to the Franchise Agreement       |
| Exhibit D | Employee Confidentiality Agreement                           |
| Exhibit E | General Release and Waiver of Claims                         |
| Exhibit F | Table of Contents of Franchise Operations Manual             |
| Exhibit G | Financial Statements   |
| Exhibit H | List of Franchisees  |
| Exhibit I | Former Franchisees   |
| Exhibit J | Area Representative Disclosures                              |
| Exhibit K | State Effective Dates  |
| Exhibit L | Receipt  |

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

To simplify the language in this disclosure document, “we,” “us,” “TFL” and “The Flying Locksmiths” mean TFL Franchise Systems LLC, the franchisor. “You” means the person or legal entity who buys the franchise from us. If you are a corporation, partnership, limited liability company, or other entity, “you” includes your owners and guarantors.

**The Franchisor**

TFL Franchise Systems, LLC is a Massachusetts limited liability company formed on January 1, 2015. Our principal business address is 859 Willard Street, Suite 100, Quincy, Massachusetts 02169.

**Parents and Predecessors**

We have no parents or predecessors.

**Affiliated Companies**

We have an affiliate, The Flying Locksmiths, Inc., a Massachusetts corporation which has operated since 1984 one The Flying Locksmiths location which sells substantially the same products and services that you would sell as a franchisee. Its principal place of business is 859 Willard Street, Suite 100, Quincy, Massachusetts 02169.

**Business Name**

We do business under the name The Flying Locksmiths.

**Registered Agents**

Exhibit B contains the names and addresses of our agents for service of process.

**The Franchised Business**

We offer franchises for the operation of a business that provides locksmith and security services and products, including doors, video cameras, and access control, for commercial and residential customers under the name of The Flying Locksmiths (the “Franchised Business”). Your Franchised Business will consist of a fixed office location and two or more service ~~vans~~vehicles.

We have created a comprehensive program for the operation of these locations (the “Program”) which utilizes our confidential and proprietary methods, technology, equipment, operating procedures, business techniques, and manuals in connection with each franchised business (the “Confidential and Proprietary Material”) as well as the use of our trademarks, service marks, trade names, logos, brands, copyrights and other intellectual property used in connection with your Franchised Business (“the Intellectual Property”). In order to become a The Flying Locksmiths franchisee, you must sign a franchise agreement (“Franchise Agreement”) and operate your Franchised Business in accordance with our system standards and specifications.

## **Market, Industry Specific Regulations, and Competition**

The Market: The locksmith and related security products industry is established and will be competitive in terms of pricing, service, location, and product quality. You will primarily seek to serve commercial clients but may also serve residential clients. Sales are year- round.

Industry Specific Regulations: Some states have enacted laws related to the regulation of locksmiths, including the requirement to register with a state agency or obtain a license to operate. These states include California, Illinois, Louisiana, Nevada, New Jersey, Tennessee, North Carolina, Maryland and Texas. The city of New York also has specific requirements and there may be other city or states with similar or pending requirements. You must investigate and comply with all of these applicable laws and regulations, as we have not investigated the laws or regulations to determine whether they are applicable to the operation of your Franchised Business. There are numerous laws, regulations, and permitting requirements that apply to the operation of a retail business. You alone are responsible for complying with all applicable laws and regulations.

The Competition: You should expect to compete with other locksmiths, security services, and door companies, which could be local, regional or national, both independent or as part of a chain or franchise.

## **Prior Business Experience**

We have offered franchises since March 2015. We have not conducted any business other than offering this franchise and Area Representative franchises and do not offer franchises in any other line of business. As of December 31, 2023, we have six Area Representatives.

From 2015 to 2016 we offered, pursuant to a separate Franchise Disclosure Document, Area Representative franchises. Area Representatives offer and sell franchises on our behalf in designated geographic areas and offer non-technical (non-locksmith) support to franchisees in their area. We make disclosures related to Items 2, 3, 4, and 11 concerning Area Representatives in Exhibit J to this disclosure document.

Our affiliate, The Flying Locksmiths, Inc., does not provide franchise-related services or assistance to you, nor does it offer franchises in any line of business.

[remainder of page left blank intentionally]

## ITEM 2 BUSINESS EXPERIENCE

### Barry L. McMenimon, CEO

Barry McMenimon has served as our CEO since January 2015. Barry also served as the Vice President of Sales for The Flying Locksmiths, Inc. since January 1994.

### Brett McMenimon: Chief Operations Officer

Brett McMenimon has served as our Vice President of Operations & Marketing since January 2015. Brett has also served as a Manager for The Flying Locksmiths, Inc. since July 2005.

### Barry P. McMenimon: ~~Director of~~Chief Business Development Officer

Barry McMenimon has served as our ~~Director of Franchise~~Chief Business Development Officer since January 2015. Since February 2010 Barry has served as the Director of Business Development at The Flying Locksmiths, Inc.

### Dennis Mulgannon: Franchise Development Consultant

Mr. Mulgannon has served as a Franchise Development Consultant for us since January 2015. Mr. Mulgannon has also served as the Director of Franchising for GTN Capital since February 2017.

### Geoff Batchelder: Franchise Development Consultant

Mr. Batchelder has served as a Franchise Development Consultant for us since January 2015. Since May 2010 Mr. Batchelder has owned Compass Franchise Group in Livermore, CA.

### Edward S. Buiser: Chief Financial Officer

Mr. Buiser has served as our Chief Financial Officer since November 2019. Mr. Buiser was a Principal with O'Connor & Drew in Braintree, Massachusetts from January 2014 to November 2019.

### Steven Quinn: Vice President of Sales and Compliance

Mr. Quinn has served as our Vice President of Sales and Compliance since May 2022. From July\_2015 to May 2022 Mr. Quinn was our sales and marketing director.

### Richard Bohdel – Vice President of Brand Strategy and Growth

Mr. Bohdel has served as our Vice President of Brand Strategy and Growth since December 2023. Mr. Bohdel served as President of DUCTZ International, as subsidiary of the BELFOR Franchise Group located in Ann Arbor, Michigan from February 2014 to June 2022.

### ITEM 3 LITIGATION

Black 13 Enterprise, Inc. v. TFL Franchise Systems, Inc. (United States District Court for the District of Massachusetts, Case 1:21-cv-10877). On May 26, 2021, Black 13 Enterprise, Inc. ("Black 13"), a former franchisee in Texas, filed a complaint alleging that TFL Franchise Systems, Inc. ("TFL") fraudulently misrepresented that TFL would provide Black 13 with (i) regulatory supervision required by Texas law, (ii) management of national projects, and (iii) payment to Black 13 for work done in its territory and that TFL failed to disclose material facts to Black 13; and (iv) fraudulent nondisclosure of material facts as to the difficulty in getting licensed in Texas and TFL's inability to provide the required licensed and approved supervisor required by Texas law as promised to Black 13. Black 13 also alleges that TFL allowed other franchisees to encroach upon Black 13's territory and enabled another franchisee to defraud Black 13. Black 13 seeks rescission of the Franchise Agreement and a refund of franchise fees and damages for costs incurred including equipment, inventory, trucks, leases and loan defaults. Black 13 also seeks punitive damages. On August 9, 2021 TFL filed a motion to dismiss, which was denied on September 14, 2023. Discovery is scheduled for spring 2024.

Except as described above, no litigation is required to be disclosed in this item.

### ITEM 4 BANKRUPTCY

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

### ITEM 5 INITIAL FEES

The initial franchise fee for a single-unit franchised business is \$75,000 for a territory up to a population count of 500,000. For territories with a population greater than 500,000, the initial franchise fee is \$.15 per person in the territory. The minimum territory size is approximately 200,000 people, which would equal a \$75,000 franchise fee, and the maximum territory size is approximately 2,000,000 people, which would equal a \$300,000 franchise fee. We grant minimum territory only in a metro area where there is not at least 500,000 people. We use the most recently published data from the U.S. Census Bureau or another source we deem reliable to determine population.

We offer a 5% discount on the initial franchise fee for an honorably discharged U.S. veteran.

Currently, we offer a 10% discount on the initial franchise fee for the following markets: Cleveland, Ohio; Charleston, So. Carolina; Birmingham, Alabama; Baltimore, Maryland; and Long Island, New York.

You are required to pay us \$~~85~~,000 to cover a six month Marketing Jump Start Program which includes certain digital marketing services to assist in increasing the online awareness of

your new franchised business.

We pay a referral fee to any current franchisee for each candidate referred to us who meets our qualifications and signs a Franchise Agreement. Currently, the referral fee is \$10,000. We reserve the right to change, modify or discontinue any of these discount and referral programs at any time.

The initial fees are payable to us in a lump sum when you sign the Franchise Agreement and are not refundable under any circumstances.

**ITEM 6  
OTHER  
FEES**

| <b>Type of Fee<br/>(Note 1)</b> | <b>Amount</b>  | <b>Due Date</b>  | <b>Remarks</b>  |
|---------------------------------|--|--|---|
| Royalty<br>(Notes 2 and 3)      | 8% of Gross Revenue  | Due between the 8 <sup>th</sup> and 10 <sup>th</sup> of the month of billing. Billed on Gross Revenue two months after the month in which the sale of products or services took place. | Royalty based on Gross Revenue from, at or through operation of the franchised location. Interest is charged on late payments. Paid by electronic transfer. |
| Monthly Minimum Royalty         | \$2,250 to \$4,500 based on Monthly Minimum Gross Revenue performance defined in Note 2 below. | Due on the first Friday of the following month.  | Annual minimum is only waived for the first year after signing the Franchise Agreement and will apply to renewal franchise agreements.                      |
| Monthly Reporting Late Fee      | \$500 per report   | Upon demand  | Payable upon a failure to submit monthly reports by the 15 <sup>th</sup> of each month.   |
| Payment Late Fee                | \$500 administrative fee and 10% interest applies  | At time of default in timely payment   | Payable upon a failure to pay a Royalty or <del>Customer Care</del> <u>CenterClient Services</u> Fund payment on time.                                      |

|   |   |  |  |
|---|---|--|--|
| <del>Customer Care Center</del> Client Services Fund (Note 3) | 4% of Gross Revenue <u>for job amounts under \$50,000;</u><br>3% of Gross Revenue <u>for job amounts between \$50,000 - \$150,000;</u><br>2% for job amounts <u>over \$150,000.</u> | Due between the 8 <sup>th</sup> and 10 <sup>th</sup> of the month of billing. Billed on Gross Revenue two months after the month in which the sale of the products or services took place. | <u>To qualify for the reduction in Client Services Fund royalty you must comply with the criteria detailed in the Operations Manual.</u><br>This money is used to pay the expenses of <del>the Customer Care Center</del> Client Services. Paid by electronic transfer.      |
| Customer Management Software Fees                             | \$60 per user per month for Scheduling Software and you will need at least 3 licenses   | Monthly  | User licenses are \$60/each per month and you will need at least 3 licenses. You pay this fee to us for the customer management software that we have developed.   |
| GPS Tracking Fee  | \$30 per month per <del>van</del> <u>vehicle</u>  | Monthly  | You must pay this fee to a vendor we designate, presently Verizon Connect, and we reserve the right to vary the fee and payee.   |
| Bookkeeping Software  | \$40 per month per user   | Monthly  | You agree to pay to QuickBooks Online. We reserve the right to vary the vendor designations and fee amounts.   |
| SalesForce Software   | \$125 per month per user  | Monthly  |  |
| National Account Fees   | Varies, typically 1-20% of the invoice amount, billed to the customer   | At time of invoicing   | If you opt to participate, when we handle billing or invoicing on national account clients, we mark up the franchisee's invoice by this amount. The invoiced amount is paid by the customer. If you violate our National Account program, we can levy a penalty up to 20% of |

|   |   |  |   |
|---|---|--|---|
|   |   |  | your share of the fee for each such occurrence.   |
| Third party charges                                   | Varies based on the amount of the charge  | At time the charge is incurred                                     | If we pay monies to a third party on your behalf, you agree to reimburse these costs to us plus a reasonable fee for our administrative costs.  |
| Territory Infringement Fee                            | 1 <sup>st</sup> violation:<br>\$500 plus invoice amount<br><br>2 <sup>nd</sup> violation:<br>\$1,000 plus invoice amount<br><br>3 <sup>rd</sup> violation:<br>\$5,000 plus invoice amount | At time of infringement  | If you perform work in another franchisee's territory without their permission or ours, you agree to pay this fee to us. We may terminate your Franchise Agreement if you continue to infringe. |
| National Advertising and Marketing (Note 3)           | We reserve the right to require up to 1% of the Gross Revenue be paid to us to set up a National Advertising Fund.  | Due between the 8 <sup>th</sup> and 10 <sup>th</sup> of the month. | No fee charged initially, but we may institute fee with 90 days written notice. Paid by electronic transfer.  |
| Website SEO, Social Media Marketing, Email campaigns. | \$200 per month   | Monthly  | After the conclusion of the Marketing Jump Start Program, you must pay this sum to us each month to promote of your business.   |
| Audit Expenses  | Actual Cost of Audit  | Upon finding a discrepancy of more than 3%                         | We have the right to audit your books to determine if you are paying us the correct amounts.  |
| Retraining and Subsequent Training (Note 4)           | \$300 per person per day for additional training or retraining  | Within 30 days of billing by us                                    |   |

|                              |  |  |   |
|------------------------------|--|--|---|
| Renewal Fee                  | \$5,000  | Within 30 days before expiration of current term | This fee is intended to defray legal and administrative costs incurred by us when you renew your franchise agreement.   |
| Transfer                     | \$5,000 plus the greater of 10% of the selling price of 10% if a broker network is used. | \$2,500 upon announcing your                     | No charge if transferred to an entity you control.  |
| Interest on Overdue Payments | 10% per annum  | On date of payment of overdue amount             |   |
| Indemnification              | Will vary under circumstances  | Upon request                                     | You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business.                              |
| Costs and Attorney Fees      | Will vary under circumstances  | Upon request                                     | If you default under the Franchise Agreement, or we are the prevailing party in a suit with you, or you sue an Area Representative, you must pay our costs and attorney fees. |

(1) Unless otherwise specified, all fees are uniformly imposed by, payable to, or collected by us, and are nonrefundable. Maximum interest permitted in California is 10% annually.

(2) **“Gross Revenue”** means the aggregate sales price of all products and services sold by the Franchisee or any of its Affiliates, in connection with or arising out of the operation of the Franchised Business. It also includes the retail value of all products and services donated or bartered by the Franchisee or any of its Affiliates, in connection with or arising out of the operation of the Franchised Business. Excluding from these amounts are (1) the amount of any refund or credit given in respect of any services provided to a customer of the Franchised Business for which a refund of the whole or part of the purchase price is made or for which a credit is given in the ordinary course of business, and (2) any amounts collected by Franchisee for any governmental authority and paid out by Franchisee to that governmental authority on account of sales taxes or other taxes imposed upon the sale of goods or services by Franchisee in respect of the Franchised Business and which Franchisee is not entitled to subsequently recover.

Starting the 13<sup>th</sup> month in operation of the Franchised Business, if you do not achieve the required Monthly Minimum Gross Revenue detail below, we may collect a minimum Royalty equal to what you would have been assessed had you achieved the Monthly Minimum Gross Revenue.

| Months in Operation | Monthly Minimum Gross | Minimum Monthly Royalty |
|---------------------|-----------------------|-------------------------|
|---------------------|-----------------------|-------------------------|

|               | Revenue Performance | Due        |
|---------------|---------------------|------------|
| 0 – 12        | No Minimum          | No Minimum |
| 13 – 24       | \$18,750            | \$2,250    |
| 25 – 36       | \$25,000            | \$3,000    |
| 37 and Beyond | \$37,500            | \$4,500    |

(3) We require you to execute an Automatic Bank Draft Authorization and pay most fees to us via ACH electronic funds transfer. See Attachment 4 to the Franchise Agreement.

(4) We reserve the right to require new employees of Franchisee to complete a reasonable amount of training based on their duties and responsibilities with the Franchisee. We also reserve the right to require the Franchisee (and key employees of Franchisee) to complete additional training should we determine that such training is reasonably required due to performance deficiencies. Retraining and subsequent training fees are subject to change with prior notice.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

| Type of Expenditure                             | Estimated Amount      |                       | Method of Payment* | When Due                          | To Whom Payment is to be Made  |
|---|-----------------------|-----------------------|--------------------|-----------------------------------|--|
|   | Low                   | High                  |                    |                                   |  |
| Initial Franchise Fee (Note 1)                  | \$75,000              | \$300,000             | Lump sum           | At signing of Franchise Agreement | Us   |
| Training and Training-Related Expenses (Note 2) | \$6,000               | \$7,500               | During training    | Before opening                    | 3 <sup>rd</sup> party Franchisee Trainer; 3 <sup>rd</sup> party hotel, restaurant and transportation vendors |
| Vehicle Expense-<br><del>1 Van</del> (Note 3)   | <del>\$710,800</del>  | <del>\$815,500</del>  | As arranged        | Before opening                    | 3 <sup>rd</sup> party vendors  |
| Hand Tools                                      | <del>\$9291,416</del> | <del>\$9291,600</del> | As incurred        | Before Opening                    | 3 <sup>rd</sup> party vendors  |

| Type of Expenditure                      | Estimated Amount          |                                | Method of Payment* | When Due                          | To Whom Payment is to be Made   |
|--|---------------------------|--------------------------------|--------------------|-----------------------------------|---------------------------------|
| Machinery                                | \$4,056                   | \$4, <del>05</del> 600         | As incurred        | Before Opening                    | 3 <sup>rd</sup> party vendors   |
| Office Lease (Note 4)                    | \$400                     | \$600                          | As arranged        | Before Opening                    | 3 <sup>rd</sup> party vendors   |
| Initial <del>Van</del> Vehicle Inventory | \$4,000                   | \$4, <del>05</del> 00          | As incurred        | Before Opening                    | 3 <sup>rd</sup> party vendors   |
| Communication Equipment                  | \$100                     | \$200                          | As incurred        | Before Opening                    | 3 <sup>rd</sup> party vendors   |
| Insurance (Note 5)                       | \$400                     | \$500                          | As arranged        | Before opening                    | 3 <sup>rd</sup> party vendors   |
| Uniforms (Note 6)                        | \$400                     | \$500                          | As incurred        | Before opening                    | 3 <sup>rd</sup> party vendors   |
| Legal Fees (Note 7)                      | \$2,000                   | \$4,000                        | As incurred        | As incurred                       | Attorney                        |
| Business License(s) (Note 8)             | \$100                     | \$400                          | Lump sum           | Before opening                    | Government Agencies             |
| Initial Inventory                        | \$4,574                   | \$4, <del>574</del> 5,000<br>0 | Lump sum           | Before opening                    | 3 <sup>rd</sup> party vendors   |
| Marketing Jump-Start Program (Note 9)    | \$ <del>85</del> ,000     | \$8, <del>50</del> 000         | Lump Sum           | At signing of Franchise Agreement | Us                              |
| Career Plug Software (Note 10)           | \$795                     | \$795                          | As incurred        | As incurred                       | 3 <sup>rd</sup> party vendors   |
| Seamless Ai Software (Note 11)           | \$960                     | \$960                          | As incurred        | As incurred                       | 3 <sup>rd</sup> party vendors   |
| Additional Funds – 3 Months (Note 12)    | \$35,000                  | \$50,000                       | As incurred        | As incurred                       | Employees, suppliers, utilities |
| TOTAL                                    | \$150, <del>514</del> 201 | \$395, <del>514</del> 400,055  |                    |                                   |                                 |

\*Payments to us are made by electronic transfer, check or credit card and not refundable. Whether payments to third parties are refundable depends on the policies of the third parties.

Notes:

- (1) Initial Franchise Fee. The initial franchise fee for a single-unit franchised business is \$75,000 for a territory up to a population count of 500,000. For territories with a population greater than 500,000, the initial franchise fee is \$.15 per person in the territory. The minimum territory size is approximately 200,000 people, which would equal a \$75,000 franchise fee, and the maximum territory size is approximately 2,000,000 people, which would equal a \$300,000 franchise fee. We offer a 5% discount on the initial franchise fee for an honorably discharged U.S. Veteran.
- (2) Training-Related Expenses. You must pay our 3<sup>rd</sup> party trainer a fee of \$2,500. The training expenses are incurred by you for your employees' travel, accommodations and meals while attending our 3<sup>rd</sup> party training facility. Currently on-site training will take place in Greenville, South Carolina or other franchisees' locations, so travel, lodging and food costs may be significantly more than in many other locations.
- (3) Vehicle Expense. You will need to purchase or lease either a ~~mini~~full size van or pick-up truck that we specify capable of carrying all necessary tools and inventory. You are required to utilize a new vehicle as they will be custom built. The ~~vans~~vehicles are sourced from our designated vendor, presently, Enterprise Fleet Management. The above figures are based upon your making a down payment on 1 ~~van~~vehicles (~~7,800~~\$10,000 to ~~\$8,500~~\$15,000 per ~~van~~vehicles) and paying the balance over time. If you choose to pay cash, or if you are unable to obtain financing, the cash price of the ~~van~~vehicles will ~~be~~ approximately range between \$30,000 to \$60,000 depending on make/model/options. This includes ~~all signage and~~ custom graphics. As the vehicle market continues to fluctuate pricing is subject to change based on availability and market trends. Except for Master Equity Lease Agreement with Enterprise FM Trust, a third-party lender, that allows us to enter into a Sublease Agreement with franchisees to finance a portion of your locksmith vehicle acquisition if you meet Enterprise's qualifications, neither we nor our affiliate finance any portion of your initial investment. Lease financing described in detail in Item 10.
- (4) Office Lease. This estimate is monthly rent and does not include a security deposit. You are required to have a fixed office location. You should plan to rent approximately 300 to 500 square ft. of office space for administrative activities. You must check with your local municipality and comply with all local requirements for your office location.
- (5) Insurance. This estimate is for insurance deposits. It is not your annual cost for insurance. We are assuming that you will pay 25% of your insurance costs in advance.
- (6) Uniforms. Uniform costs will be approximately \$100 per employee. You will have approximately 1 to 2 employees.
- (7) Legal Fees. This estimate is for legal services that you may incur before you open for business, including to assist you in reviewing the Franchise Agreement, it does not include legal services for formation of a business entity, ongoing advice, and other related matters.
- (8) Business License. You may be required to obtain a business license and/or meet similar requirements in your location. You may be required to obtain a locksmith license in your

state.

- (9) Marketing Jump-Start Program. You are required to pay a fee to cover the Marketing Jump Start Program which includes certain digital marketing services to assist in increasing the online awareness of your new business, including; Standard Marketing Program consisting of; Search Engine Optimization (SEO) setup, six months Online Listing Management, six months Website Landing Page, Hosting and Maintenance, six months Social Media Management, six months Graphic Design Assistance, six months Email Marketing and six months Reports. Additional Marketing Jump Start Services consist of six months' Pay-Per-Click ads and six months Facebook Post Boosting. After six months, when the Marketing Jump Start Program expires, the Standard Marketing Program is required to be paid by the franchisee to us at our current monthly rate (currently \$200 per month). Although not required, the Pay-Per-Click and Facebook Post Boosting services may be continued, and at an additional cost, paid for by the franchisee.
- (10) Career Plug Software. Includes one year of CareerPlug Premium Online Recruiting Software.
- (11) Seamless Ai Software. Includes one year of Seamless Ai Business Leads Software.
- (12) Additional Funds/Working Capital. This estimates your initial operating expenses, including software, GPS Tracking, QuickBooks, computer equipment, working capital, and marketing costs, during the initial start-up months. We base our estimates upon our prior experience operating a similar outlet as an affiliate-owned business.

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

### Standards and Specifications

You must maintain the highest standards of quality and workmanship in order to provide the highest quality of service to your customers. You must operate your Flying Locksmiths business according to our standards, specifications, and operating procedures and The Flying Locksmiths System. We will formulate and modify standards and specifications based on our and our franchisees' experiences in operating The Flying Locksmiths business. Our standards and specifications may impose requirements for performance, reputation, quality, and appearance. Our Manuals or other communications identify our standards and specifications and/or names of designated or approved suppliers.

### Required Purchase of Initial Package and Marketing Jump Start Program

You must purchase the Initial Package containing certain equipment, hand tools, machinery and initial service ~~van~~vehicle inventory used in performing locksmith and security solutions work. We require you to purchase locks for resale and installation from one of our designated vendors or pursuant to our specifications. We also require you to purchase locksmith equipment, supplies, and tools pursuant to our specifications. The items included in the Initial Package will change to reflect the changing needs of our industry.

The Initial Package also includes a one-year subscription with SalesForce, Seamless and CareerPlug.

In addition to the items mentioned above, you are required to pay a fee to cover six month Marketing Jump Start Program which includes certain digital marketing services to assist in increasing the online awareness of your new franchised business, followed by the Standard Marketing Program to be paid to us at our current monthly rate. In our sole discretion, the features of these digital marketing services are subject to change.

Business Phone

We will provide you the business phone number that must be used by the Franchised Business. This number will be forwarded to any device you choose. As part of your local marketing, this number must be dedicated to your Franchised Business. We may require you to use the phone models and type from the supplier(s) that we designate.

Advertising Material

You must use our approved advertising and marketing materials or receive our written approval of any and all other advertising and marketing materials from us before their first use. We provide to you advertising templates at no charge. You must also purchase additional advertising that we designate or subject to our approval.

Computer Hardware and Software

You must use computer hardware and software that we specify, including Scheduling Software, customer management, GPS Tracking, and bookkeeping.

Credit Card Processing Services

You must use our credit card process. If you want your credit card processing system to be processed through our dispatching system, you must purchase credit card processing services through our designated vendor. Otherwise, you may select any vendor, though we reserve the right to issue specifications.

Insurance

We require you to purchase:

- (a) comprehensive public liability and property damage insurance, including personal and bodily injury liability, contractual liability, employers' liability, and owners' and contractors' protective insurance coverage with a policy limit of not less than \$2,000,000 general liability coverage (including personal injury), not less than \$1,000,000 per occurrence for personal and bodily injury liability, not less than \$100,000 per occurrence for damage to rental premises, and not less than \$5,000 medical coverage for any one person;
- (b) products liability/completed operations insurance with a policy limit of not less than \$2,000,000;

- (c) business interruption insurance in respect of the Franchised Business with a policy limit not less than that which may be prescribed by Franchisor from time to time.
- (d) owned and non-owned vehicle liability insurance with a policy limit of not less than \$1,000,000 per occurrence or such other amount as we may specify; and
- (e) workers' compensation as required by local law.

### Vehicle Standards and Specifications

Currently, the initial vehicle must be leased or purchased through our approved supplier(s). We also reserve the right to require that you purchase all additional vehicles through our approved supplier(s). Franchisees have the option to purchase secondary service vehicles outside of TFL Franchise Systems Fleet Management Program. This is only for the acquisition of ADDITIONAL ~~vans~~vehicles and does not constitute an authorization to terminate an active lease with Enterprise.

The Flying Locksmiths businesses will use ~~vehieles~~vans or pick-up trucks for The Flying Locksmiths business that meet our design and operating specifications for model type, color, trademark representation, and appearance. These specifications are included in our Manuals. All vehicles purchased or leased for The Flying Locksmiths Business are to be, and maintained, in a "good" condition as defined by KELLEY BLUE BOOK ("good" condition means that the vehicle is free of any major defects). The paint, body and interior must have only minor (if any) blemishes, and there may not be any major mechanical problems. In states where rust is a problem, this should be very minimal. All vehicles used in connection with the business are to be wrapped as required by The Flying Locksmiths. Vinyl wrap must be purchased from our approved supplier and are to be free of defects.

In addition, we require you to install, use and maintain GPS tracking for your vehicle(s), including payment of monthly fees to our designated GPS vendor.

You shall purchase one Vehicle and wrap upon startup and an additional Vehicle whenever current Vehicle average \$25,000 in Gross Revenue per month over a 3-month period. Vehicles shall meet our specifications as stated in the Manual.

### Whether we or our Affiliates are Approved Suppliers

We are an approved supplier of advertising material, but not the sole supplier.

### Officer Interest in Suppliers

Other than us, our officers and partners, Barry L. McMenimon, Brett McMenimon, Barry McMenimon, Edward Buiser, Dennis Mulgannon, and Geoff Batchelder, do not own an interest in any of our suppliers.

### How we grant and revoke approval of alternative suppliers

We do not maintain written criteria for approving suppliers and thus these criteria are not available to you or your proposed supplier. We do permit you to contract with alternative suppliers if they meet our criteria. We do not charge you any fee to propose another supplier. If you wish to propose to us another supplier, you may submit the proposed supplier that you wish for us to consider in writing. We will examine the quality of the items and the supplier's ability to supply a sufficient quantity in a timely way with good customer service to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within 60 days if we approve or disapprove of an alternative supplier. If we revoke approval for a supplier, we will provide written notice to you.

#### Issuance and Modification of Specifications

We issue and modify specifications either through our Operations Manual or through informational bulletins issued from time to time.

#### Revenue Derived from Products, Services:

We may derive revenue or other material consideration from required purchases or leases by you.

In our last fiscal year ending December 31, 2023, we realized \$30,898 in rebate revenue from our franchisees' materials purchases accounted for 0.4% of our total revenues of \$7,419,154. Additionally, during the year ended December 31, 2023, we realized \$191,200 from our franchisees for cooperative advertising and marketing expenses and \$201,840 for license use of our proprietary sales and dispatch software, which cumulatively represents 5.3% of our net revenues.

#### Required Purchases and Leases as a Percent of Your Costs

The purchase and lease of items from approved suppliers or that meet our specifications represent approximately 20-35% of your total expenses in connection with the establishment of the Franchised Business and approximately 15% of your total expenses in connection with the ongoing operation of the Franchised Business. Approximately 100% of your inventory will be purchased from our designated suppliers.

#### Designated Supplier Payments to Us

Designated suppliers may make payments to us from franchisee purchases, but we did not receive such payments in our last fiscal year.

#### Purchasing or Distribution Cooperatives

We do not currently have purchasing or distribution cooperatives, but reserve the right to enter into such agreements.

#### Purchase Arrangements

We may negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees.

### Material Benefits to You

We do not provide material benefits to you based on your use of a particular supplier. However, when your Franchise Agreement is up for renewal, to continue your franchise rights, we require you to be in compliance with your franchise agreement, which includes compliance with any supplier standards that are contained in our Operations Manual.

## 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.**

| <b>Obligation</b>  | <b>Section in Agreement</b>               | <b>Disclosure Document Item</b> |
|--|---|---------------------------------|
| a. Site selection and acquisition/lease                    | 5.1, 5.2                                  | Item 11                         |
| b. Pre-opening purchases/leases                            | 2.4                                       | Items 8 and 11                  |
| c. Site development and other pre-opening requirements     | 2.4                                       | Item 11                         |
| d. Initial and ongoing training                            | 14  | Item 11                         |
| e. Opening   | 2.4, 13.15                                | Item 11                         |
| f. Fees  | 3, 4, 6.1, 10.4, 14.1, 19(b), 20.3(b), 23 | Items 5, 6, 7, and 11           |
| g. Compliance with standards and policies/operating manual | 7.1, 7.3, 8.1, 8.3, 13.1, 13.3            | Items 8 and 11                  |
| h. Trademarks and proprietary information                  | 2.1, 12, Attachment 2                     | Items 13 and 14                 |
| i. Restrictions on products/services offered               | 7, 8.2                                    | Item 16                         |
| j. Warranty and customer service requirements              | 8.1                                       | Item 11                         |

| Obligation   | Section in Agreement       | Disclosure Document Item |
|--|----------------------------|--------------------------|
| k. Territorial development and sales quotas            | 2.2                        | Item 12                  |
| l. Ongoing product/service purchases                   | 7, 8, 13                   | Items 5, 6, 7 and 8      |
| m. Maintenance, appearance and remodeling requirements | 8.1(f), 8.1(t)             | Item 11                  |
| n. Insurance   | 8.1(n), 13.11              | Item 7 and 8             |
| o. Advertising   | 6                          | Items 6 and 11           |
| p. Indemnification                                     | 23.1                       | Item 6                   |
| q. Owner's participation/management/ staffing          | 8.1(h), 8.1(i), 8.1(j), 11 | Item 15                  |
| r. Records and reports                                 | 10                         | Not applicable           |
| s. Inspections and audits                              | 10.4, 13.7                 | Items 6 and 11           |
| t. Transfer  | 20                         | Item 17                  |
| u. Renewal   | 19                         | Item 17                  |
| v. Post-termination obligations                        | 18                         | Item 17                  |
| w. Non-competition covenants                           | 21                         | Item 17                  |
| x. Dispute resolution                                  | 23.13                      | Item 17                  |
| y. Other (describe)                                    | n/a                        | n/a                      |

**ITEM 10  
FINANCING**

We have a Master Equity Lease Agreement with Enterprise FM Trust, a third-party lender, that allows us to enter into a Sublease Agreement with franchisees to finance a portion of your locksmith vehicle acquisition if you meet Enterprise's qualifications. Neither we nor any affiliate receive any consideration for placing financing with Enterprise FM Trust.

The following table summarizes the financing Enterprise may offer you for your ~~van~~vehicle sublease:

|                     |   |
|---------------------|---|
| Item Financed       | <del>Van</del> -Vehicle and aftermarket equipment (shelving, rack & inverter)         |
| Source of Financing | Enterprise FM Trust   |
| Down Payment        | 20%   |
| Amount Financed     | approximately 75%; with an approximate 5% residual or buyout amount at the end of the |

|   |   |
|---|---|
|   | lease term  |
| Interest Rate   | 3 year T-bill +400 basis points, as in effect at time of <del>van</del> vehicle delivery                          |
| Period of Repayment   | 48 months   |
| Monthly Payment   | <del>\$550</del> <del>900-575</del> \$1,400 per month (approximately) on a <del>\$2230,000 to \$60,000</del> loan |
| Security Required   | Personal Guaranty and Security Interest in the <del>Van</del> Vehicle   |
| Whether a Person Other than the Franchisee Must Personally Guarantee the Debt | If the franchisee is an entity, its owners must personally guarantee the debt                                     |
| Prepayment Penalty  | None  |

|                        |   |
|------------------------|---|
| Liability Upon Default | <p>Upon the occurrence of any Event of Default, Sublessor, without notice to Sublessee, will have the right to exercise concurrently or separately (and without any election of remedies being deemed made), the following remedies: (a) Sublessor may demand and receive immediate possession of any or all of the Vehicles from Sublessee, without releasing Sublessee from its obligations under this Agreement; if Sublessee fails to surrender possession of the Vehicles to Sublessor on default (or termination or expiration of the Term), Sublessor, any other agent of Sublessor and any of Sublessor's independent contractors shall have the right to enter upon any premises where the Vehicles may be located and to remove and repossess the Vehicles; (b) Sublessor may enforce performance by Sublessee of its obligations under this Agreement; (c) Sublessor may recover damages and expenses sustained by Sublessor, any other agent of Sublessor or any of their respective successors or assigns by reason of Sublessee's default including, to the extent permitted by applicable law, all costs and expenses, including court costs and reasonable attorneys' fees and expenses, incurred by Sublessor, any other agent of Sublessor or any of their respective successors or assigns in attempting or effecting enforcement of Sublessor's rights under this Agreement (whether or not litigation is commenced) and/or in connection with bankruptcy or insolvency proceedings; (d) upon written notice to Sublessee, Sublessor may terminate Sublessee's rights under this Agreement; (e) with respect to each Vehicle, Sublessor may recover from Sublessee all amounts owed by Sublessee under Sections 3(b) and 3(c) of this Agreement (and, if Sublessor does not recover possession of a Vehicle, (i) the estimated wholesale value of such Vehicle for purposes of Section 3(c) shall be deemed to be \$0.00 and (ii) the calculations described in the first two sentences of Section 3(c) shall be made without giving effect to clause (ii) in each such</p> |
|------------------------|---|

|  |  |
|--|--|
|  | sentence); and/or (f) Sublessor may exercise any other right or remedy which may be available to Sublessor under the Uniform Commercial Code, any other applicable law or in equity. |
| Waiver of Defenses or Other Legal Right on Default | Not Applicable   |

Attachment 6 to the Franchise Agreement contains the Master Equity Sublease Agreement you would enter into with us with respect to the lease terms described above.

We guarantee your payments to Enterprise FM Trust under any Enterprise vehicle sublease that you enter into with us; otherwise, do not guarantee your notes, leases, or obligations. We do not have any past or present practice or intention to sell, assign or discount to any third party, any note, contract or other instrument signed by you.

We have been deemed eligible for Small Business Association (“SBA”) loan processing.

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

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

**Pre-Opening Assistance**

Before you open your business, we will:

1. Designate an exclusive territory (“Territory”) in which you will operate the Franchised Business. (Franchise Agreement, Section 2.2).
2. Authorize an Initial Package which you purchase from designated suppliers named by us. (Franchise Agreement, Attachment 9).
3. Provide an initial training program for you (or, if you are not an individual, your Operating Principal) at no cost, which you must complete to our satisfaction. (Franchise Agreement, Section 14.1).
4. Loan you or provide you with online access to our proprietary Operations Manual and Training Manuals, as revised periodically (~~the~~ “Operations Manual” or “Manuals”) (Franchise Agreement Sections 2.1 and 14.3).
5. Offer site selection assistance (Franchise Agreement, Section 5.1).
6. Provide marketing materials and other sales aids developed by us and promotional assistance (Franchise Agreement, Section 14.3).

7. Franchisor shall maintain a ~~customer care~~client services and call center (~~the “Customer Care Center”~~Client Services) to process all orders for Services and to handle customer inquiries on a system-wide basis. (Franchise Agreement, Section 4.4).
8. Provide you with the Marketing JumpStart program. (Franchise Agreement, Section 3.2).
9. Provide you with the business phone number to be used by the Business exclusively. (Franchise Agreement, Section 8.1).
10. Assist you with setting up your QuickBooks Online Chart of Accounts. (Franchise Agreement, Section 4.8).
11. We will conduct technical assessments of your potential lead security technicians. (Franchise Agreement, Section 11.2).
12. We will provide you with National Service Provider (NSP) paperwork consisting of a Master NSP list of potential customers within your territory. (Franchise Agreement, Section 6.2).

**Site Selection and Build Out.** We provide to you criteria to help you select a site and must approve any site you select before you sign a lease for that location. We do not generally own the premises and lease it to you. We do not select the site. We consider the following factors in approving your site selection: proximity to parking, street visibility, the demographics of nearby population centers, and other pertinent criteria. We will typically approve or disapprove a proposed site within 14 days of your submission to us of the pertinent information on the proposed site. In the unlikely event that you and we cannot agree on a site, then we can terminate the franchise agreement, or allow you more time to search for a site that we can agree upon.

It is your responsibility to conform the premises to local ordinances and building codes and obtain any required permits. It is your responsibility to remodel the premises accordingly. (Franchise Agreement, Section 5).

**Assistance to obtain equipment, signs, fixtures, opening inventory, and supplies.** We provide to you guidance, specification and supplier sources to obtain equipment, signs, fixtures, and supplies. We do not provide, deliver or install these items. (Franchise Agreement, Sections 13.12 and 13.13).

### **Length of Time Before Opening of Franchised Business:**

The expected typical length of time between the signing of the Franchise Agreement and the operation of the Franchised Business is one to six months. See section 2.4 of the Franchise Agreement. Factors affecting this length of time include the time it takes it takes for delivery of the ~~van~~vehicle and equipment, the time it takes to find and hire suitable employees, your availability for attending the training session, and the time required to obtain all necessary permits and licenses.

### **Post-Opening Assistance**

During the operation of the Franchised Business, we will:

1. Make periodic changes and updates to our Operations Manual (Franchise Agreement, Sections 7.2 and 8.1).
2. Introduce new products, services and methods that we may have discovered or have developed for the System. (Franchise Agreement, Section 8.1)
3. Maintain a The Flying Locksmiths Website that includes franchisee locations ( Franchise Agreement, Section 14.3(d)).
4. Provide access to our proprietary Program (Franchise Agreement, Section 2.1).
5. Provide you with general advice, assistance and field support as we deem helpful to you in the ongoing operation, advertising and promotion of the Franchised Business (Franchise Agreement, Sections 14.3 and 14.4).
6. Coordinate and conduct periodic training programs for franchisees as we, in our sole discretion, deem necessary (Franchise Agreement, Section 14).
7. Take initiatives and steps to protect the integrity of the brand. (Franchise Agreement, Section 12).
8. Hold annual franchisee meetings at such time as we determine that we have sufficient franchisees to make the meetings worthwhile and cost-effective. (Franchise Agreement, Section 14.4(d)).
9. Inspect your Franchised Business, at our option, to insure compliance with our standards. This could be accomplished using a “mystery shopper” or other persons acting on our behalf. (Franchise Agreement, Section 14.4(c)).
10. Assist you in establishing prices, which is updated periodically from data supplied by vendors. We do not establish minimum and/or maximum prices at which you must sell products and services. (Franchise Agreement, Section 8.4)
11. Provide support for our proprietary Customer Management Software. (Franchise Agreement, Section 4.6).

## **Advertising, Marketing and Promotion**

**Our Obligation to Conduct Advertising.** We may develop promotional programs, marketing materials and sales aids for our or your use in marketing your Franchise. We may use print, electronic, or other media in which to market on a local, regional, or national level. We may produce advertising in-house or through a national, regional, or local advertising agency.

We are not required to spend any amount on advertising in the area or territory where the Franchise is located.

**Use of Your Own Advertising Material.** You are permitted to use your own advertising material provided that you either use a template that we provide or we approve your material and it adheres to federal, state and local law.

**Email and Website.** You must maintain, on your business computer, an electronic mail account that must enable you to receive and send electronic mail and transfer computer files with us. You must also maintain a DSL, cable, or satellite high speed internet connection. To enhance the brand and the Marks, you must use an email name that we have approved that will have “@Flying Locksmiths.com” as its suffix for all business-related correspondence.

You also promise to use, subscribe to, and pay for, as directed by us, a customized website connected to our Website and managed by our website provider. You may not attempt to redirect any traffic on the customized Website. You may not implement a website or URL for the Flying Locksmiths business either yourself or through a third-party provider. We have sole discretion and control over the Website (including timing, design, contents, and continuation).

We may, but are not obligated to, create interior pages on the Website(s) that contain information about the Flying Locksmiths business and other Flying Locksmiths businesses. If we do create such pages, we may require you to prepare all or a portion of the page for the Flying Locksmiths business, at your expense, using a template that we provide. All such information will be subject to our approval prior to posting. By posting or submitting to us information or materials for the Website, you are representing to us that the information and materials are accurate and not misleading and do not infringe any third party’s rights. You must notify us whenever any information about you or the Franchise Business on the Website changes or is not accurate.

**Advertising Council.** We do not have an advertising council composed of franchisees that advises us on advertising policy.

**Advertising Cooperative.** We reserve the right to form a local or regional advertising cooperative and to require you to join such a cooperative if it is formed.

**Advertising Fund.** We reserve the right to require you to pay to us up to 1% of Gross Revenue for a National Advertising Fund. Franchisees would pay this amount on a uniform basis. Franchisor owned and affiliate owned outlets will not be required to contribute. We will administer the Fund. The Fund is not audited but we will make financial statements of the Fund available for review by franchisees annually upon written request.

We did not raise or spend Advertising Fund monies in 2023, including monies to solicit new franchise sales.

If not all Advertising Fund monies are spent in the fiscal year in which they accrue, they will remain in the Fund to be spent in the next year. We may use up to 10% of Advertising Fund expenditures principally to solicit new franchise sales.

**Local Advertising.** You must pay \$200 per month to us to cover website management expenses, search engine optimization, and social media marketing initiatives. We reserve the right to change this amount in the future.

You are also expected to develop a marketing plan for your local market. In order for your Franchised Business to reach the maximum potential which your market allows, you must have an ongoing set of marketing activities designed to generate demand within your local market. We will provide you with initial training to help you implement a local marketing program effectively and in a cost-effective manner.

### **Hardware, Software and Internet Connectivity**

You must install and maintain a computer system according to our specifications as listed in the Operations Manual. You will need a Windows based desktop or laptop computer that meets our current specifications and a license for Microsoft Office 365 installed.

GPS Tracking with Verizon Connect. At present you must pay \$30 per month per ~~van~~vehicle to Verizon Connect for GPS Tracking for your ~~vans~~vehicles.

QuickBooks. You must use QuickBooks Online for your business bookkeeping which presently costs \$40 per month per user that you pay directly to QuickBooks.

Customer Management Software. You agree to pay to us \$60 per month per license for a minimum of three (3) Customer Management Software licenses. We reserve the right to change the designated customer management software and fee amount.

The cost of purchasing the computer equipment is estimated to be approximately \$1,000. The estimated annual cost for maintenance, updating, upgrading and support contracts related to the computer equipment is \$500. In addition, you will pay approximately \$100 per month for broadband internet service if you do not already have it.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You are not under any obligation to upgrade or update any computer system during the term of the franchise agreement, but you must maintain your computer systems in good working order. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$1,000.

You must keep your computer hardware and software up to date based on our specifications. There are no limitations on the frequency and cost of computer hardware and software upgrades.

We will have independent access to information you enter into the scheduling system and accounting software, currently QuickBooks Online. The scheduling system and QuickBooks Online will collect customer and sales data associated with the jobs you book and provide reports to the both of us so that we may more efficiently manage the business. There are no contractual restrictions on our access to this data.

Compiled sales data regarding all franchised businesses in the designated Scheduling System and QuickBooks Online will be made available to other franchisees to help manage numbers on a national, regional, and local level.

### **Operations Manual**

Exhibit F contains the Table of Contents of the Operations Manual, together with a listing of the number of pages devoted to each subject identified in the Table of Contents and the total page count, which at present is 76 pages.

**Training Program**

| <b>Subject</b>                              | <b>Hours of Classroom Training</b> | <b>Hours of On-The-Job Training</b> | <b>Location</b>    |
|---|------------------------------------|-------------------------------------|--------------------|
| <del>Week 1: Virtual Training Videos</del>  |                                    |                                     |                    |
| <del>Locksmithing 101: 14 videos</del>      | <del>2.5 hours</del>               |                                     | <del>Virtual</del> |
| <del>QuickBooks Online 101: 15 videos</del> | <del>1.5 hours</del>               |                                     | <del>Virtual</del> |
| <del>Mechanical Hardware: 5 videos</del>    | <del>.75 hours</del>               |                                     | <del>Virtual</del> |
| <del>Electric Strikes: 7 videos</del>       | <del>.5 hours</del>                |                                     | <del>Virtual</del> |
| <del>EL Hardware: 6 videos</del>            | <del>.5 hours</del>                |                                     | <del>Virtual</del> |
| <del>Open Path: 3 videos</del>              | <del>1 hour</del>                  |                                     | <del>Virtual</del> |
| <del>AAADM: 4 videos</del>                  | <del>.5 hours</del>                |                                     | <del>Virtual</del> |
|   |                                    |                                     |                    |
| <del>Week 2: Virtual Calls</del>            |                                    |                                     |                    |
| <del>Introduction to TFL</del>              | <del>5 hours</del>                 |                                     | <del>Virtual</del> |
| <del>Flight Control &amp; Operations</del>  | <del>5 hours</del>                 |                                     | <del>Virtual</del> |
| <del>QuickBooks</del>                       | <del>7 hours</del>                 |                                     | <del>Virtual</del> |
| <del>Client Services</del>                  | <del>3 hours</del>                 |                                     | <del>Virtual</del> |

| <b>Subject</b>   | <b>Hours of Classroom Training</b> | <b>Hours of On-The-Job Training</b> | <b>Location</b> |
|--|------------------------------------|-------------------------------------|-----------------|
| Sales Team   | 3 hours                            |                                     | Virtual         |
| <del>Week 3: Onsite Field Training</del>               |                                    |                                     |                 |
| <del>Administrative Tasks, Terminology</del>           |                                    | 8 hours                             | Greenville, SC  |
| <del>Estimates, Site Surveys and Tech Ride Along</del> |                                    | 8 hours                             | Greenville, SC  |
| <del>Tech Ride Along</del>                             |                                    | 8 hours                             | Greenville, SC  |
| <del>Owner Shadowing</del>                             |                                    | 14 hours                            | Greenville, SC  |
| <del>Total</del>                                       | <del>30.25 hours</del>             | <del>38 hours</del>                 |                 |

## **Training Program**

### **Pre-Training: Virtual Training Videos**

| <b>Subject</b>                   | <b>Hours of Classroom Training (hrs.)</b> | <b>Hours of On-The-Job Training (hrs.)</b> | <b>Location</b>    |
|----------------------------------|---|--|--------------------|
| Locksmithing 101: 14 videos      | 2.50                                      | -  | FlyLock University |
| QuickBooks Online 101: 15 videos | 1.50                                      | -  | FlyLock University |
| Mechanical Hardware: 5 videos    | 0.75                                      | -  | FlyLock University |
| Electric Strikes: 7 videos       | 0.50                                      | -  | FlyLock University |
| EL Hardware: 6 videos            | 0.50                                      | -  | FlyLock University |
| Open Path: 3 videos              | 1.00                                      | -  | FlyLock University |
| AAADM: 4 videos                  | 0.50                                      | -  | FlyLock University |
| <b>Total</b>                     | <b>7.25</b>                               |  |                    |

### **Business and Technical Training**

| <b>Subject</b>  | <b>Hours of Classroom Training (hrs.)</b> | <b>Hours of On- The Job Training (hrs.)</b> | <b>Location</b>        |
|---|---|---|------------------------|
| <a href="#">FlyLock Security Solutions Business Model</a> | 0.50                                      | -   | Home Office, Quincy MA |
| <a href="#">Locksmithing 101</a>                          | 0.75                                      | -   | Home Office, Quincy MA |
| <a href="#">Commercial Doors 101</a>                      | 0.75                                      | -   | Home Office, Quincy MA |
| <a href="#">Access Control 101</a>                        | 0.75                                      | -   | Home Office, Quincy MA |
| <a href="#">CCTV / Security Camera's 101</a>              | 0.75                                      | -   | Home Office, Quincy MA |
| <a href="#">Marketing</a>                                 | 1.50                                      | -   | Home Office, Quincy MA |
| <a href="#">Time in the Field w/ Technicians</a>          | -   | 4.00  | Home Office, Quincy MA |
| <a href="#">Flight Control Overview</a>                   | 3.00                                      | -   | Home Office, Quincy MA |
| <a href="#">FreshDesk</a>                                 | 0.50                                      | -   | Home Office, Quincy MA |
| <a href="#">Verizon Reveal</a>                            | 0.50                                      | -   | Home Office, Quincy MA |
| <a href="#">QuickBooks Online</a>                         | 5.00                                      | -   | Home Office, Quincy MA |
| <a href="#">Client Services</a>                           | 0.50                                      | -   | Home Office, Quincy MA |
| <a href="#">Sales Team</a>                                | 0.75                                      | -   | Home Office, Quincy MA |
| <a href="#">SalesForce</a>                                | 0.50                                      | -   | Home Office, Quincy MA |
| <a href="#">seamless.ai</a>                               | 0.50                                      | -   | Home Office, Quincy MA |
| <a href="#">Recruitment and Retention</a>                 | 1.00                                      | -   | Home Office, Quincy MA |

**Total            17.25                    4.00**

***Note: Total hours do not include meals, breaks, etc.***

The initial operations training includes 307.25 hours of classroom/virtual training and approximately 3821.25 hours of classroom and on the job training at our Home Office, in Quincy, Massachusetts in Greenville, South Carolina or at another franchisee trainer's location. We will provide 3 days of on-site support, at our expense, at your franchise location, to commence within 14 days of the opening or transfer of ownership of your Franchised Business. If we determined that more support is needed, we may arrange additional training and support time and you will pay to us our then current rate for additional training.

We will generally conduct the initial training program bi-monthly or as often as the number of new franchisees requires.

We use the Training Manuals, Operations Manual, PowerPoints, handouts, and hands-on demonstrations to teach the initial training.

The courses are taught by Chris Briggs, Steve Quinn, Jake Pflaumer, Kristin Jones, Aaron Milton, Meshel Harvey, Marty Nemec, and Chandra Lambiase. We describe the nature and length of the Instructors' experience in Item 2 as to Barry McMenimon, Brett McMenimon, and Buzz

McMenimon. The nature and length of the other Instructors' experience is described below:

Chris Briggs, Director of Operations. Mr. Briggs has served as a Locksmith Technician with The Flying Locksmiths Boston since January 2009 and has been the Director of Operations with TFL Franchise Systems since 2021.

~~Steve Quinn, VP of Sales & Compliance Director of Audit and Compliance. Mr. Quinn has served as our Director of Audit and Compliance since September 2019 and has 9 years' sales and marketing experience with us. Mr. Quinn also worked for 13 years on the distribution side of the trade. Mr. Quinn has served as our Vice President of Sales and Compliance since May 2022 and has 9 years' sales and marketing experience with us.~~

Marty Nemec, Director of Marketing. Mr. Nemec has worked in marketing management roles for 16 years, along with access control sales and marketing in the door and hardware industry since 2018. Areas of expertise revolve around ensuring businesses exceed set market goals while boosting brand identity.

Aaron Milton, Director of Client Services. Mr. Milton has served as the TFL Director of Client Services since 2022. Aaron has twelve years' experience running call centers in various roles. Aaron has also received a certification through ICMI's *Advanced Workforce Management*.

Kristin Jones, Client Services Senior Manager. Ms. Jones served as the company's first ~~Call Center~~ Client Services Agent in 2015 and has been the Senior Manager on staff since 2017.

Meshel Harvey, Sr., ~~Business Development Manager~~ Director of National Accounts. Ms. Harvey started with the company as a ~~Call Center-Client Services~~ Agent in 2017. In 2018 she began working in National Sales and National Project Management and for the past three years is now working as the company's Senior Business Development Manager.

Jake Pflaumer, National Hardware Expert. Mr. Pflaumer started in 2013 as a locksmith technician, then became the General Manager of The Flying Locksmiths Boston before transitioning to a position as the National Hardware Expert supporting all franchise locations. He is based out of Florida and has 15 years of locksmith related experience.

Chandra Lambiase, QuickBooks Support Specialist. Mrs. Lambiase has served as an office manager for the original Boston location for over 22 years and is certified in QuickBooks and QuickBooks Online. Mrs. Lambiase is also certified in QBO Advanced, QB Desktop 2022, QB Enterprise.

~~Oscar Garcia, Greenville, South Carolina Franchisee Trainer. Mr. Garcia operates the Greenville franchise since 2018.~~

There is no training fee for virtual training. You will designate a senior technician who is responsible for attending training and then certifying all future technicians you hire. We will provide materials and instructors. You will be responsible for the payment of a \$2,500 training fee payable to the assigned franchisee trainer and all other expenses including travel, meals, transportation, lodging, incidental expenses, and any wages incurred for your staff to attend the Regional Training Center. Since the training will take place in Greenville, South Carolina or other

selected franchisee operated training location, travel, lodging and food costs may be significantly higher than in many other locations.

Initial training must be successfully completed to our satisfaction, which is completion of the Training Program detailed above, at least two weeks before the commencement of the Franchised Business's operations. Within 90 days of signing the Franchise Agreement, you must provide to us in writing the names of each person who will attend our training and certification process. The list of trainees must include you or, if Franchisee is an entity, your Operating Principal and key owners, your key employee(s), and managers.

Any manager you later hire must also satisfactorily complete all or part of the certification program. You can send others on a space availability basis when new managers or key employees join your organization. You will have to pay \$300 per day per person for tuition and training materials. If provided at your location, you must reimburse us for all reasonable travel and living expenses.

### **Technician Training**

You are required to recruit and hire a minimum of one lead employee who has at least 5 years of industry experience. You must at all times have a minimum of one experienced technician on your staff. You must hire individuals who have demonstrated skills in locksmith or security techniques or provide at least one employee with security technician training.

We require your Lead Technician to attend initial training ~~at the Regional Training Center~~ with you. While you are training with Franchisee Trainer, your Lead Technician will undertake "in the field" training, with experienced technicians. This course is NOT designed to train the candidate to be a security technician; he/she must already be one. Your Technician will be taught how to use the necessary tools and equipment, as well as our proprietary dispatch and invoice system (Flight Control). It is our expectation that technicians already know how to do the actual work. Our training is designed to show them the correct way to interact with customers and our systems.

If additional training or certification is required by local regulatory agencies, it is your responsibility to make sure these requirements are met.

### **Retraining and Subsequent Training**

If we believe that you are not operating the Franchised Business in full accordance with the Franchise Agreement, we have the right to require retraining of you or your representatives and employees. We charge \$300 per day per person for this retraining. Any manager that you subsequently hire must also satisfactorily complete all or part the training and certification program. You must pay \$300 per day per person for tuition and training materials. You are responsible for all out-of-pocket costs incurred in connection with such retraining, including all transportation, lodging and meal expenses.

### **Annual Meetings**

We may also conduct an annual meeting at a location that we select (the "Annual Meeting") to address recently-implemented changes in the System and other topics of common interest to franchisees. Any Annual Meeting shall not exceed 3 days in any 12 Calendar Month period. We

may require the attendance of your key personnel at the Annual Meetings, provided, however, we shall not require that more than 2 persons attend the Annual Meeting. Franchisee shall pay the transportation, lodging, personal expenses and salary for each employee who attends an Annual Meeting.

## **ITEM 12 TERRITORY**

You will receive a designated Territory in which to operate the Franchised Business in that you will receive a geographic area within which we will not establish either a company-owned, affiliate-owned or franchised outlet selling the same or similar goods or services under the same trademarks or service marks as we permit you to use here. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own or from other channels of distribution or competitive brands that we control.

The minimum territory contains 200,000 people. You may purchase a territory in the size range from 200,000 to 2,000,000 people, though we expect our typical territory to contain approximately 500,000 people. You and we will agree to your Territory and it will be described in Attachment 1 to the Franchise Agreement before you execute it. Your Territory will be a geographical area containing a specific number of persons based on the U.S. Census Bureau or such other source as we feel is reliable.

You must locate your Franchised Business office in your Territory in a business location. Your Franchised Business office cannot be at your home or a residential address.

We do not grant options, rights of first refusal, or similar rights to acquire additional franchises.

We will approve the relocation of the Franchised Business or your establishment of additional franchised outlets if we feel there is a reasonable business justification to do so and the new location meets our site selection criteria. Otherwise, we may not alter the boundaries of your Territory, even if the population in your Territory increases.

We may establish company-owned or affiliate-owned locations, other franchises or sub-franchises outside your designated Territory, regardless of proximity to the boundaries of your Territory.

Except as disclosed in this Disclosure Document, we may also establish other franchises, company-owned or affiliate-owned outlets or other channels of distribution offering similar services under names and trademarks which are not the same as the Marks, within or without your Territory.

We reserve the right to acquire, be acquired by, or merge with other companies with existing locksmith or security related businesses, and other related services anywhere (including inside or outside of the Territory and, even if such businesses are located in the Territory, provided the other businesses continue to operate under another name). We will not compensate you for any of our activities including soliciting or accepting business in your Territory, even if they have an impact on your Franchised Business.

## Monthly Minimum Gross Revenue Performance Requirements

We have established monthly minimum Gross Revenue performance (“Monthly Minimum Gross Revenue Performance”) requirements as follows:

| Months in Operation | Monthly Minimum Gross Revenue Performance | Minimum Monthly Royalty Due |
|---------------------|---|-----------------------------|
| 0 - 12              | No Minimum                                | No Minimum                  |
| 13 - 24             | \$18,750                                  | \$2,250                     |
| 25 - 36             | \$25,000                                  | \$3,000                     |
| 37 and Beyond       | \$37,500                                  | \$4,500                     |

Starting the thirteenth (13<sup>th</sup>) month in operation of the Franchised Business, if you do not achieve the required Monthly Minimum Gross Revenue, we may collect a minimum Royalty equal to what you would have been assessed had you achieved the Monthly Minimum Gross Revenue. In that instance, in addition to the Royalties you paid, we will collect, on the first Friday of the following month, the Royalties on the difference between the Gross Revenue reported for the month and the required Monthly Minimum Gross Revenue.

If you do not meet the Monthly Minimum Gross Revenue Performance requirements during any consecutive three-month period, we reserve the right to terminate this Agreement or to establish a company-owned, affiliate-owned or franchised outlet within your designated Territory that are selling the same or similar goods or services under the Marks as we license to you or to alter the boundaries of your Territory or allow another Flying Locksmiths franchisee to advertise and service customers in your designated Territory. Neither the company-owned, affiliate-owned, franchised outlet nor we are liable or obligated to pay you any compensation, nor we or the franchisee be considered in breach of any provision of this Agreement or any other agreement between you and us regardless if Monthly Minimum Gross Revenue are achieved in the future.

### Interlocation Projects

Any project or enterprise undertaken jointly by two or more The Flying Locksmiths franchisees will be known as “Interlocation Projects”. Interlocation Projects with other franchisees must be approved by us. You agree to complete all necessary paperwork we may reasonably require, obtain our written permission prior to launching the project, and adhere to program standards while completing the project.

We reserve the right to acquire, be acquired by, or merge with other companies with existing locksmith or security related businesses, and other related services anywhere (including inside or outside of the Territory and, even if such businesses are located in the Territory, provided the other businesses continue to operate under another name). We will not compensate you for any of our activities including soliciting or accepting business in your Territory, even if they have an impact on your Franchised Business.

We or an affiliate may use other channels of distribution, such as the Internet, catalog sales,

or other direct marketing, to make sales within your Territory using our principal trademarks, though normally we will direct customers gained in this way in your Territory to your outlet, but may occasionally direct such customers to another franchisee if we feel business circumstances so require.

We reserve the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales within your Territory of products or services under trademarks different from the ones you will use under the franchise agreement. We do not pay compensation to you for soliciting or accepting orders from inside your Territory.

Unless you receive our prior permission, you are prohibited from soliciting or providing services to customers outside of your designated Territory, including the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those you will offer.

The nature of our business often requires prompt response. If you refuse or are unable to provide service in your designated Territory we may offer the job to a nearby franchisee or in some cases, another locksmith company not affiliated with us.

### **National Accounts**

We alone retain the exclusive right to establish relations with clients who have locations in multiple franchisee territories who desire for us to administer their account at the franchisor level (National Accounts”). Typically, these clients desire to channel their job requests and billing solely through us at the franchisor level. We then make these jobs available to franchisees. You may elect to accept such jobs if they become available in your Territory or not. You must allow us to handle the billing or invoicing on national account clients when we or the national account client so specifies. We may mark up your invoice to reimburse us our costs and may impose certain other fees or fee splits. You agree to these mark ups, fees and fee splits.

If you circumvent or do not follow our national account billing procedures two or more times, we reserve the right to stop sending National Account jobs to you, then.

In addition, if there is a dispute on any work performed for a National Account, you agree that we may mediate and resolve the dispute and you agree to be bound by our decision. If you decline a National Account job made available to you in your Territory, then we may offer the job to a nearby franchisee or in some cases, another locksmith company not affiliated with us.

### **ITEM 13 TRADEMARKS**

At present, we have filed for or registered the following trademarks with the United States Patent and Trademark Office (“USPTO”):

| Registration Number | Description of Mark   | Principal or Supplemental Register | Registration Date  |
|---------------------|---|------------------------------------|--------------------|
| 4751651             |  | Principal                          | June 9, 2015       |
| 4811307             |  | Principal                          | September 15, 2015 |
| 5132846             | The Flying Locksmiths   | Principal                          | January 31, 2017   |

In addition, our affiliate, The Flying Locksmiths, Inc. has filed an application for the following Mark with the USPTO:

| Serial Number | Description of Mark  | Principal or Supplemental Register | Application Date  |
|---------------|--|------------------------------------|-------------------|
| 97796595      | FLYING LOCKSMITHS<br> | Principal                          | February 15, 2023 |

Presently we do not have a federal registration on the above principal trademark. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

We have filed all required affidavits. No registration has been renewed yet.

There is no currently effective material determination of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition or cancellation proceeding.

There are no pending material federal or state court litigation regarding our use or ownership rights in the trademark.

We have a written License Agreement with The Flying Locksmiths, Inc. dated January 19, 2014, as amended, which grants to us the right to use the mark in connection with this franchise program and to sublicense the right to you. The License Agreement is perpetual in duration and may be terminated upon a material breach not remedied after 30 days' written notice.

There are no other agreements currently in effect which significantly limit our rights to use or license the use of such trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to the Franchised Business.

We are not required to protect your right to use the principal trademarks listed in this section, but intend to do so. We are not required to protect you against claims of infringement or unfair competition arising out of your use of the trademarks.

You must notify us immediately if you learn about a claim against your use of our trademarks (see Franchise Agreement Section 12.4). We will take whatever action, if any, we deem appropriate. We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

We have no obligation to defend you or to take any legal action against others with respect to any claim related to your use of our trademark, but we will indemnify you against any loss or damage incurred by you as a result of a successful claim of infringement brought by a third party and related to your use of the Intellectual Property in accordance with the terms of the Franchise Agreement.

If we discontinue or modify our Marks, you must adopt and use any new marks as required by us. Any expenses you incur because of adopting and using these marks are your responsibility.

We do not know of any superior prior rights or infringing uses that could materially affect your use of the principal trademarks. We cannot prevent anyone who began using the name "The Flying Locksmith" before our use of it from continuing their use of that name in the area of prior use. The name "The Flying Locksmith" may be in use by other businesses in the United States who are not our franchisees or in any way affiliated with us.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

We do not own any patents that are material to our business, but we do claim proprietary rights to the confidential information contained in the Operations Manual. We also claim copyrights on operational materials specifically associated with the Program, including the proprietary advertisements, all materials presented to prospective customers, printed materials and forms associated with the operation of a Franchised Business, and on all materials used in our training program. We have not presently filed a registration of any of these copyrights. There is no current material determination of the US Copyright Office or a court regarding the copyrights. You must promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action, but will respond to this information as we deem appropriate. Our interests are to protect the integrity of the brand. We will not indemnify you for losses claimed by a third party concerning your use of this information.

We are not aware of any copyright infringement that could materially affect you.

We also claim proprietary rights in our business format, trade dress, and business methods. You are permitted to use these proprietary items in accord with your Franchise Agreement and the

Operations Manual.

You must treat the Operations Manual, and any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained in the Operations Manual, as confidential, and you must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise make them available to any unauthorized person. The Operations Manual is and will remain our sole property and must be kept in a secure place at the Franchised Business.

You must not, during the term of the Franchise Agreement or after its term, communicate, divulge, or use for the benefit of any other person, partnership, association, or business entity any confidential information, knowledge, or know how concerning the methods of operation of the business franchised under the Franchise Agreement, including the Operations Manual, and other proprietary information which may be communicated to you or of which you may be apprised by virtue of your operation under the terms of the Franchise Agreement.

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

You, if you are an individual, and your Operating Principal (as defined below), if you are an entity, must have direct, active day-to day involvement on a full-time basis in managing the Franchised Business or supervising a General Manager who meets the qualifications set forth in the Operations Manual. You, your Operating Principal and your General Manager are prohibited from directly providing any locksmith or security services to your clients.

. If you are a corporation or other entity, the direct, on-site management must be done by a person who owns at least 25% of the voting equity, who meets our approval (“Operating Principal”). During the term of the Franchise Agreement, you are prohibited from actively participating in any other business during the required hours of operation of the Franchised Business, unless you have our written approval.

In addition to your direct on-site management of the Franchised Business, you may hire a General Manager. There is no requirement that a General Manager own equity in you or the Franchised Business.

If you acquire a territory that is not contiguous with the Territory you currently service, then we may require you to sign a separate franchise agreement for that territory. Individual franchisees, Operating Principals and General Managers must successfully complete our initial training program, meet the qualifications in the Operations Manual, work full time and reside within 20 miles of the Territory, and be personally approved by us. We may waive this residence requirement, however, if a General Manager resides in the Territory for at least 3 days per week on average, and your Franchised Business is under the supervision by other management personnel approved by us at those times when the General Manager is absent. We may revoke this waiver at any time if we believe your Franchised Business is underperforming.

We also require that each General Manager of the Franchised Business service an area with no more than 1.5 million persons. So, if your Territory includes more than 1.5 million persons, then you must have at least one other General Manager for every additional 1.5 million (or fraction thereof) persons in the Territory. In certain circumstances, we may relax this requirement. In deciding whether or not to relax this requirement, we may take into account such factors as we deem relevant, including the total number of persons in, and geographic layout of, the Territory, the total volume of business handled by you, and any management issues that we may have become aware of.

All owners of the Franchisee must personally guarantee all of the obligations of the Franchisee under the Franchise Agreement by signing the form of Personal Guaranty (See Attachment 5 to the Franchise Agreement). If you are owned by a trust, or if your owners are owned by one or more trusts, the trusts and the beneficiaries of the trusts must sign the Guaranty.

We require you to complete a Principal Owners' Statement (See Attachment 3 to the Franchise Agreement. The Principal Owners' Statement describes all of your owners and their interests in you. Under the Owners' Statement, we require you to identify one owner/person who has full authority to enter into agreements with us on your behalf and with whom we may direct our efforts to communicate.

We do not require a spouse who is not affiliated with the Franchise Business to personally guaranty, or undertake an obligation of confidentiality or non-competition arising from the Franchise Agreement.

You must cause your employees to sign a form of confidentiality agreement approved or provided by us. Our current form of confidentiality agreement is attached as Exhibit D.

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

For the duration of your agreement, you cannot offer products or services through the franchise other than the unit franchise services, unless you receive our prior written consent.

You must operate the Franchised Business and perform all services in accordance with the operating guidelines and quality standards that we establish. You must operate your business during hours set by us, which may vary from territory to territory.

We do not impose restrictions that limit your access to customers except you may not solicit or service customers outside of your Territory without our permission. You may compile and maintain customer lists for your Franchised Business; however, all customer lists are our proprietary information and may only be used for the normal conduct of the Franchised Business during the term of the Franchise Agreement. If necessary, you must transfer them to us on the expiration, termination, repurchase or transfer of your franchise, at your expense.

You must offer all of the products and services that we designate.

We may change the types of authorized goods or services provided that we do not

unreasonably alter the unit franchise programs.

### National Accounts

For National Account clients, we and the client may negotiate prices. If you accept a job offered by a national account client, you agree to charge the negotiated price. You do not have to accept a national account job offered to you.

[remainder of page intentionally left blank]

## **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.**

| <b>Provision</b>                                  | <b>Section in Franchise Agreement</b> | <b>Summary</b>  |
|---|---------------------------------------|---|
| a. Length of the franchise term                   | 2.6                                   | 10 years  |
| b. Renewal or extension of the term               | 19                                    | You may renew for additional terms.   |
| c. Requirements for franchisee to renew or extend | 19                                    | Extension or renewal is permitted only if you are in full compliance with the Franchise Agreement. To renew, you must give notice, sign the then current form of franchise agreement, modified to reflect application of your prior years as a franchisee continuing Monthly Minimum Gross Revenue Performance, execute a general release and pay a renewal fee.<br>Franchisees may be asked to sign a new franchise agreement with materially different terms than the original Franchise Agreement. |

| Provision  | Section in Franchise Agreement | Summary   |
|--|--------------------------------|---|
| d. Termination by franchisee                           | 15.1                           | The Franchise Agreement does not permit you to terminate the franchise relationship except as permitted by applicable law.  |
| e. Termination by franchisor without cause             | 2.6                            | If you do not renew, your franchise will terminate at the expiration of the term.   |
| f. Termination by franchisor with cause                | 16.3                           | We may terminate by giving you written notice of a Material Default (subject to applicable state law).  |
| g. “Cause” defined — curable defaults                  | 16.1                           | If we waive your default, you may cure it upon terms approved by us. However, we are not required to waive a “Material Default.”  |
| h. “Cause” defined — non-curable defaults              | 16.1                           | “Material Default” includes failure to pay amounts due after 15-days written notice, failure to comply with Franchise Agreement or other agreements; failure to commence operations or abandonment of Franchised Business; default in lease; insolvency; attempted assignment or transfer without consent; misuse or failure to protect Intellectual Property and/or Confidential and Proprietary Material; failure to offer only authorize products and services; false reports; illegal or misleading advertising or business acts; failure to comply with laws and regulations, criminal conviction of you, your owners or directors; repeated notices of default; or for any other reason permitted by law. |
| i. Franchisee’s obligations on termination/non-renewal | 12, 18, 21                     | Discontinue operations; de-identification, payment of all accounts by bank draft; return all items belonging to Franchisor; noncompetition (subject to applicable state law); nondisclosure of Confidential and Proprietary Material.   |
| j. Assignment of contract by franchisor                | 20.8                           | We may assign or delegate all or part of our rights under the Franchise Agreement and related agreements and documents.   |

| <b>Provision</b>  | <b>Section in Franchise Agreement</b> | <b>Summary</b>  |
|---|---------------------------------------|---|
| k. "Transfer" by franchisee – defined                                     | 20.2                                  | Material change in ownership is more than 20% of voting units.  |
| l. Franchisor approval of transfer by franchisee                          | 20.1                                  | You must obtain our written approval before any transfer.   |
| m. Conditions for franchisor approval of transfer                         | 20.3                                  | Advertisement approved; transfer fee paid; transferee approved; assignment signed; materials returned; releases signed; completion of training; all agreements in good standing; and assignment of Lease. |
| n. Franchisor's right of first refusal to acquire franchisee's business   | 20.7                                  | We have a right to buy your business if you decide to sell and we may buy your inventory.   |
| o. Franchisor's option to purchase franchisee's business                  | 20.7                                  | We have the right to buy your business if you decide to sell.   |
| p. Franchisee's death or disability                                       | 20.6                                  | Estate has 6 months to assign to qualified person.  |
| q. Non-competition covenants during the term of the franchise             | 21.1, 21.3                            | No competition permitted.   |
| r. Non-competition covenants after the franchise is terminated or expires | 21.2, 21.3                            | No competition allowed for 18 months within the Territory, 20 miles or the Territory, or 20 miles of any company, affiliate-owned or franchised territory of ours (subject to applicable state law).      |
| s. Modification of the agreement  | 23.9                                  | Modifications must be in writing signed by you and us.  |
| t. Integration/merger clause  | 23.8                                  | Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.          |

| <b>Provision</b>                                  | <b>Section in Franchise Agreement</b> | <b>Summary</b>   |
|---|---------------------------------------|--|
| u. Dispute resolution by arbitration or mediation | 23.13, 23.20; Ex. C, Attachment 8     | You must mediate claims against us before filing suit. IL and MD franchisees must arbitrate claims against us, otherwise, arbitration does not apply except as may be provided by State Addenda. |
| v. Choice of forum                                | 23.13                                 | All legal proceedings must take place in the city or county of our home office (subject to applicable state law).  |
| w. Choice of law                                  | 23.12                                 | Massachusetts law applies (subject to applicable state law).   |

## **ITEM 18 PUBLIC FIGURES**

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

## **ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS**

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

Here, we set forth two historical Financial Performance Representations (“FPR 1 and FPR 2”) with certain Gross Revenue information for our franchised outlets. For purposes of these FPRs, “Gross Revenue” means the aggregate sales price of all products and services sold by the outlet. Excluded from these amounts are (1) the amount of any refund or credit given in respect of any services provided to a customer for which a refund of the whole or part of the purchase price is made or for which a credit is given in the ordinary course of business, and (2) any amounts collected by the outlet for any governmental authority and paid out to that governmental authority on account of sales taxes or other taxes imposed upon the sale of goods or services. We have also provided in FPR 3 the Profit and Loss of our affiliate’s location.

## FPR #1

### Franchised Outlets' 2023 Annual Gross Revenue (by Performance Tier)

The following tables present Annual Gross Revenue information for our franchised outlets during the 2023 calendar year. Each of the outlets included in the tables below had been open for at least a year and operated for the entire reporting year. In 2023, we had 93 franchised outlets, of which 80 operated for the full year under the same owner.

This Item 19 information sets forth gross sales submitted by 80 Franchised locations that operated for the entirety of 2023. Of the 80 locations, 8 operated more than one territory (Multi-Territory) and 72 operated one territory (Single Territory).

The charts represent average annual Gross Sales and median annual Gross sales during 2023 for both Multi-Territory and Single-Territory locations.

Each of these multiple location franchises, while separate territories under single unit franchise agreements, for operational efficiency are permitted to file their operation reports for all their units as a single operational entity. It is not practical or possible to report on the performance of these individual franchise locations and therefore we report on each of these multiple unit franchisees' performance as a whole based on the information provided by the franchisees.

#### Single Territory Flying Locksmiths Outlets

| Performance by Tier | # Single Territory Outlets | Number of Territories | Average Gross Revenue by Quartile | Highest Gross Revenue in Quartile | Lowest Gross Revenue in Quartile | Number that Exceeded Average | Median Gross Revenue by Quartile | Percent of Outlets Exceeding Group Average |
|---------------------|----------------------------|-----------------------|-----------------------------------|-----------------------------------|----------------------------------|------------------------------|----------------------------------|--|
| Top Quartile        | 18                         | 1                     | \$ 1,388,573                      | \$ 2,757,941                      | \$ 1,017,006                     | 7                            | \$ 1,352,409                     | 39%  |
| Second Quartile     | 18                         | 1                     | \$ 757,363                        | \$ 980,811                        | \$ 529,721                       | 8                            | \$ 740,100                       | 44%  |
| Thrid Quartile      | 18                         | 1                     | \$ 449,912                        | \$ 513,084                        | \$ 343,603                       | 10                           | \$ 459,980                       | 56%  |
| Fourth Quartile     | 17                         | 1                     | \$ 233,440                        | \$ 338,637                        | \$ 46,599                        | 10                           | \$ 286,672                       | 59%  |
| <b>All</b>          | <b>71</b>                  | <b>71</b>             | <b>\$ 713,997</b>                 | <b>\$ 2,757,941</b>               | <b>\$ 46,599</b>                 | <b>29</b>                    | <b>\$ 529,721</b>                | <b>41%</b>                                 |

#### Multi Territory Flying Locksmiths Outlets

| Performance by Tier | # Multi Territory Outlets | Number of Territories | Average Gross Revenue by Quartile | Highest Gross Revenue in Quartile | Lowest Gross Revenue in Quartile | Number that Exceeded Average | Median Gross Revenue by Quartile | Percent of Outlets Exceeding Group Average |
|---------------------|---------------------------|-----------------------|-----------------------------------|-----------------------------------|----------------------------------|------------------------------|----------------------------------|--|
| Top Quartile        | 2                         | 2                     | \$ 1,565,950                      | \$ 2,015,912                      | \$ 1,115,988                     | 1                            | \$ 1,565,950                     | 50%  |
| Second Quartile     | 1                         | 3                     | \$ 1,098,601                      | \$ 1,098,601                      | \$ 1,098,601                     | 0                            | \$ 1,098,601                     | 0%   |
| Thrid Quartile      | 3                         | 2                     | \$ 909,418                        | \$ 1,093,966                      | \$ 816,973                       | 1                            | \$ 817,315                       | 33%  |
| Fourth Quartile     | 3                         | 2                     | \$ 604,342                        | \$ 661,391                        | \$ 565,611                       | 1                            | \$ 586,023                       | 33%  |
| <b>All</b>          | <b>9</b>                  | <b>19</b>             | <b>\$ 974,642</b>                 | <b>\$ 2,015,912</b>               | <b>\$ 565,611</b>                | <b>4</b>                     | <b>\$ 817,315</b>                | <b>44%</b>                                 |

\* \* \*

## FPR #2

### Franchised Outlets' 2023 Average Monthly Gross Revenue (by Months in Operation as of December 31, 2023)

The following table presents the Average Monthly Gross Revenue information for our franchised outlets during the 2023 calendar year, based on the number of months they were in operation as of December 31, 2023. In 2023, we had 80 franchised outlets that operated the entire year. Here, we set forth the average monthly Gross Revenues of the 80 outlets, sorting the outlets by the number of months the outlets had been in operation.

| Months in Operation as of December 31, 2023 | # Outlets in the Subset | Average 2023 Monthly Gross Revenue for Subset | # of outlets that attained or surpassed Average Monthly Gross Revenue for Subset | % of outlets that attained or surpassed Average Monthly Gross Revenue for Subset | Highest Average Monthly Gross Revenue in Subset | Lowest Average Monthly Gross Revenue in Subset | Median Average Monthly Gross Revenue in Subset |
|---|-------------------------|---|--|--|---|--|--|
| 12-24                                       | 1                       | \$46,599                                      | 1  | 100%   | \$46,599  | \$46,599                                       | \$46,599                                       |
| 25-36                                       | 2                       | \$23,728                                      | 1  | 50%  | \$25,662  | \$21,794                                       | \$23,728                                       |
| 37-48                                       | 5                       | \$71,443                                      | 2  | 40%  | \$137,743                                       | \$27,604                                       | \$68,081                                       |
| 49+   | 72                      | \$63,151                                      | 29   | 40%  | \$229,828                                       | \$7,394  | \$52,671                                       |

\* \* \*

### Notes Applicable to FPR 1 and FPR 2

The information is based on information generated from monthly reports that were provided to us by the franchisees for the periods cited.

The Gross Revenue numbers do not reflect the costs of sales, operating expenses, royalties, or other costs or expenses that must be deducted from the Gross Revenue to obtain net income or profit.

## FPR #3

### AFFILIATE OUTLET as of December 31, 2023

The following table is a financial performance representation of the income and expenses, gross profit and net profit that our affiliate The Flying Locksmiths, Inc. realized in operating a locksmith business in Braintree, Massachusetts in 2023. The Flying Locksmiths, Inc. has been in business at this location since 1946 and operates substantially the same locksmith services as

described in this Disclosure Document. However, The Flying Locksmiths, Inc. does not operate a franchised unit. It is a separate company that is owned by the same persons who own a majority interest in the Franchisor. It also operates in a larger service territory than the average single territory franchisee would, servicing a territory of approximately 1.5 million people.

**The Flying Locksmiths, Inc. – Boston  
Adjusted Statement of Revenues  
For the Year Ended December 31, 2023  
(Unaudited)**

|                                  |                     |        |
|----------------------------------|---------------------|--------|
| Revenues, net of discounts       | \$ 2,219,456        | Note 1 |
| Cost of goods sold               | <u>\$ 1,160,585</u> | Note 2 |
| Adjusted Franchise Related Costs | \$286,480           |        |
| Gross profit                     | \$1,058,871         | Note 3 |

**Notes Applicable to FPR 3**

Note 1 -

Gross Revenue- “Gross Revenue” means the aggregate sales price of all products and services sold by the outlet. Excluding from these amounts are (1) the amount of any refund or credit given in respect of any services provided to a customer for which a refund of the whole or part of the purchase price is made or for which a credit is given in the ordinary course of business, and (2) any amounts collected by the outlet for any governmental authority and paid out to that governmental authority on account of sales taxes or other taxes imposed upon the sale of goods or services.

Note 2 – Cost of goods consists primarily of the cost of product and direct labor, including the salaries and related payroll taxes for 9 full-time technicians, and installation supplies and tools.

Note 3 – Gross profit does not include operating expenses and franchise-related costs. Franchise-related costs would have amounted to 12% of certain revenues, adjusted for 8% Franchise Royalties and 4% ~~Call Center~~Client Services Fees. Adjusted Franchise-related costs would have been \$286,480 for the year ended December 31, 2023.

**Notes Applicable to All FPRs**

**Some outlets have earned this amount. Your individual results may differ. There is no assurance you will do as well.**

You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

Written substantiation for this financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any

financial performance representations. We also do not authorize our employees or representatives to make 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 Brett M. McMenimon, at 859 Willard Street, Suite 100, Quincy, MA 02169, Telephone: (781) 963-5080, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**System Wide Outlet Summary  
For Years 2021 to 2023**

| <b>Outlet Type</b>    | <b>Year</b> | <b>Outlets at the Start of the Year</b> | <b>Outlets at the End of the Year</b> | <b>Net Change</b> |
|-----------------------|-------------|---|---------------------------------------|-------------------|
| <b>Franchised</b>     | <b>2021</b> | <b>96</b>                               | <b>97</b>                             | <b>+1</b>         |
|                       | <b>2022</b> | <b>97</b>                               | <b>93</b>                             | <b>-4</b>         |
|                       | <b>2023</b> | <b>93</b>                               | <b>92</b>                             | <b>-1</b>         |
| <b>Company-Owned*</b> | <b>2021</b> | <b>1</b>                                | <b>1</b>                              | <b>0</b>          |
|                       | <b>2022</b> | <b>1</b>                                | <b>1</b>                              | <b>0</b>          |
|                       | <b>2023</b> | <b>1</b>                                | <b>1</b>                              | <b>0</b>          |
| <b>Total Outlets</b>  | <b>2021</b> | <b>97</b>                               | <b>98</b>                             | <b>+1</b>         |

|  |             |           |           |           |
|--|-------------|-----------|-----------|-----------|
|  | <b>2022</b> | <b>98</b> | <b>94</b> | <b>-4</b> |
|  | <b>2023</b> | <b>94</b> | <b>93</b> | <b>-1</b> |
|  |             |           |           |           |

\* We do not operate any company-owned outlets. The company-owned outlet in the table above is owned and operated by our affiliate The Flying Locksmiths, Inc.

**Table No. 2**  
**Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)**  
**For Years 2021 to 2023**

| <b>State</b>       | <b>Year</b> | <b>Number of Transfers</b> |
|--------------------|-------------|----------------------------|
| <b>Alabama</b>     | <b>2021</b> | <b>1</b>                   |
|                    | <b>2022</b> | <b>0</b>                   |
|                    | <b>2023</b> | <b>0</b>                   |
| <b>California</b>  | <b>2021</b> | <b>0</b>                   |
|                    | <b>2022</b> | <b>0</b>                   |
|                    | <b>2023</b> | <b>0</b>                   |
| <b>Colorado</b>    | <b>2021</b> | <b>0</b>                   |
|                    | <b>2022</b> | <b>0</b>                   |
|                    | <b>2023</b> | <b>0</b>                   |
| <b>Connecticut</b> | <b>2021</b> | <b>0</b>                   |
|                    | <b>2022</b> | <b>0</b>                   |
|                    | <b>2023</b> | <b>0</b>                   |
| <b>Florida</b>     | <b>2021</b> | <b>1</b>                   |
|                    | <b>2022</b> | <b>0</b>                   |
|                    | <b>2023</b> | <b>1</b>                   |
| <b>Georgia</b>     | <b>2021</b> | <b>0</b>                   |
|                    | <b>2022</b> | <b>1</b>                   |
|                    | <b>2023</b> | <b>0</b>                   |
| <b>Illinois</b>    | <b>2021</b> | <b>0</b>                   |
|                    | <b>2022</b> | <b>0</b>                   |
|                    | <b>2023</b> | <b>0</b>                   |
| <b>Kentucky</b>    | <b>2021</b> | <b>0</b>                   |

| <b>State</b>          | <b>Year</b> | <b>Number of Transfers</b> |
|-----------------------|-------------|----------------------------|
|                       | <b>2022</b> | <b>0</b>                   |
|                       | <b>2023</b> | <b>0</b>                   |
|                       |             |                            |
| <b>Minnesota</b>      | <b>2021</b> | <b>1</b>                   |
|                       | <b>2022</b> | <b>0</b>                   |
|                       | <b>2023</b> | <b>1</b>                   |
|                       |             |                            |
| <b>Missouri</b>       | <b>2021</b> | <b>0</b>                   |
|                       | <b>2022</b> | <b>1</b>                   |
|                       | <b>2023</b> | <b>0</b>                   |
|                       |             |                            |
| <b>New Jersey</b>     | <b>2021</b> | <b>0</b>                   |
|                       | <b>2022</b> | <b>0</b>                   |
|                       | <b>2023</b> | <b>0</b>                   |
|                       |             |                            |
| <b>New York</b>       | <b>2021</b> | <b>0</b>                   |
|                       | <b>2022</b> | <b>0</b>                   |
|                       | <b>2023</b> | <b>0</b>                   |
|                       |             |                            |
| <b>North Carolina</b> | <b>2021</b> | <b>1</b>                   |
|                       | <b>2022</b> | <b>0</b>                   |
|                       | <b>2023</b> | <b>1</b>                   |
|                       |             |                            |
| <b>Ohio</b>           | <b>2021</b> | <b>0</b>                   |
|                       | <b>2022</b> | <b>0</b>                   |
|                       | <b>2023</b> | <b>0</b>                   |
|                       |             |                            |
| <b>South Carolina</b> | <b>2021</b> | <b>0</b>                   |
|                       | <b>2022</b> | <b>0</b>                   |
|                       | <b>2023</b> | <b>0</b>                   |
|                       |             |                            |
| <b>Tennessee</b>      | <b>2021</b> | <b>0</b>                   |
|                       | <b>2022</b> | <b>1</b>                   |
|                       | <b>2023</b> | <b>0</b>                   |
|                       |             |                            |
| <b>Texas</b>          | <b>2021</b> | <b>0</b>                   |
|                       | <b>2022</b> | <b>0</b>                   |
|                       | <b>2023</b> | <b>0</b>                   |

| State      | Year | Number of Transfers |
|------------|------|---------------------|
| Virginia   | 2021 | 0                   |
|            | 2022 | 0                   |
|            | 2023 | 0                   |
| Washington | 2021 | 0                   |
|            | 2022 | 0                   |
|            | 2023 | 0                   |
| Wisconsin  | 2021 | 0                   |
|            | 2022 | 0                   |
|            | 2023 | 0                   |
| Total      | 2021 | 4                   |
|            | 2022 | 3                   |
|            | 2023 | 3                   |

**Table No. 3**

**Status of Franchised Outlets  
For Years 2021 to 2023\***

| State      | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired By Franchisor | Ceased Operations-Other Reasons | Franchised Outlets Operating at Year End |
|------------|------|--------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|--|
| Alabama    | 2021 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 2  |
|            | 2022 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 2  |
|            | 2023 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 2  |
| Arizona    | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1  |
|            | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1  |
|            | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1  |
| California | 2021 | 7                        | 0              | 0            | 0            | 0                        | 0                               | 7  |
|            | 2022 | 7                        | 0              | 0            | 0            | 0                        | 0                               | 7  |
|            | 2023 | 7                        | 1              | 0            | 0            | 0                        | 0                               | 8  |

| State         | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired By Franchisor | Ceased Operations-Other Reasons | Franchised Outlets Operating at Year End |
|---------------|------|--------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|--|
| Colorado      | 2021 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3  |
|               | 2022 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3  |
|               | 2023 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3  |
| Connecticut   | 2021 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 2  |
|               | 2022 | 2                        | 0              | 1            | 0            | 0                        | 0                               | 1  |
|               | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1  |
| Florida       | 2021 | 12                       | 1              | 0            | 0            | 0                        | 0                               | 13                                       |
|               | 2022 | 13                       | 0              | 2            | 0            | 0                        | 0                               | 11                                       |
|               | 2023 | 11                       | 0              | 0            | 0            | 0                        | 0                               | 11                                       |
| Georgia       | 2021 | 4                        | 0              | 0            | 0            | 0                        | 0                               | 4  |
|               | 2022 | 4                        | 0              | 0            | 0            | 0                        | 0                               | 4  |
|               | 2023 | 4                        | 0              | 0            | 0            | 0                        | 0                               | 4  |
| Idaho         | 2021 | 1                        | 0              | 0            | 0            | 0                        | 1                               | 0  |
|               | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0  |
|               | 2023 | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0  |
| Illinois      | 2021 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3  |
|               | 2022 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3  |
|               | 2023 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3  |
| Indiana       | 2021 | 2                        | 0              | 0            | 0            | 0                        | 0                               | 2  |
|               | 2022 | 2                        | 1              | 0            | 0            | 0                        | 0                               | 3  |
|               | 2023 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3  |
| Kentucky      | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1  |
|               | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1  |
|               | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1  |
| Louisiana     | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1  |
|               | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1  |
|               | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1  |
| Maryland      | 2021 | 2                        | 0              | 1            | 0            | 0                        | 0                               | 1  |
|               | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1  |
|               | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1  |
| Massachusetts | 2021 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3  |
|               | 2022 | 3                        | 0              | 0            | 0            | 0                        | 0                               | 3  |

| State          | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired By Franchisor | Ceased Operations- Other Reasons | Franchised Outlets Operating at Year End |
|----------------|------|--------------------------|----------------|--------------|--------------|--------------------------|----------------------------------|--|
|                | 2023 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3  |
|                |      |                          |                |              |              |                          |                                  |  |
| Michigan       | 2021 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3  |
|                | 2022 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3  |
|                | 2023 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3  |
|                |      |                          |                |              |              |                          |                                  |  |
| Missouri       | 2021 | 2                        | 1              | 0            | 0            | 0                        | 0                                | 3  |
|                | 2022 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3  |
|                | 2023 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3  |
|                |      |                          |                |              |              |                          |                                  |  |
| Minnesota      | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                |      |                          |                |              |              |                          |                                  |  |
| North Carolina | 2021 | 4                        | 0              | 0            | 0            | 0                        | 0                                | 4  |
|                | 2022 | 4                        | 0              | 0            | 0            | 0                        | 0                                | 4  |
|                | 2023 | 4                        | 0              | 0            | 0            | 0                        | 0                                | 4  |
|                |      |                          |                |              |              |                          |                                  |  |
| New Hampshire  | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                | 2022 | 1                        | 0              | 0            | 0            | 0                        | 1                                | 0  |
|                | 2023 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0  |
|                |      |                          |                |              |              |                          |                                  |  |
| New Jersey     | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                |      |                          |                |              |              |                          |                                  |  |
| New York       | 2021 | 4                        | 0              | 0            | 0            | 0                        | 0                                | 4  |
|                | 2022 | 4                        | 0              | 0            | 0            | 0                        | 0                                | 4  |
|                | 2023 | 4                        | 0              | 1            | 0            | 0                        | 0                                | 3  |
|                |      |                          |                |              |              |                          |                                  |  |
| Nevada         | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                |      |                          |                |              |              |                          |                                  |  |
| Ohio           | 2021 | 6                        | 0              | 0            | 0            | 0                        | 0                                | 6  |
|                | 2022 | 6                        | 0              | 1            | 0            | 0                        | 0                                | 5  |
|                | 2023 | 5                        | 0              | 0            | 0            | 0                        | 0                                | 5  |
|                |      |                          |                |              |              |                          |                                  |  |
| Oklahoma       | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                |      |                          |                |              |              |                          |                                  |  |

| State          | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired By Franchisor | Ceased Operations- Other Reasons | Franchised Outlets Operating at Year End |
|----------------|------|--------------------------|----------------|--------------|--------------|--------------------------|----------------------------------|--|
| Oregon         | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
| Pennsylvania   | 2021 | 6                        | 0              | 0            | 0            | 0                        | 0                                | 6  |
|                | 2022 | 6                        | 0              | 0            | 0            | 0                        | 0                                | 6  |
|                | 2023 | 6                        | 0              | 0            | 0            | 0                        | 0                                | 6  |
| South Carolina | 2021 | 2                        | 0              | 0            | 0            | 0                        | 0                                | 2  |
|                | 2022 | 2                        | 0              | 0            | 0            | 0                        | 0                                | 2  |
|                | 2023 | 2                        | 0              | 0            | 0            | 0                        | 1                                | 1  |
| Tennessee      | 2021 | 5                        | 0              | 0            | 0            | 0                        | 0                                | 5  |
|                | 2022 | 5                        | 0              | 0            | 0            | 0                        | 0                                | 5  |
|                | 2023 | 5                        | 0              | 0            | 0            | 0                        | 0                                | 5  |
| Texas          | 2021 | 8                        | 1              | 0            | 0            | 0                        | 0                                | 9  |
|                | 2022 | 9                        | 0              | 0            | 0            | 0                        | 0                                | 9  |
|                | 2023 | 9                        | 0              | 0            | 0            | 0                        | 0                                | 9  |
| Utah           | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0  |
|                | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0  |
|                | 2023 | 0                        | 0              | 0            | 0            | 0                        | 0                                | 0  |
| Virginia       | 2021 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3  |
|                | 2022 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3  |
|                | 2023 | 3                        | 0              | 0            | 0            | 0                        | 0                                | 3  |
| Washington     | 2021 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
|                | 2023 | 1                        | 0              | 0            | 0            | 0                        | 0                                | 1  |
| Wisconsin      | 2021 | 2                        | 0              | 0            | 0            | 0                        | 0                                | 2  |
|                | 2022 | 2                        | 0              | 0            | 0            | 0                        | 0                                | 2  |
|                | 2023 | 2                        | 0              | 0            | 0            | 0                        | 0                                | 2  |
| Total          | 2021 | 96                       | 3              | 1            | 0            | 0                        | 1                                | 97                                       |
|                | 2022 | 97                       | 1              | 4            | 0            | 0                        | 1                                | 93                                       |
|                | 2023 | 93                       | 1              | 1            | 0            | 0                        | 1                                | 92                                       |

\*If multiple events occurred affecting an outlet, this table shows the event that occurred last in

time.

**Table No. 4**

**Status of Company-Owned  
Outlets For Years 2021 to 2023**

| <b>State</b>         | <b>Year</b> | <b>Outlets at Start of Year</b> | <b>Outlets Opened</b> | <b>Outlets Reacquired from Franchisees</b> | <b>Outlets Closed</b> | <b>Outlets Sold to Franchisees</b> | <b>Outlets at End of the Year</b> |
|----------------------|-------------|---------------------------------|-----------------------|--|-----------------------|------------------------------------|-----------------------------------|
| <b>Massachusetts</b> | <b>2021</b> | <b>1</b>                        | <b>0</b>              | <b>0</b>                                   | <b>0</b>              | <b>0</b>                           | <b>1</b>                          |
|                      | <b>2022</b> | <b>1</b>                        | <b>0</b>              | <b>0</b>                                   | <b>0</b>              | <b>0</b>                           | <b>1</b>                          |
|                      | <b>2023</b> | <b>1</b>                        | <b>0</b>              | <b>0</b>                                   | <b>0</b>              | <b>0</b>                           | <b>1</b>                          |
| <b>Total</b>         | <b>2021</b> | <b>1</b>                        | <b>0</b>              | <b>0</b>                                   | <b>0</b>              | <b>0</b>                           | <b>1</b>                          |
|                      | <b>2022</b> | <b>1</b>                        | <b>0</b>              | <b>0</b>                                   | <b>0</b>              | <b>0</b>                           | <b>1</b>                          |
|                      | <b>2023</b> | <b>1</b>                        | <b>0</b>              | <b>0</b>                                   | <b>0</b>              | <b>0</b>                           | <b>1</b>                          |
|                      |             |                                 |                       |  |                       |                                    |                                   |

\* We do not operate any company-owned outlets. The company-owned outlet in the table above is owned and operated by our affiliate The Flying Locksmiths, Inc.

**Table No. 5**

**Projected Openings as of December 31, 2023**

| <b>State</b>  | <b>Franchise Agreements Signed But Outlet Not Open</b> | <b>Projected New Franchised Outlets in the Next Fiscal Year</b> | <b>Projected New Company-Owned Outlets in the Next Fiscal Year</b> |
|---------------|--|---|--|
| Arkansas      | 0  | 1   | 0  |
| California    | 0  | 1   | 0  |
| Florida       | 0  | 1   | 0  |
| Louisiana     | 0  | 1   | 0  |
| Texas         | 0  | 1   | 0  |
| <b>TOTALS</b> | <b>0</b>   | <b>5</b>  | <b>0</b>   |

Exhibit H contains a list of the names of all franchisees and the addresses and telephone numbers of their outlets as of the end of our last fiscal year end.

Exhibit I contains a list of the names of all franchisees who had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who had not communicated with us within ten weeks of the date of the disclosure document issuance date.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Franchisees have not signed confidentiality agreements restricting their ability to speak to you about their experience with us in the last three fiscal years.

We have formed The Flying Locksmiths National Advisory Council located at: 859 Willard Street, Suite 100, Quincy, Massachusetts 02169, Telephone: (781) 963-5080; email: NAC@flyinglocksmith.com, (No website).

## **ITEM 21 FINANCIAL STATEMENTS**

Exhibit G contains our audited financial statements for our fiscal years ending December 31, 2023, 2022, and 2021. These financial statements are prepared in accordance with generally accepted accounting principles by an independent auditor. Our fiscal year end is December 31<sup>st</sup>.

Also attached are our unaudited financial statements for the interim period ending ~~February 29~~ July 31, 2024.

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THE CONTENT OR FORM.

## **ITEM 22 CONTRACTS**

The following agreements are attached as exhibits to this Disclosure Document:

- Exhibit C      Franchise Agreement
  - Attachment 1: Franchised Business – Particulars
  - Attachment 2: Marks
  - Attachment 3: Principal Owners Statement
  - Attachment 4: Automatic Bank Draft Authorization
  - Attachment 5: Personal Guaranty
  - Attachment 6: Master Equity Sublease Agreement
  - Attachment 7: Franchisee Disclosure Acknowledgment Statement
  - Attachment 8: State Addenda to the Franchise Agreement
  
- Exhibit D      Employee Confidentiality Agreement
  
- Exhibit E      General Release and Waiver of Claims

**ITEM 23**  
**RECEIPTS**

Exhibit K contains two copies of a Receipt of this Disclosure Document.

**EXHIBIT A**  
**STATE ADDENDA TO DISCLOSURE DOCUMENT**

## **CALIFORNIA ADDENDUM TO THE DISCLOSURE DOCUMENT**

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

As to franchises governed by the California Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

The “Risk Factors” on the second page of the Disclosure Document is amended to also include the following:

**THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.**

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this 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 these persons from membership in this association or exchange.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60-day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

The franchise agreement requires application of the laws of Massachusetts. This provision may not be enforceable under California law.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

California’s Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its

employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement 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.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

Our website is located at <http://flyinglocksmiths.com/>

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

**HAWAII ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Hawaii Franchise Investment Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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 COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR 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 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, HI 96813

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.

## **ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. Any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

4. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

Item 5 of the FDD is amended to also include the following: "We defer the payment of all initial fees paid by you to us until we have performed all pre-opening obligations and you are open for business."

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

## **MARYLAND ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Items 17.c. and 17.m. are modified to also provide that, pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17.u. is modified to also provide, “You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.

3. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

4. Item 5 of the Disclosure Document is modified to also provide: “Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. Accordingly, you will not be required to pay the initial fees until we have completed all our pre-opening obligations to you and you begin operating your business.”

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.

## **MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Minnesota franchise laws, If any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Sec. 80C.17, Subd. 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.

## **NEW YORK ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

We represent that this prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

1. Item 3 of the Disclosure Document is amended as follows:

Other than as described in this Item, neither the franchisor, its predecessor, nor any person identified in Item 2, nor an affiliate offering franchises under the franchisor's principal trademark:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. 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 or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

C. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity

as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

2. Item 4 of the Disclosure Document is amended to also provide:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its 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 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

3. Item 17.d. of the Disclosure Document is amended to also provide that the franchisee may terminate the franchise agreement on any grounds available by law.

4. Item 17.j. of the Disclosure Document is amended to also provide: “However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the franchise agreement.”

5. Item 17.w. of the Disclosure Document is amended to also provided that the foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by the General Business Law of the State of New York, Article 33.

## **NORTH DAKOTA ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the North Dakota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

**Restrictive Covenants:** To the extent that covenants not to compete apply to periods after the term of the franchise agreement, they are generally unenforceable under North Dakota law.

**Applicable Laws:** North Dakota law will govern the franchise agreement.

**Waiver of Trial by Jury:** Any waiver of a trial by jury will not apply to North Dakota Franchises.

**Waiver of Exemplary & Punitive Damages:** Any waiver of punitive damages will not apply to North Dakota Franchisees.

**General Release:** Any requirement that the franchisee sign a general release upon renewal of the franchise agreement does not apply to franchise agreements covered under North Dakota law.

**Enforcement of Agreement:** Any requirement in the Franchise Agreement that requires the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Item 5 of the Disclosure Document "Initial Fee" is amended by the addition of the following paragraph:

"All initial fees and payments shall be deferred until such time as the franchisor has fulfilled its initial pre-opening obligations and the franchisee is open for business."

Item 17(i) of the Disclosure Document is modified to delete any requirement, as contained in Franchise Agreement Section 16.6., to pay liquidated damages upon termination based upon Material Default.

Item 17(u) of the Disclosure Document is modified to provide that the site of any mediation or arbitration must be agreeable to all parties and may not be remote from the franchisee's place of business.

**RHODE ISLAND ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Rhode Island Franchise Investment Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17.m. of the Disclosure Document is revised to provide:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits a franchisee to be restricted in choice of jurisdiction or venue. To the extent any such restriction is purported to be required by us, it is void with respect to all franchisees governed under the laws of Rhode Island.

Item 17.w. of the Disclosure Document is revised to provide: Rhode Island law applies.

**VIRGINIA ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document is amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

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.

2. Item 5 of the Disclosure Document is amended to also add the following: “The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.”

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.

## **WASHINGTON ADDENDUM TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Washington Franchise Investment Protection Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 5 of the Disclosure Document is amended to also add the following:

Collection of the initial franchise fee will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchisee is open for business.

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.

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.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount

that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**WISCONSIN ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide,

If the franchise agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

**EXHIBIT B**

**STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

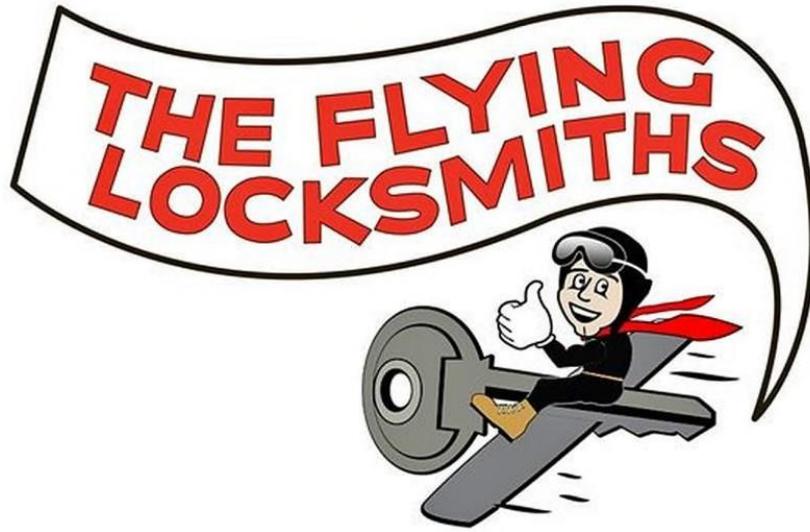
| <b>State</b>   | <b>State Administrator</b>  | <b>Agent for Service of Process</b>   |
|--|---|---|
| <b>California</b><br>Toll-free (866) 275-2677<br>Email: <a href="mailto:Ask.DFPI@dfpi.ca.gov">Ask.DFPI@dfpi.ca.gov</a><br><a href="http://www.dfpi.ca.gov">www.dfpi.ca.gov</a> | Department of Financial Protection and Innovation<br>320 West 4th Street<br>Los Angeles, CA 90013<br><br>2101 Arena Boulevard<br>Sacramento, CA 95834<br>1-866-275-2677                   | Commissioner,<br>Department of Financial Protection and Innovation<br>320 West 4th Street<br>Los Angeles, CA 90013  |
| <b>Connecticut</b>   | The Banking Commissioner<br>The Department of Banking, Securities and Business<br>Investment Division<br>260 Constitution Plaza<br>Hartford, CT 06103-1800<br>Phone Number (860) 240-8299 | The Banking Commissioner<br>The Department of Banking, Securities and Business<br>Investment Division<br>260 Constitution Plaza<br>Hartford, CT 06103-1800<br>Phone Number (860) 240-8299 |
| <b>Hawaii</b>  | Department of Commerce and Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813<br>(808) 586-2722    | Commissioner of Securities of the State of Hawaii<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813                |
| <b>Illinois</b>  | Office of Attorney General<br>Franchise Division<br>500 South Second Street<br>Springfield, IL 62706<br>(217) 782-4465  | Illinois Attorney General<br>Franchise Division<br>500 South Second Street<br>Springfield, IL 62706   |
| <b>Indiana</b>   | Secretary of State, Securities Division<br>302 West Washington Street,<br>Room E-111<br>Indianapolis, IN 46204<br>(317) 232-6681  | Secretary of State, Securities Division<br>302 West Washington Street,<br>Room E-111<br>Indianapolis, IN 46204  |
| <b>Kentucky</b>  | Kentucky Attorney General<br>700 Capitol Avenue<br>Frankfort, Kentucky 40601-3449<br>(502) 696-5300   |   |

| <b>State</b>        | <b>State Administrator</b>   | <b>Agent for Service of Process</b>   |
|---------------------|--|---|
| <b>Maryland</b>     | Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, MD 21202<br>(410) 576-6360   | Maryland Securities<br>Commissioner<br>200 St. Paul Place<br>Baltimore, MD 21202-2020   |
| <b>Michigan</b>     | Department of Attorney General<br>Consumer Protection Division –<br>Franchise Unit<br>525 W. Ottawa Street<br>G. Mennen Building<br>Lansing, MI 48913<br>(517) 373-7117            | Department of Attorney General<br>525 W. Ottawa Street<br>G. Mennen Building<br>Lansing, MI 48913   |
| <b>Minnesota</b>    | Minnesota Commissioner of<br>Commerce<br>85 7 <sup>th</sup> Place East, Suite 280 St.<br>Paul, MN 55101-2198<br>(651) 539-1500   | Minnesota Commissioner of<br>Commerce<br>85 7th Place East, Suite 280<br>St. Paul, MN 55101-2198  |
| <b>Nebraska</b>     | Nebraska Department of Banking<br>and Finance<br>1200 N Street-Suite 311 Post<br>Office Box 95006<br>Lincoln, Nebraska 68509<br>(402) 471-3445                                     |   |
| <b>New York</b>     | NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty St. 21 <sup>st</sup> Floor<br>New York, NY 10005<br>212-416-8222   | New York Secretary of State<br>New York Department of State<br>One Commerce Plaza<br>99 Washington Avenue, 6th Floor<br>Albany, New York 12231-0001               |
| <b>North Dakota</b> | Securities Commissioner North<br>Dakota Securities Department<br>600 East Boulevard Avenue<br>State Capital, 14th Floor, Dept.<br>414<br>Bismarck, ND 58505-0510<br>(701) 328-4712 | Securities Commissioner North<br>Dakota Securities Department<br>600 East Boulevard Avenue<br>State Capital, 14th Floor, Dept.<br>414<br>Bismarck, ND 58505-0510  |
| <b>Rhode Island</b> | Department of Business<br>Regulation<br>Securities Division<br>John O. Pastore Complex<br>1511 Pontiac Avenue, Bldg. 69-1<br>Cranston, RI 02920<br>(401) 462-9588                  | Department of Business<br>Regulation<br>Securities Division<br>John O. Pastore Complex<br>1511 Pontiac Avenue, Bldg. 69-1<br>Cranston, RI 02920<br>(401) 462-9588 |

| <b>State</b>        | <b>State Administrator</b>  | <b>Agent for Service of Process</b>   |
|---------------------|---|---|
| <b>South Dakota</b> | Division of Insurance Securities Regulation<br>124 South Euclid, Suite 104<br>Pierre, SD 57501<br>(605) 773-773-3563  | Division of Insurance Securities Regulation<br>124 South Euclid, Suite 104<br>Pierre, SD 57501                                |
| <b>Texas</b>        | Secretary of State<br>Statutory Document Section<br>P.O. Box 12887 Austin, TX<br>78711  |   |
| <b>Utah</b>         | Department of Commerce<br>Division of Consumer Protection<br>160 East 300 South<br>Salt Lake City, Utah 84111-0804<br>(801) 530-6601                                |   |
| <b>Virginia</b>     | State Corporation Commission<br>Division of Securities and Retail Franchising, 9 <sup>th</sup> Floor<br>1300 E. Main Street<br>Richmond, VA 23219<br>(804) 371-9051 | Clerk of the State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, VA 23219                           |
| <b>Washington</b>   | Washington State Department of Financial Institutions<br>Securities Division<br>P.O. Box 41200<br>Olympia, WA 98504-1200<br>(360) 902-8760                          | Securities Administrator<br>Washington State Department of Financial Institutions<br>150 Israel Road SW<br>Tumwater, WA 98501 |
| <b>Wisconsin</b>    | Wisconsin Department of Financial Institutions<br>345 West Washington Avenue<br>Madison, WI 53703<br>(608) 266-8557   | Wisconsin Department of Financial Institutions<br>345 West Washington Avenue<br>Madison, WI 53703                             |

**EXHIBIT C**

**TFL Franchise Systems, LLC**



**FRANCHISE AGREEMENT**

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ATTACHMENTS

- Attachment 1: Franchised Business – Particulars
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- Attachment 3: Principal Owners Statement
- Attachment 4: Automatic Bank Draft Authorization
- Attachment 5: Personal Guaranty
- Attachment 6: Master Equity Sublease Agreement
- Attachment 7: Franchisee Disclosure Acknowledgment Statement
- Attachment 8: State Addenda to the Franchise Agreement
- Attachment 9: Summary of Initial Package

THIS FRANCHISE AGREEMENT (“Agreement”), dated \_\_\_\_\_ (the “Effective Date”), is entered into by and between TFL Franchise Systems, LLC, a Massachusetts limited liability company (“Franchisor” or “we,” “us,” or “our,” and \_\_\_\_\_ [a/an] [Individual/Name of Entity] with its principal address at \_\_\_\_\_) (“Franchisee,” or “you,” or “your”) and, if Franchisee is a partnership, corporation, trust, or limited liability company, including each of its partners, shareholders, trustees, or members.

## RECITALS

**WHEREAS**, Franchisor has created a comprehensive program (the “Program”) for the operation of a business that provides locksmith and security services and products, including doors, video cameras, and access control, for commercial and residential customers under the name of The Flying Locksmiths (the “Franchised Business”). Your business will consist of a fixed location and one or more service vans.

**WHEREAS**, the Program involves the use of Franchisor’s confidential and proprietary methods, equipment, operating procedures, business techniques, and manuals in connection with each Franchised Business (the “Confidential and Proprietary Material”) as well as the use of Franchisor’s trademarks, service marks, trade names, logos, brands, copyrights and other intellectual property in connection with each Franchised Business (“Intellectual Property”);

**WHEREAS**, Franchisee wishes to establish and operate a Franchised Business pursuant to this Agreement using the Program and the Confidential and Proprietary Material in the territory (“Territory” as defined in the Agreement), and to derive the benefits of the Program, the Confidential and Proprietary Material, and Franchisor’s experience, name, reputation and guidance;

**WHEREAS**, Franchisor wishes to grant Franchisee the right to establish and operate one Franchised Business pursuant to this Agreement using the Program and the Confidential and Proprietary Material in the Territory, and to derive the benefits of the Program, the Confidential and Proprietary Material, and Franchisor’s experience, name, reputation and guidance;

**NOW THEREFORE** in consideration of the foregoing, the covenants and agreements herein contained, and other good and valuable consideration, the receipt, and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

## AGREEMENT

### 1. DEFINITIONS AND INTERPRETATION

1.1 **Defined Terms.** In addition to the terms defined above, which are incorporated herein by this reference, the following terms have the meanings set forth below:

- (a) **“Affiliate”** of any person means another person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first entity.

- (b) **“Gross Revenue”** means the aggregate sales price of all products and services sold by the Franchisee or any of its Affiliates, in connection with or arising out of the operation of the Franchised Business. It also includes the retail value of all products and services donated or bartered by the Franchisee or any of its Affiliates, in connection with or arising out of the operation of the Franchised Business. Excluding from these amounts are (1) the amount of any refund or credit given in respect of any services provided to a customer of the Franchised Business for which a refund of the whole or part of the purchase price is made or for which a credit is given in the ordinary course of business, and (2) any amounts collected by Franchisee for any governmental authority and paid out by Franchisee to that governmental authority on account of sales taxes or other taxes imposed upon the sale of goods or services by Franchisee in respect of the Franchised Business and which Franchisee is not entitled to subsequently recover.
- (c) **“Marks”** means the trademarks or trademark applications shown in Attachment 2, as such marks may be changed from time to time. The Marks are one component of the Intellectual Property.
- (d) **“National Account”** means relations with clients with outlets in multiple territories who desire for Franchisor to administer their account at the franchisor level.
- (e) **“Operations Manual”** means the manual entitled ““The Flying Locksmiths Operations Manual,” including hard copy and online materials, developed and owned by Franchisor, as revised by Franchisor from time to time.
- (f) **“Program”** means the Franchisor’s best practices that have been developed and combined into a comprehensive process for operating a Franchised Business. It includes, but is not limited to, franchisee training, marketing, and sales assistance in opening and operating your Franchised Business.
- (g) **“Franchised Business”** means The Flying Locksmiths business you will operate in accordance with the terms of this Agreement.

1.2 ***Interpretation.*** For purposes of this Agreement:

The singular number shall include the plural, and the masculine gender shall include the feminine and neuter genders, and vice versa.

The article, section and subsection headings are for convenience of reference only and shall not for the purpose of interpretation be deemed a part of this Agreement.

All grammatical variations of defined terms in this Agreement shall have the meaning corresponding to the grammatical variation.

## **2. GRANT OF FRANCHISE AND TERM**

2.1 ***Grant of Franchise.*** Upon the terms and conditions set forth herein, Franchisor grants to Franchisee, and Franchisee accepts, the right for the Term and any Renewal Term-

- (a) to establish and operate one Franchised Business; and
- (b) to use the Program, the Intellectual Property, and the Confidential and Proprietary Material in connection with the operation of the Franchised Business in accordance with this Agreement, the Software License Agreement and the Operations Manual.

2.2 **Territory.** You will receive a designated Territory as identified on Attachment 1 to this Agreement in which to operate the Franchised Business that contains a specified number of people based on the U.S. Census Bureau or other source but no less than 200,000 people. We will not establish in your designated Territory either a company-owned, affiliate-owned or franchised outlet selling the same goods or services under the Marks as we license to you, except as specified in this Agreement.

If you do not meet the Monthly Minimum Gross Revenue performance requirements, as specified in Section 4.2, during any consecutive three-month period, we reserve the right to terminate this Agreement or to establish a company-owned, affiliate-owned or franchised outlet within your designated Territory that are selling the same or similar goods or services under the Marks as we license to you or to alter the boundaries of your Territory or allow another Flying Locksmiths franchisee to advertise and service customers in your designated Territory. Neither the company-owned, affiliate-owned, franchised outlet nor we are liable or obligated to pay you any compensation, nor we or the franchisee be considered in breach of any provision of this Agreement or any other agreement between you and us regardless if Monthly Minimum Gross Revenue are achieved in the future. Otherwise, we may not alter the boundaries of your Territory, even if the population in your Territory increases.

We may establish company-owned, affiliate-owned outlets, other franchises or sub-franchises outside your designated Territory, regardless of proximity to the boundaries of your Territory.

We may also establish other franchises or company-owned, affiliate-owned outlets or other channels of distribution offering similar services under names and trademarks which are not the same as the Marks, within or outside your Territory.

We or an affiliate may use other channels of distribution, such as the Internet, catalog sales, or other direct marketing, to make sales within your Territory using the Marks. While we will usually direct customers gained in this way in your Territory to your Franchised Business, we may occasionally direct such customers to another franchisee if we, in our sole discretion, determine that business circumstances so require.

We reserve the right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales within your Territory of products or services under trademarks different from the Marks granted to you under this Agreement. We do not pay compensation to you for soliciting or accepting orders from inside your Territory.

We reserve the right to acquire, be acquired by, or merge with other companies with existing locksmith or security related businesses, and other related services anywhere (including inside or outside of the Territory and, even if such businesses are located in the Territory, provided

the other businesses continue to operate under another name). We will not compensate you for any of our activities including soliciting or accepting business in your Territory, even if they have an impact on your Franchised Business

Unless you receive our prior permission, you are prohibited from soliciting or providing services to customers outside of your designated Territory, including the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing.

**2.3 National Accounts.** We alone retain the exclusive right to establish relations with clients who have locations in multiple franchisee territories who desire for us to administer their account at the franchisor level (National Accounts”). Typically, these clients desire to channel their job requests and billing solely through us at the franchisor level. We then make these jobs available to franchisees. You may elect to accept such jobs if they become available in your Territory or not. If you decline a job for a National Account, we retain the right to assign the job to another franchisee or an outside contractor even if the job is within your Territory. You must allow us to handle the billing or invoicing on national account clients when we or the national account client so specifies. We may mark up your invoice approximately 1%-20% and may impose certain other fees or fee splits. By entering into this Agreement, you agree to these mark ups, fees and fee splits.

If you circumvent or do not follow our national account billing procedures or otherwise violate our National Accounts program, we can fine you up to twenty percent (20%) of your share of the fee for each such occurrence. If you circumvent or do not follow our national account billing procedures two (2) or more times, we reserve the right to stop sending National Account jobs to you. In addition, if there is a dispute on any work performed for a National Account, you agree that we may mediate and resolve the dispute and you agree to be bound by our decision. If you decline a National Account job made available to you in your Territory or do not follow our national account billing procedure as required above, then we may offer the job to a nearby franchisee or in some cases, another locksmith company not affiliated with us.

**2.4 Reservation of Other Rights.** Except as set forth above, Franchisor, for itself and its Affiliates and successors, expressly reserves the right to offer the Services under the Marks directly or through other Franchised Businesses at any location.

**2.5 Opening Date and Commencement of Services.** The parties intend that the Franchised Business will commence operation on the date specified for commencement of operations in Attachment 1 (the “Scheduled Opening Date”). Franchisee agrees to use its best efforts to execute a preliminary agreement with a lessor within thirty (30) days of signing the Agreement and to execute a lease for an office location which meets Franchisor specifications within sixty (60) days of signing the Agreement. Further, Franchisee agrees to open the Franchised Business within one hundred and twenty (120) days after execution of the lease. Franchisee may request an extension in writing from the Franchisor if Franchisee is unable to meet these deadlines. Franchisee further confirms and agrees that it will obtain and maintain all licenses, permits and inspection approvals required by law or regulation, and takes such other actions as may be necessary, to operate the Franchised Business at the Franchised Location from and after the Scheduled Opening Date. Franchisor may extend the Scheduled Opening Date by up to sixty (60) days on written notice to Franchisee.

**2.6 Operation only from Franchised Location.** You must locate your Franchised Business office in your territory in a business location ("the Franchised Location") in compliance with our Site Selection process set forth in Section 5. Your Franchised Location cannot be at your home or a residential address. Franchisee and all employees and other representatives of Franchisee shall operate the Franchised Business at and solely from the Franchised Location, or such other location or locations as we may agree to in advance in writing. We will approve the relocation of the Franchised Location or your establishment of additional franchised outlets if, in our sole discretion, we determine that there is a reasonable business justification to do so and the new location meets our site selection criteria.

**2.7 Term.** The term of this Agreement shall commence on the Scheduled Opening Date (whether or not the Franchised Location is open for business on that date) and, unless sooner terminated as provided herein, shall continue for a term of ten (10) years, subject to renewal pursuant to Section 19.

**2.8 Personal Participation, Business Organization, and Personal Guaranty(s).**

(a) If you are an individual or individuals, then you acknowledge and agree that the grant of franchise in Section 2.1 is made by Franchisor based on and in reliance on your personal attributes and in consideration of the trust and confidence which we place in you, and on your representation that you will actively and substantially participate personally in the beneficial ownership and management of the Franchised Business.

(b) In the event you are a business entity (including but not limited to a corporation, a limited liability corporation, a partnership, a limited liability partnership or a trust), in addition to being newly formed, you must complete and sign the Principal Owner's Statement attached to this Agreement as Attachment 3 and each individual with an ownership interest in you must also sign Attachment 3. Further, you represent, warrant and covenant that:

(i) You are newly formed, duly organized and validly exist under the laws of the state in which you were formed;

(ii) You are duly qualified and are authorized to do business in each jurisdiction in which your business activities or the nature of the properties owned by you require such qualification;

(iii) The execution of and transactions contemplated by this Agreement are within your powers;

(iv) The ownership interests in you are accurately and fully listed in Attachment 3;

(v) Each and every person with an ownership interest in you shall sign the Guaranty Agreement attached to this Agreement as Attachment 5 and you shall provide the original signed Guaranty Agreement to us;

(vi) The stated purpose of the business entity shall consist only of the development, ownership, operation and maintenance of the Franchised Business;

(vii) You shall not issue any additional stock, membership, or interests in you and no individual with ownership interest in you shall transfer, assign or pledge any ownership interest in you without our prior written consent, which shall not be unreasonably withheld, and a legend setting forth such restriction on transfers shall be contained in the business entity's organizational and governing documents and other appropriate documents such as certificates and stocks. In giving our consent, we shall have the right (but not the obligation) to impose one or more reasonable conditions;

(viii) In the event the ownership interests in you changes, you must provide an updated Attachment 3 to us within five (5) business days of the change and the new recipient(s) of an ownership interest in you must sign the Guaranty Agreement attached to this Agreement as Attachment 5;

(ix) Prior to our signing of this Agreement, you shall deliver to us photocopies of the organizational and governing documents and other documents such as certificates and stocks reflecting compliance with the provisions of this Subsection 2.8(b); and,

(x) Operation of Franchised Business is within the use for which the business entity is authorized in the jurisdiction in which the Franchised Business shall be conducted.

(c) If You are a business entity, you must appoint an individual owner as your operating principal ("Operating Principal") who must have authority over all business decisions related to your Franchised Business and must have the power to bind you in all dealings with us. Your Operating Principal must have at least a twenty-five percent (25%) ownership interest in your business entity. You must provide us with written notice of your Operating Principal at least thirty (30) days prior to opening and may not change your Operating Principal without our prior written approval.

### 3. INITIAL FEES

3.1 **Initial Franchise Fee.** The Initial Franchise Fee for a single-unit Franchised Business is \$75,000 for a territory up to a population count of 500,000. For territories with a population greater than 500,000, the Initial Franchise Fee is \$.15 per person in the territory. The minimum territory size is approximately 200,000 people, which would equal a \$75,000 franchise fee, and the maximum territory size is approximately 2,000,000 people, which would equal a \$300,000 franchise fee. We offer a five percent (5%) discount on the Initial Franchise Fee for an honorably discharged U.S. Veteran. The Initial Franchise Fee is due upon signing of this Agreement and is non-refundable and fully earned upon receipt.

3.2 **Marketing Jump-Start Program.** Franchisee required to pay \$5,000 to cover the Marketing Jump-Start Program which includes certain digital marketing services to assist in increasing the online awareness of your new business, including; Standard Marketing Program consisting of; Search Engine Optimization (SEO) setup, six months Online Listing Management, six months Website Landing Page, Hosting and Maintenance, six months Social Media Management, six months Graphic Design Assistance, six months Email Marketing and six months Reports. Additional Marketing Jump Start Services consist of six (6) months' Pay-Per-

Click ads and six months Facebook Post Boosting. The Marketing Jump-Start Program Fee is due upon signing of this Agreement and is non-refundable and fully earned upon receipt.

**4. ROYALTY AND FEES**

4.1 **Amount of Royalty.** Franchisee shall pay to Franchisor a continuing royalty of eight percent (8%) of Gross Revenue of the Franchised Business.

4.2 **Monthly Minimum Gross Revenue .** Franchisor has established Monthly Minimum Gross Revenue performance requirements as follows:

| Months in Operation | Monthly Minimum Gross Revenue Required | Minimum Monthly Royalty Due |
|---------------------|--|-----------------------------|
| 0 - 12              | No Minimum                             | No Minimum                  |
| 13 - 24             | \$18,750                               | \$2,250                     |
| 25 - 36             | \$25,000                               | \$3,000                     |
| 37 and Beyond       | \$37,500                               | \$4,500                     |

Starting the thirteenth (13<sup>th</sup>) month in operation of the Franchised Business, if Franchisee does not achieve the required Monthly Minimum Gross Revenue, Franchisor may collect a minimum Royalty equal to what Franchisee would have been assessed had Franchisee achieved the Monthly Minimum Gross Revenue. In that instance, in addition to the Royalties Franchisee paid, Franchisor will collect, on the first Friday of the following month, the Royalties on the difference between the Gross Revenue reported for the month and the required Monthly Minimum Gross Revenue.

4.3 **Calculation and Payment.** The Royalty and ~~Customer Care Center~~Client Services Fee (discussed below) shall be paid monthly by way of electronic transfer (automatic debit) to Franchisor. All Royalty and ~~Call Center~~Client Services fees are billed on Gross Revenue two (2) months after the month in which the sale of products or services took place, to aid the franchisee in managing cash flow. Monthly reports and invoices are due from Franchisee by the fourth (4<sup>th</sup>) day, payments are due on the eighth (8<sup>th</sup>) day, and are delinquent on the tenth (10<sup>th</sup>) day of the subsequent month. If monthly reports are not submitted by the fifteenth (15<sup>th</sup>) of the month, a \$500 late fee applies.

Payment will be automatically debited from Franchisee’s account on the eighth (8<sup>th</sup>). If payment is not received by the tenth (10<sup>th</sup>), then ten percent (10%) interest (based on estimated or actual amounts) will begin to accrue and an administrative fee of \$500 will be added to the ACH amount. Franchisee shall execute all banking forms and documents and do all other things necessary to facilitate such payments by way of electronic transfer (automatic debit).

The automatic debit amount for each month shall be calculated by the Franchisor based upon reconciling the Invoices with the Reports submitted by the Franchisee. Should Franchisee

fail to update Flight Control as required in a timely manner, Franchisor shall calculate the automatic debit amount based upon the most recent Monthly Report. Any necessary reconciliation will be made during the month following receipt of the Monthly Report that was not timely submitted.

If the electronic transfer of fees are declined by Franchisee's bank for any reason, Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in connection therewith, including any reasonable administrative fee as may be set by Franchisor from time to time. Payments shall be processed through the Automated Clearing House ("ACH") electronic network. ACH rules and regulations shall apply.

In addition, Franchisor has the right to set off all amounts due from Franchisee to Franchisor or a supplier of Franchisee against any amounts Franchisor would otherwise make to Franchisee

#### 4.4 ~~Customer Care Center~~Client Services

4.4.1 ~~Customer Care Center~~Client Services. Franchisor shall maintain a ~~customer care~~client services and call center (~~the "Customer Care Center~~Client Services) to process all orders for Services and to handle customer inquiries on a system-wide basis. ~~The Customer Care Center~~Client Services is intended to provide an efficient and uniform system for placement and retrieval of orders for Services and handling customers inquiries and complaints, and to provide a mechanism for establishing a client database and providing management reports to The Flying Locksmiths franchisees. ~~The Customer Care Center~~Client Services is for the benefit of all franchisees and providers of Services. Franchisor undertakes no obligation to ensure that any particular franchisee benefits on a pro-rata basis from ~~the Customer Care Center~~Client Services.

4.4.2 Receipt and Processing of Orders. Promptly upon receipt of an order for Services within the Territory, Franchisor shall post such order on the Franchisor's system-wide intranet system ("Flight Control"). Franchisor retains the right to change the required intranet system and all references to Flight Control herein shall be interpreted to include any subsequent intranet system required by Franchisor. Franchisee shall promptly retrieve all orders for the Services in the Territory from Flight Control.

4.4.3 Franchisee Access to Flight Control scheduling software. Franchisee is required to license the appropriate number of users for the Flight Control. It will be used for all scheduling and job reporting.

4.4.4 No Other Sales. Franchisee acknowledges and agrees that except as explicitly provided for in this Agreement, Franchisee is not permitted to receive or fill any order for the Services within the Territory other than those orders that are placed or processed through ~~the Customer Care Center~~Client Services and posted on Flight Control. Should Franchisee receive orders with Franchisee's local telephone number or any other method, Franchisee must process these orders through ~~the Customer Care Center~~Client Services and Flight Control.

4.4.5 Unsolicited Orders. Notwithstanding the provisions of Section 4.3.4, if Franchisee receives a request to provide the Services to a new customer (the "Unsolicited

Order”) while providing services to another customer, and Franchisee’s employees do not have the opportunity to first process the Unsolicited Order through Flight Control before rendering the Services to such new Customer, Franchisee may service such Unsolicited Order provided that immediately after completion of the Unsolicited Order, Franchisee shall process the Unsolicited Order through Flight Control providing all the particulars of the Unsolicited Order including the name and address of the customer, the amount charged for the Services and the date on which the Unsolicited Order was made and completed.

4.4.6 ~~Customer Care Center~~Client Services Fund. Franchisee agrees that:

(a) Franchisor shall maintain a fund to finance the operation of ~~the Customer Care Center~~Client Services and Flight Control (~~the “Customer Care Center~~Client Services Fund”);

(b) Franchisee shall contribute to ~~the Customer Care Center~~Client Services Fund an amount ~~equal up~~ to four percent (4%) of Gross Revenue (~~the “Customer Care Center~~Client Services Fee”). ~~If Franchisee is in full compliance with the criteria as set forth in the Operations Manual, Franchisee will pay a Client Services Fund Fee as follows: four percent (4%) of Gross Revenue for job amounts under \$50,000; three percent (3%) of Gross Revenue for job amounts between \$50,000- \$150,000; and two percent (2%) of Gross Revenue for job amounts over \$150,000.~~ The ~~Customer Care Center~~Client Services Fee shall be paid to Franchisor monthly in accordance with Section 4.2 of this Agreement;

(c) except as expressly provided for in this Section 4.3, Franchisor assumes no obligation or liability to Franchisee with respect to the maintenance, direction, or administration of ~~the Customer Care Center~~Client Services, Flight Control, or ~~Customer Care Center~~Client Services Fund. Franchisor shall have the sole right and responsibility to control and direct the policies, direction, administration, and operation of ~~the Customer Care Center~~Client Services and Flight Control. Franchisee is not a third party beneficiary and shall have no right to enforce any contributions from other franchisees or the administration of ~~the Customer Care Center~~Client Services Fund. Any obligation of Franchisor with respect to the ~~Customer Care Center~~Client Services Fund shall be contractual in nature and it shall not constitute a trust fund;

(d) Franchisee shall fully participate in all programs established by Franchisor involving ~~the Customer Care Center~~Client Services and Flight Control; and

(e) In the event of surplus funds at the end of any year, such funds will be applied to one or more of the following, in any combination as may be determined in Franchisor’s absolute discretion: (i) carried forward and applied to the next year’s operating costs, (ii) used for general advertising, or (iii) distributed pro rata to Franchised Businesses that contributed to the ~~Customer Care Center~~Client Services Fund for that year. In the event of a shortage of funds in the ~~Customer Care Center~~Client Services Fund at the end of any year, the Franchisor shall have the right to contribute the shortage to the ~~Customer Care Center~~Client Services Fund and deem such contribution an account receivable from the ~~Customer Care Center~~Client Services Fund, to be paid back in the next year, without interest.

4.5 ~~V~~an~~ehicle~~ **Leasing Management Fee.** You shall pay \$10 per month per ~~van~~vehicle to us to manage our outside vendor relation with the provider of service ~~vans~~vehicles for

franchisees.

4.6 **Customer Management Software Fees.** You must pay for user licenses for Customer Management Software as we designate. At present, user license are \$60/each per user per month and you will need at least three (3) licenses to start your business. We reserve the right to vary these terms through our Operations Manual or other notice to you and the dollar amounts charge may change.

4.7 **GPS Tracking with Verizon Connect.** At present you must pay \$30 per month per ~~van~~vehicle to Verizon Connect for GPS Tracking which you must use for your ~~vans~~vehicles. We reserve the right to vary the dollar amount and payee upon a change in the fee or vendor designation.

4.8 **Bookkeeping Software.** You must use QuickBooks Online for your business bookkeeping which presently costs \$40.00 per month per user that you pay to QuickBooks. We reserve the right to vary the vendor designation and their fees may change from time to time.

4.9 **National Account Fees.** For National Account clients, we and the client may negotiate prices. If you accept a job offered by a national account client, you agree to charge the negotiated price. You do not have to accept a national account job offered to you. You must allow us to handle the billing or invoicing on national account clients when we or the national account client so specifies. We may mark up your invoice approximately 1%-20% and may impose certain other fees or fee splits. You agree to these mark ups, fees and fee splits.

If you circumvent or do not follow our national account billing procedures or otherwise violate our National Accounts program, we can fine you up to twenty percent (20%) of your share of the fee for each such occurrence. If you circumvent or do not follow our national account billing procedures two (2) or more times, we reserve the right to stop sending National Account jobs to you.

4.10 **Third Party Charges.** If we pay monies to a third party on your behalf, you agree to reimburse these costs to us plus a reasonable fee for our administrative costs.

4.11 **Territory Infringement Fee.** If you perform work in another franchisee's territory without their permission or ours, such Territory Infringement shall constitute a material breach of this Agreement; and as cure you agree to pay to us the following Territory Infringement Fee amount, based on how many such violations you have had in the calendar year:

| Which Violation in the Calendar Year     | Infringement Fee            |
|--|-----------------------------|
| 1 <sup>st</sup> Violation                | \$500 plus invoice amount   |
| 2 <sup>nd</sup> Violation                | \$1,000 plus invoice amount |
| 3 <sup>rd</sup> and Subsequent Violation | \$5,000 plus invoice amount |

The "invoice amount" equals the amount of goods or services provided in the other franchisee's territory. In the case of a job with no invoice, the "invoice amount" will be your

average invoice amount in the twelve (12) month period leading up to the infringement, or such shorter time as you have been in operation.

## 5. SITE SELECTION

5.1 **Site Selection - General.** In conjunction with signing this Agreement, Franchisor and Franchisee shall agree on an area in which the Franchised Business shall be located by Franchisee. This area shall be listed on Attachment 1. Franchisee must locate its Franchised Business within this area. Franchisee shall select a specific location for the Franchised Business using the criteria provided by Franchisor and subject to final approval by Franchisor. Franchisee's Franchised Business office may not be located at a residential address. Franchisor does not guaranty the success or suitability of any specific location.

5.2 **Site Selection Criteria.** Site selection criteria are set forth in the Operations Manual. Some of the criteria are confidential. However, they include such factors as proximity to parking, street visibility, the demographics of nearby population centers, located in a commercial facility and so forth.

## 6. PROMOTION AND ADVERTISING

6.1 **National Advertising and Marketing.** As of the date of this Agreement, we do not charge a National Advertising Fund Fee. We do, however, reserve the right to institute such a fee, in an amount up or equal to one percent (1%) of the Franchised Business' Gross Revenue, in order to develop and maintain a local, regional or national advertising program. Should we, in our sole discretion, decide to institute a National Advertising Fund Fee, we shall have the right to do so upon ninety (90) days advance written notice of our intent to invoke our rights under this Subsection. Collection of any fees thus imposed will be accomplished in the same manner as the Royalty, and subject to the same conditions, as are more particularly outlined in Section 4 of this Agreement and the Operations Manual.

6.2 **Local Advertising.** Franchisee is expected to develop a marketing plan for its local market. In order for the business to reach the maximum potential which the market allows, Franchisee must have an ongoing set of marketing activities designed to generate demand within the local market. Franchisor will provide Franchisee with initial training to help Franchisee implement a local marketing program effectively and in a cost-effective manner. Franchisor will provide Franchisee with National Service Provider (NSP) paperwork consisting of a Master NSP list of potential customers within Franchisee's Territory. After six months, when the Marketing Jump Start Program expires, Franchisee must also pay \$200 per month to Franchisor to cover website management expenses, search engine optimization, social media marketing initiatives. We may vary the nature of this program and the dollar amount in the Operations Manual or otherwise over time. In addition:

(a) **Approval of Advertising.** Franchisee must submit to Franchisor for its approval, which approval shall not be unreasonably withheld or delayed, all local advertising and promotional material, including in-store displays and promotions, to be utilized by Franchisee and until such time as Franchisor shall give its prior written approval to the use of such advertising and promotions, Franchisee shall not utilize same in any advertising or promotion. In no event will Franchisor take more than fifteen (15) days either to approve or to reject such

local advertising or promotions material. Franchisor reserves the right to adopt any such advertising or promotions for general use in advertising or promoting the Services. Franchisee, in submitting any such advertising or promotions, agrees that each such submission shall constitute an irrevocable and perpetual assignment to Franchisor of the copyright with respect to such submission, and upon each such submission the contents thereof shall be deemed the exclusive property of Franchisor;

(b) ***Displays of Signs.*** Franchisee shall prominently display, at its expense, in connection with the Franchised Business signs of such nature, form, color, number, location and size and containing such matter as Franchisor may direct or approve in writing from time to time and such signs shall be purchased from Franchisor or from suppliers designated or approved by Franchisor;

(c) ***Franchisor as Owner of Copyrights.*** Franchisee acknowledges that Franchisor is the sole and exclusive owner of all copyrights and that all advertising and promotional material (including Copyrighted Materials) prepared by or on behalf of Franchisor shall at all times remain the property of Franchisor; and

(d) ***Prohibited Displays.*** Franchisee may not distribute or display at the Franchised Business, or allow to be distributed or displayed at the Franchised Business, any signs, posters, or other items that may (i) associate the Intellectual Property and Program with political, religious, or social groups or movements; or (ii) bring discredit to the Intellectual Property or Program.

(e) ***Verification of Spending.*** Franchisee agrees to submit proof of adequate spending, which we shall reasonably determine based upon the maturity of your business, on local advertising to Franchisor within ten (10) days of written request by Franchisor.

6.4 ***Email and Website.*** Franchisee must maintain, on the Franchised Business computer, an electronic mail account that must enable Franchisee to receive and send electronic mail and transfer computer files with Franchisor. Franchisee must also maintain a DSL, cable, or satellite high speed internet connection. To enhance the brand and the Marks, Franchisee must use an email name that Franchisor has approved that will have “@Flying Locksmiths.com” or other designated domain by Franchisor as its suffix for all business-related correspondence.

Franchisee also promise to use, subscribe to, and pay for, as directed by Franchisor, a customized website connected to Franchisor’s Website and managed by Franchisor’s website provider. Franchisee may not attempt to redirect any traffic on the customized Website. Franchisee may not implement a website or URL for the Flying Locksmiths business either itself or through a third-party provider. Franchisor has sole discretion and control over the Website (including timing, design, contents, and continuation).

Franchisor may, but is not obligated to, create interior pages on the Website(s) that contain information about the Flying Locksmiths business and other Flying Locksmiths businesses. If Franchisor does create such pages, Franchisor may require Franchisee to prepare all or a portion of the page for the Flying Locksmiths business, at Franchisee’s expense, using a template that Franchisor provides. All such information will be subject to Franchisor approval prior to posting. By posting or submitting to Franchisor information or materials for the Website, Franchisee is

representing to Franchisor that the information and materials are accurate and not misleading and do not infringe any third party's rights. Franchisee must notify us whenever any information about Franchisee or the Franchise Business on the Website changes or is not accurate.

## **7. PRODUCTS AND SERVICES OFFERED**

7.1 **Product Mix.** Franchisees must offer to the public all products and services as specified by Franchisor. At present, this includes, locksmith and security services and products for commercial and residential customers. Franchisee must offer all of the products and services that Franchisor designates are part of the Program, and nothing else, except with Franchisor's written approval beforehand. Franchisor may require Franchisee to (i) change, add or discontinue particular products or services; and (ii) add, modify and discontinue certain designated vendors of designated goods or services or recommended vendors of non-designated goods or services.

7.2 **Changes to Product Mix.** Franchisor reserves the right to add or delete additional products over time and as market conditions warrant. For example, at a later date, Franchisor may expand the product offerings to include other security products or services. These changes may increase Franchisee's operating expenses. Franchisor will communicate all changes by written or electronic bulletins or revisions to the confidential Operations Manual. There is no limit on the frequency that Franchisor may impose these modifications. Franchisee will be given a reasonable time period after notice in which to implement other changes including the introduction of new product offerings. Franchisee may not place new orders with any vendors whom Franchisor removes from the approved list.

7.3 **Purchase of Products from Franchisor.** Franchisee agrees to purchase only such products and other items from Franchisor as specified in the Operations Manual and in such quantities as reasonably specified by Franchisor for satisfactory operation of the Franchised Business.

7.4 **Limitations on Products and Methods of Sale.** Franchisee agrees to limit sales only to retail transactions of authorized products and services to retail customers. Franchisee agrees not to engage in wholesale sales of any kind without the prior written consent of Franchisor. "Wholesale sales" includes the sale or distribution of products or services to a third party for resale, retail sale or other method of distribution (for example, supplying a hardware store with products). Franchisee is not permitted to engage in online or Internet sales of any products.

7.5 **Reservation of Franchisor Distributor Rights.** Franchisee agrees and acknowledges that Franchisee does not have exclusive or preferential rights to Franchisor's Intellectual Property, the Program, or the Confidential and Proprietary Material. Franchisee agrees and acknowledges that this Agreement does not in any way limit Franchisor's use of Franchisor's Marks, intellectual property, the Program, or Confidential and Proprietary Material anywhere or for any purpose that is not reserved to the Franchisee in this Agreement.

## **8. OPERATION OF FRANCHISED BUSINESS**

8.1 **Standards of Operation.** Franchisee acknowledges that the Intellectual Property, the Program, the Confidential and Proprietary Material, and every other component of the

Program are important to Franchisor and its franchisees, and Franchisee and its general manager(s) covenants and agrees to comply with the Program, in its entirety as outlined in the Operations Manual which may be modified by the Franchisor from time to time, and in particular Franchisee covenants and agrees that Franchisee shall:

(a) ensure that the operation of the Franchised Business is at all times under the direct control of the Franchisee as provided in Section 11.1. When the person exercising direct control is absent from the Franchised Location due to illness, vacation or any other reason, Franchisee shall ensure that the Franchised Business is under the direct control of a trained representative or employee of Franchisee approved in advance by Franchisor in its discretion;

(b) operate the Franchised Business strictly in accordance with the standards of customer service, cleanliness, environmental safety, consistency, operation, advertising, promotion and management prescribed by Franchisor in the Operations Manual and by law;

(c) comply with all business policies, practices and procedures prescribed by Franchisor and set forth in the Operations Manual and this Agreement;

(d) keep the Franchised Business continuously open for business during all hours and days specified in writing by Franchisor from time to time, subject to compliance with the hours of operation required by local laws, if applicable;

(e) prepare and sell to the public only the products and services designated or approved in writing by Franchisor from time to time;

(f) maintain the Franchised Business in a clean and attractive condition so as to preserve, maintain and enhance the reputation and goodwill of the Franchisor;

(g) not alter, modify or otherwise change, add to or delete from any portion of the Intellectual Property, the Program, or the Confidential and Proprietary Material as licensed hereunder;

(h) maintain at all times a sufficient number of properly trained employees to service customers of the Franchised Business, and maintain an inventory of goods and supplies sufficient to satisfy customer demand;

(i) hire and supervise efficient, competent, sober and courteous operators and employees who meet the minimum standards set forth in the Operations Manual for the operation of the Franchised Business and set and pay their wages, commissions, benefits and incentives without any liability or obligation to Franchisor;

(j) cause all employees, while engaged in the operation of the Franchised Business, to wear uniforms of the color, design and other specifications only in accordance with the provisions of the Operations Manual, or in such manner as may be approved in advance in writing by Franchisor, and to present a neat and clean appearance and render competent and courteous service to the customers of the Franchised Business;

(k) use, publish or display in connection with the operation of the Franchised Business only the signs, advertising or other materials designated or approved by Franchisor

from time to time;

(l) operate the Franchised Business only under the Marks, as designated by Franchisor, without any accompanying words or symbols of any nature except as designated or approved in writing by Franchisor;

(m) make prompt payment in accordance with the terms of invoices rendered to Franchisee in connection with the purchase of all inventory, fixtures, equipment, supplies, advertising materials, clothing, products and any other goods, supplies, services or products supplied to Franchisee from time to time;

(n) obtain and maintain in force all required licenses, permits, approvals, and certificates relating to the operation of the Franchised Business and operate the Franchised Business in full compliance with all applicable laws and regulations, including but not limited to, all governmental regulations relating to environmental safety, occupational health and safety, ERISA, workers' compensation insurance, unemployment insurance, withholding and payment of all federal and state taxes including without limitation FICA, FUTA, income tax, sales tax and personal property tax, use tax and license fees;

(o) advise all suppliers, contractors, employees and others with whom Franchisee deals, that Franchisee is an independent contractor and that all debts, liabilities and obligations incurred by it are for the account of Franchisee only, and not Franchisor;

(p) faithfully observe and perform in a timely fashion all covenants to be observed and performed by Franchisee pursuant to any lease for the Franchised Location or the equipment therein;

(q) conduct all advertising and use all media in accordance with lawful business practices and only in accordance with the provisions of the Operations Manual, or in such manner as may be approved in advance in writing by Franchisor;

(r) attend all franchise conferences and meetings as required by Franchisor from time to time;

(s) participate in such programs as Franchisor may require from time to time, including the servicing of national, system-wide or other special accounts as may be designated in the Operations Manual, or in such manner as may be approved in advance in writing by Franchisor, including provision of service-levels as may be required for specified accounts and the use and honoring of gift certificates and coupons;

(t) replace such items of equipment which have become obsolete or otherwise mechanically impaired, to the extent they require replacement, or as required by Franchisor from time to time;

(u) identify Franchisee as an "independently owned and operated business" on all invoices, contracts, agreements, correspondence and other materials and communications used in the Franchised Business and not make any registration of any of the Intellectual Property that would grant or suggest Franchisee has ownership of the Intellectual Property; and

- (v) use an accounting system and program acceptable to Franchisor; and
- (w) use only the business telephone number provided by the Franchisor to operate and market the Franchise Business.

8.2 ***Proposed Goods and Services.*** If Franchisee proposes to offer for sale through the Franchised Business any good or service not previously designated or approved by Franchisor, then Franchisee must first submit the proposed good or service description to Franchisor for consideration and approval. Franchisor will consider the proposed goods or services and respond to Franchisee within a reasonable time as to whether or not it is approved for sale through the Franchised Business. Franchisor reserves the right to make alterations to the proposed good or service as a condition of approval. Franchisor also reserves the right to adopt any such good or service for use as a standard item forming part of the Services so as to maintain consistency and enhance the Program. Franchisee, in submitting any such proposal to Franchisor agrees that Franchisor may take such action, that each such submission by Franchisee to Franchisor shall constitute an irrevocable and perpetual assignment of the copyright and waiver of moral rights for the service to Franchisor, and upon each such submission shall be deemed to be part of the Program of Franchisor.

8.3 ***Pricing.*** Franchisor will deliver to Franchisee, prior to the Scheduled Opening Date, Franchisor's current list of suggested prices for the goods and services it will sell, which may vary among various franchises. Franchisor will give Franchisee written notice of all changes to suggested prices (including any temporary promotional changes). Franchisee is under no obligation to adhere to the suggested prices, but should be aware that promotional and marketing materials and campaigns prepared and provided by the Franchisor may include such prices.

8.4 ***Program Changes.*** Franchisor may from time to time, by written notice to Franchisee, add to, delete, modify or otherwise change the Program, including without limitation by deleting or adopting new or modified Marks, new or enhanced services, and new techniques in connection therewith. Franchisee will, at its own cost, within a reasonable amount of time following receipt of such notice, accept, implement, use and display all such changes.

8.5 ***Purchase Arrangements and Rebates.*** Franchisor reserves the right to negotiate and to enter into purchase arrangements and rebate agreements with suppliers of products or services used in the Program, including products or services that must be purchased by Franchisee. Should Franchisor receive any discounts, rebates, or other monetary compensation from vendors, then Franchisor shall contribute one half (1/2) of all amounts actually received by Franchisor to the Franchise Promotional Fund. The other half shall be retained by Franchisor.

8.6 ***Focus of Franchisee/Operating Principal.*** Franchisee, if Franchisee is an individual, and Operating Principal, if Franchisee is an entity, are prohibited from directly providing any locksmith or security services to clients of the Franchised Business and must have direct, active day-to-day involvement on a full-time basis in managing the Franchised Business or supervising a General Manager who meets the qualifications set forth in the Operations Manual and who also is prohibited from providing any locksmith or security services to clients of Franchisee.

## 9. CUSTOMER METHODS OF PAYMENTS; PAYMENTS TO SUPPLIERS

9.1 *Credit Cards and Other Methods of Payment.* Franchisee will maintain arrangements with Visa, MasterCard, American Express, Discover and additional or replacement credit card and debit card issuers or sponsors nominated by Franchisor from time to time, in order that the Franchised Business may accept customers' credit cards, debit cards, checks and other methods of payment. Whenever Franchisor designates a new payment system or financial institution for the Program, Franchisee agrees to adopt the designated system promptly.

9.2 *Payments to Suppliers.* Franchisee will make all payments to Franchisor and suppliers when due and provide proof of payment to Franchisor upon request. Franchisee acknowledges that failure to timely pay a supplier could harm the reputation of the Program and the relationship of Franchisor and its other franchisees with such supplier. If Franchisee fails to pay any supplier in full when due, then Franchisor shall have the right, but not the obligation, to pay all or any portion of the sum due, together with accrued interest and penalties. If Franchisor makes any such payment, then Franchisor may invoice Franchisee for such payment and Franchisee shall reimburse Franchisor immediately upon receipt of the invoice, or Franchisor may withhold and pay to the supplier such sums from any monies owed to Franchisee by Franchisor or third parties, which such monies pass through Franchisor.

## 10. RECORDS AND REPORTING

10.1 *Sales Records.* Franchisee shall keep true and accurate records and books of account in relation to the Franchised Business, including daily records of services to individual customers and of Gross Revenue, in such form and detail as Franchisor in writing requires from time to time.

10.2 *Preservation of Records.* Franchisee shall keep and preserve for a period of at least 36 months after the end of each year all books and records (including point of sale records, computer generated records and evidence of all sources and amounts of individual sales and Gross Revenue) related to such year.

10.3 *Weekly, Monthly, and Annual Reporting.* Franchisee shall report to Franchisor as follows:

(a) On the first (1<sup>st</sup>) Tuesday following the week for which the Royalty payment is due, Franchisee shall provide Franchisor with a report in electronic form ("Report") containing:

- (i) a correct and complete statement of all sales and Gross Revenue for the preceding Monday through Sunday time period; and such other financial information as Franchisor may require from time to time.

The Report shall contain all information noted therein and shall be certified as correct by Franchisee. Upon request by Franchisor, Franchisee will supply copies of some or all of the sales records (in all relevant media) related to the period being reported on. With each Report, Franchisee shall pay to Franchisor the Royalty payable for such period in compliance with Section 4.2.

- (b) monthly profit & loss statements and balance sheets using the format designated

by Franchisor; and

(c) within ninety (90) days after the end of each fiscal year of Franchisee, Franchisee shall submit to Franchisor (in electronic form whenever possible) the following information concerning such fiscal year, certified as correct by Franchisee:

- (i) a statement of Gross Revenue and individual products sold for such year as finally adjusted and reconciled after the close and review of Franchisee's books and records for the year. If such statement discloses any underpayment of Royalties for such year, then Franchisee shall pay to Franchisor, at the time of submitting such statement, the amount of such underpayment. Any overpayment disclosed by such statement shall be credited to Franchisee's Royalty account by Franchisor;
- (ii) complete financial statements, including balance sheet, income statement and statement of changes in financial position, all prepared in accordance with U.S. generally accepted accounting principles applied on a basis which is consistent with prior fiscal years of Franchisee;
- (iii) Federal and State tax returns; and
- (iv) such other reports and financial information (including up-to-date personal financial information concerning guarantors of Franchisee, if applicable) as Franchisor may reasonably require from time to time.

**10.4 *Inspection and Audit Rights.*** We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. This includes the right to inspect and copy all tax returns and bank statements that may show revenues from the Franchised Business, includes the right to ask you to take and send photos to us of things like the appearance of your vehicles, includes the right to install cameras at your offices whose images we are able to view, and includes the right as platform administrator to have remote access to Verizon Connect operation and location information on each of your vehicles and we have no limitations on our ability to do so.

If any such audit reveals a material deficiency (3% or more error), whether monetary or otherwise, then the Franchisee shall reimburse the Franchisor for the reasonable costs of the audit and any related enforcement.

You agree that we have and that you will provide independent access to the information that will be generated or stored in your computer systems, which includes, but not limited to, customer, transaction, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information.

**10.5 *Notice to Meet Standards.*** Should any inspection or audit reveal any non-compliance with the Program or failure to meet the standards of operation, management, production, employee training, service, cleanliness, environmental safety, consistency, quality control or advertising and promotion set by Franchisor from time to time, then Franchisee shall

immediately upon receipt of notice from Franchisor specifying the particulars of the non-compliance or failure by Franchisee, do all things necessary to correct the non-compliance or failure, in addition to co-operating with the representatives of Franchisor in respect of any training or retraining determined necessary by Franchisor.

10.6 *Corporate Records*. If Franchisee is an entity, Franchisee will complete and remit Franchisor's company information form, and provide such other information and certificates regarding the company structure of Franchisee as required by Franchisor, and Franchisee agrees to update such information from time to time.

## 11. MANAGEMENT AND EMPLOYEES

11.1 *Management*. Franchisee or, if Franchisee is an entity, its Operating Principal and key owners and any key management personnel (or any replacement(s) approved in writing by Franchisor) shall complete initial training to the satisfaction of Franchisor prior to the Scheduled Opening Date, unless waived in writing by Franchisor in its sole discretion for any particular person(s).

Franchisee or, if Franchisee is an entity, its Operating Principal shall be the initial general manager of the Franchised Business (the "General Manager," which term shall include every other person who in the future acts as a general manager of the Franchised Business). Franchisee shall ensure that any person who acts as General Manager is not engaged in any retail business activity other than the Franchised Business. General Manager must participate on a full-time basis (i.e., a minimum of 40 hours per week) in the operation of the Franchised Business.

11.2 *Employees*. Franchisee will hire all employees of the Franchised Business, and shall be responsible exclusively for payment of wages, benefits, statutory remittances and compliance with other terms and conditions of their employment and for the proper training of them in the operation of the Franchised Business. Franchisee will designate a senior technician to attend training who is then responsible for certifying all future technicians hired. At the direction of Franchisor, Franchisee will cause such employees as may be designated by Franchisor who are not involved in initial training to complete training programs developed by Franchisor. Franchisee will be solely responsible for all direct and indirect costs of such training in accordance with sections 14.1 and 14.2. Franchisee shall verify that all employees have the legal right to work in the United States.

11.3 *Salesperson*. Franchisee agrees to hire and maintain a full time sales person (40 hours per week) on field sales activities. We reserve the right to vary this requirement in the Operations Manual.

## 12. LICENSE, USE OF MARKS AND COPYRIGHTED MATERIALS, CONFIDENTIAL INFORMATION AND KNOW-HOW

12.1 *Nature of Permission*. The permission granted by this Agreement is to use the Program, Intellectual Property, and the Confidential and Proprietary Material only in connection with operation of one Franchised Business (unless otherwise agreement in writing) during the

Term. Nothing in this Agreement shall give Franchisee any other right, title or interest in or to any part of the Program, Intellectual Property, or the Confidential and Proprietary Material. Franchisee acknowledges that Franchisee's use of the Program, Intellectual Property, and the Confidential and Proprietary Material and any goodwill established by such use inures to the exclusive benefit of Franchisor. You may not directly or indirectly oppose our right to our trademarks, trade names, trade secrets or business techniques that are part of our business.

**12.2 Use of Name and Marks.** Franchisee shall operate the Franchised Business continuously throughout the Term and any duly exercised Renewal Term under the name The Flying Locksmiths (including use of <sup>TM</sup> or ® as appropriate) or such alternate name or names as Franchisor may direct in accordance with the provisions of the Operations Manual, or in such manner as may be approved in advance in writing by Franchisor from time to time, and Franchisee's name shall be clearly marked on all documented and electronic representations of the Franchised Business as well as on all Franchisee's advertising, stationery, business cards, purchase orders, sales slips, checks, and other business documents in a manner specified or approved by Franchisor and which clearly indicates that Franchisee is the person, firm or corporation, as the case may be, operating the Franchised Business pursuant to permission from Franchisor. Franchisee shall use ®, TM or some other symbol directed by Franchisor, to indicate to the public that each of the Marks is a trademark belonging to Franchisor and shall in such usage clearly indicate this by using the phrase "*Trademark rights owned by The Flying Locksmiths, Inc.*" or some other phrase designated or approved by Franchisor. Franchisee shall not use, as part of the corporate name of any corporation or other business entity which may operate the Franchised Business (or any other corporation or business entity in which Franchisee has any interest), any of the Marks or any variation or derivative thereof or any word or phrase or combination of words confusingly similar thereto, nor may Franchisee use the Marks in connection with the sale or offering for sale of any item which has not been properly approved for sale pursuant to this Agreement. All provisions of this Agreement applicable to the Marks shall apply to any additional proprietary trade and service marks and commercial symbols hereafter authorized by Franchisor for use by Franchisee from time to time.

You cannot use any of the Marks as a part of any corporate name with any prefix, suffix or other modifying words, terms, designs or symbols. In addition, you may not use any name or mark associated with the sale of any unauthorized product or service in any other manner not explicitly authorized in writing by us.

**12.3 Use of Copyrights.** Franchisee acknowledges that Franchisor is the owner of the copyright in the Operations Manual and all other systems, binders, videotapes, software, and printed materials which from time to time form part of the Program (as well as all revisions and additions of or to any of the foregoing), which is all part of the Confidential and Proprietary Material. Franchisee acknowledges that Franchisee's right to use the Confidential and Proprietary Material is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed in writing by Franchisor during the Term and any exercised Renewal Term. Any unauthorized use of any of the Confidential and Proprietary Material by Franchisee shall be an infringement of the rights of Franchisor in and to the Confidential and Proprietary Material and shall constitute a breach of this Agreement. Franchisee agrees not to contest or oppose, nor to assist anyone else to contest or oppose, Franchisor's application for registration or protection of any of copyright or trademark in the United States or elsewhere.

Franchisee will ensure that all Confidential and Proprietary Material used by Franchisee bear whatever notice, may be prescribed from time to time in writing to Franchisee by Franchisor.

**12.4 *Notification of Infringement.*** Franchisee shall notify Franchisor immediately upon learning of any apparent or potential infringement of or challenge or claim to any of the Intellectual Property or any of the Confidential and Proprietary and Franchisee shall not communicate with anyone other than Franchisor and its legal counsel in connection with any such infringement, challenge or claim. Franchisor shall have sole discretion to take such action as it deems appropriate and the right to control exclusively any litigation or other proceeding arising out of any such infringement, challenge or claim, and Franchisee agrees to execute all documents, to render such assistance and to do all acts and things as may, in the opinion of Franchisor or its legal counsel, be necessary or advisable to protect and maintain the interests of Franchisor in any such litigation or other proceeding or otherwise to protect and maintain the interests of Franchisor and its franchisees in the Intellectual Property and the Confidential and Proprietary Material.

**12.5 *Act in Derogation of Franchisor's Rights.*** Franchisee acknowledges that all goodwill and ownership rights arising out of the use by Franchisee of the Program, Intellectual Property, and the Confidential and Proprietary Material shall accrue solely to Franchisor and the Program as a whole, and that now and hereafter Franchisee shall assert no claim to any goodwill by virtue of the permitted use thereof. Franchisee will not dispute or impugn the validity of any of the Intellectual Property or Confidential and Proprietary Material or the rights of Franchisor thereto, or do or assist others to do or permit any act or thing to be done in derogation of same. Franchisee will take such action (including signature and assistance in preparation of documents or the giving of testimony) as may be requested by Franchisor to evidence, transfer, vest or confirm the Company's rights and ownership in the Intellectual Property, the Confidential and Proprietary Material, and any other part of the Program. If Franchisor is unable for any reason to secure Franchisee's signature to fulfill the intent of this paragraph, then Franchisee irrevocably appoints the Franchisor and its authorized agents as agent and attorney in fact, to transfer, vest or confirm Franchisor's rights and to execute and file any such applications and to do all other lawful acts to further the intent of this Section with the same legal force as if done by Franchisee.

**12.6 *Changes in Marks and Copyrighted Materials.*** If Franchisor deems it advisable to modify or discontinue use of any of the Intellectual Property or Confidential and Proprietary Material, or to adopt for use in the Program any additional or substitute marks or copyrights, then Franchisor shall give written notice thereof to Franchisee whereupon Attachment 2 hereto shall be deemed to be amended accordingly and Franchisee shall promptly comply with such amendment. All provisions of this Agreement applicable to Intellectual Property and/or Confidential and Proprietary Material shall apply to all additional, substituted or modified Intellectual Property and/or Confidential and Proprietary Material hereafter adopted by Franchisor or its Affiliates and authorized for use by Franchisee by written notice.

**12.7 *Use of Know-How.*** Franchisee acknowledges that Franchisor possesses know-how comprised of methods, techniques, specifications, materials, procedures, information, systems and knowledge of and experience in the provision of the goods and services through the Franchised Business (collectively, the "Know-How"). This Know-How is part of the Confidential and Proprietary Material. Franchisor will disclose the Know-How to Franchisee in the training program, the Operations Manual and in guidance furnished to Franchisee during the Term and any exercised Renewal Term. Franchisee will not acquire any proprietary interest in the Know-How or

any part of it, other than the right to use it in the development and operation of the Franchised Business during the Term and any duly exercised Renewal Term, in full compliance with this Agreement. Franchisee acknowledges that the Know-How is proprietary and, except to the extent that it is or becomes generally known in the locksmith and security industry, the Know-How and every part of it comprises a valuable trade secret of Franchisor.

**12.8 Confidential Information.** Franchisee acknowledges that the designs, materials and other features of the Program, as well as the Confidential and Proprietary Material, which includes, but is not limited to, the Know How, supplier lists, product ingredients, production methods, equipment used, and related techniques, procedures, methods, financial information, passwords, systems and format now and hereafter comprising the Program, which is revealed to Franchisee, is confidential information. This confidential information is revealed in strictest confidence to Franchisee and Franchisee covenants to keep and respect the confidence so reposed. Franchisee shall neither use nor permit any of its directors, officers, managers, members, shareholders, employees, agents or other representatives to use for any purpose inconsistent with this Agreement nor reveal to any person, firm or corporation, both while this Agreement is in force and for an unlimited time thereafter, any confidential information which Franchisee has acquired through or as a result of its relationship with Franchisor. Franchisee will cause the employees of the Franchised Business to sign a form of confidentiality covenant approved or prepared by Franchisor.

**12.9 Proprietary Rights to Program and Operations Manual.** Franchisee acknowledges that Franchisor is the sole and exclusive owner of all proprietary rights in and to the Program and that the information revealed in the Operations Manual constitutes Confidential and Proprietary Information and copyrighted material. Without the prior written consent of Franchisor, which Franchisor can withhold in its sole and absolute discretion, Franchisee shall not use the contents of the Operations Manual for any purpose not related to this Agreement, shall not disclose the contents of the Operations Manual to any person (except to employees of Franchisee on a need to know basis for purposes related solely to the operation of the Franchised Business) and shall not publish, reprint or reproduce the Operations Manual in whole or in part for any purpose. Franchisee shall take all safeguards and precautions specified by Franchisor from time to time or as would be expected to be exercised by a careful person entrusted with valuable property of another, to protect and maintain the confidentiality of the Operations Manual. The covenants contained in this Section 12.9 will survive the termination of this Agreement for such period of time as such information remains confidential to Franchisor and does not fall into the public domain. Franchisor reserves the right at any time upon written notice to Franchisee to more particularly specify or define any items of information or materials which Franchisor considers to be confidential information for the purposes of the ongoing application and survival of Franchisee's covenants herein. Franchisee hereby acknowledges that the Operations Manual is loaned to Franchisee and shall at all times remain the sole and exclusive property of Franchisor, and upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall forthwith return the Operations Manual together with all copies of any portion of the Operations Manual which Franchisee may have made, to Franchisor. Franchisee acknowledges and agrees that Franchisor may make additions, deletions and other revisions to the Operations Manual from time to time, in its sole discretion.

**12.10 Proprietary Rights to Customers.** Any and all customer lists, which includes

current, former and prospective customer information, and their contents relating to the Franchised Business, whether compiled or developed by Franchisee or any other person, are owned by Franchisor, constitute confidential information and are Franchisor's proprietary property (whether supplied by Franchisor or not) and Franchisee shall not use the customer lists for any purpose whatsoever other than in the normal conduct of the Franchised Business prior to any default under this Agreement, or termination or expiration of this Agreement and for no other purpose and Franchisee must require any of its employees, agents and independent contractors who have access to customer lists to sign a confidentiality agreement. To the extent that Franchisee may have or claim any right, title or interest in or to such customer lists and contents, Franchisee agrees to, and do hereby, assign to Franchisor all of its right, title and interest therein. Franchisee will, upon demand, promptly deliver to Franchisor a complete list of current and former customers, including name, telephone number, email address, complete mailing address, frequency of service, last date serviced and price of service, and other information concerning such customers as requested by Franchisor. Franchisee expressly acknowledges that Franchisee's ability to operate, develop and expand the Franchised Business is based largely on the goodwill of the Marks and know-how embodied in the Franchisor's System. Accordingly, Franchisee agrees that Franchisor is the sole owner of all customer lists and relationships and all other goodwill arising from Franchisee's operation of the Franchised Business. Any attempt by Franchisee to offer any services or products similar to those provided by the Franchised Business to any customers, or former or prospective customers of the Franchised Business following any expiration or termination of this Agreement shall be a violation of Franchisor rights in such customer lists and relationships and goodwill. Franchisee agrees that in the event of any such action or threatened action by Franchisee, Franchisor shall be entitled to a preliminary or permanent injunction or other equitable relief to restrain such actions, and to recover Franchisor's damages equal to the amount of profits received by Franchisee, its owners or affiliates from any such action in violation of Franchisor's rights.

### **13. FURTHER OBLIGATIONS OF FRANCHISEE**

13.1 ***Compliance with Operations Manual.*** Franchisee shall conduct the Franchised Business strictly in accordance with all of the provisions set out in the Operations Manual, as amended from time to time. In particular, Franchisee shall promptly adopt and use exclusively the specifications, standards, methods and policies contained in the Operations Manual, now, and as they may be modified by Franchisor from time to time.

13.2 ***Signage.*** Any signage procured for the Franchised Business will conform to Franchisor's specifications. Franchisor will provide written specifications for such signage to Franchisee upon request. When signage is procured pursuant to a lease, the lease must be assignable to Franchisor and Franchisee will submit such lease to Franchisor for its written approval prior to executing it.

13.3 ***Standards of Service.*** Franchisee and employees of the Franchised Business will at all times give prompt, courteous and efficient service to customers, and will, in all dealings with customers, suppliers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee will respond to customer, supplier and public complaints in a prompt, courteous and efficient manner.

13.4 ***Taxes and Rents.*** Franchisee will pay in a timely manner all local, state and federal sales, business, property, goods and services taxes and all other taxes, rates, levies and fees levied

or assessed by any governmental authority directly or indirectly in connection with the Franchised Business.

13.5 **Compliance with Laws.** Franchisee will operate the Franchised Business in strict compliance with all applicable laws and regulations.

13.6 **Sufficient Staff.** Franchisee will at all times employ a sufficient number of properly trained, courteous and service oriented staff to properly operate the Franchised Business during normal business hours.

13.7 **Inspection Rights.** Franchisee authorizes Franchisor and its representatives to enter the Franchised Business at any reasonable time or times to inspect the Franchised Location, vehicles and the inventory, fixtures, furnishings, and equipment therein, to confer with or otherwise contact Franchisee's employees, to examine and inspect the operation of the Franchised Business and in all respects to determine compliance with this Agreement (including the Operations Manual).

13.8 **Hazardous Materials.** Franchisee will not deal in any way with any hazardous materials in the operation of the Franchised Business.

13.9 **Use of Media.** Franchisee agrees that for purposes of advertising and public relations related to the Program, Franchisor may make, reproduce and publish in good taste photographs, videos and other media utilizing the Franchised Location and the employees and customers of Franchisee on an individual or collective basis. Franchisee will cooperate with Franchisor in this regard.

13.10 **Insurance.** Franchisee will ensure that the following insurance coverages are placed and maintained during the entire Term and any duly exercised Renewal Term:

- (a) reasonable comprehensive public liability and property damage insurance, including personal and bodily injury liability, contractual liability, employers' liability, and owners' and contractors' protective insurance coverage with respect to the activities conducted by Franchisee and any employee, agent or other person performing work on behalf of Franchisee with respect to the Franchised Business, with a policy limit of not less than \$2,000,000 general liability coverage (including personal injury) or such greater amount as may be specified in writing by Franchisor from time to time and not less than \$1,000,000 per occurrence for personal and bodily injury liability and not less than \$100,000 per occurrence for damage to rental premises or such greater amount as may be specified in writing by Franchisor from time to time, and not less than \$5,000 medical coverage for any one person or such greater amount as may be specified in writing by Franchisor from time to time;
- (b) reasonable products liability/completed operations insurance with a policy limit of not less than \$2,000,000; and
- (c) reasonable business interruption insurance in respect of the Franchised Business with a policy limit not less than that which may be prescribed by Franchisor from time to time.
- (d) Owned and non-owned vehicle liability insurance with a policy limit of not less

than \$1,000,000 per occurrence or such other amount as may be specified in writing by Franchisor for any vehicle used to any extent in the Franchised Business; and

- (e) workers' compensation as required by local law.

The insurers, amounts and types of insurance shall be subject to prior written approval of Franchisor, which Franchisee will seek in a timely fashion. Franchisor may from time to time require that Franchisee cause such coverages to be added to or otherwise amended in accordance with recommendations of Franchisor's independent insurance advisor. The foregoing insurance coverages, as so amended from time to time, are hereinafter called the "Coverages."

Franchisor, acting reasonably, may elect, at any time, upon the recommendation of its independent insurance advisor, to require Franchisee, either individually or as part of a group of franchisees, to place the Coverages (or any them) through Franchisor, in which case Franchisee will pay its proportionate share (with other franchisees of the Program) of all costs thereof, upon receiving invoice(s) therefor.

All policies of insurance for the Coverages shall expressly include Franchisee, Franchisor, and Franchisor's Affiliates, as "franchisor/additional insured" and shall require the insurers to defend Franchisee and Franchisor, jointly and severally, in all claims and actions to which the Coverages are applicable. Such policies shall require provision of 30 days' notice to Franchisor prior to any termination.

Within 10 days of entering into any policy of insurance, and from time to time as such policies are renewed or entered into, Franchisee shall cause insurer to forward a certificate of insurance directly to Franchisor confirming the terms and coverages set forth in this Section 13.

Franchisee understands and acknowledges that Franchisor is not an insurance broker. Nothing done by Franchisor pursuant to this Section 13.10 shall constitute an assurance that Franchisee has adequate insurance for its assets, business and potential liabilities at the Franchised Business and Franchisee may place additional insurance as it sees fit, upon the advice of its own insurance broker.

**13.11 *Tools, locksmith equipment, inventory and vehicle.*** Franchisee must purchase or lease items which conform with Franchisor's specifications and/or vendor designations. Franchisor will provide written specifications and any vendor designations for such items in the Operations Manual. You must use rooftop signs on your vehicles as we may specify.

**13.12 *Fixtures and Equipment.*** Franchisee must purchase (or, if appropriate, lease) the required fixtures, equipment and other items as set forth in the Operations Manual.

**13.13 *Maintain Minimum Capital.*** Franchisee will maintain, throughout the Term and any exercised Renewal Term, sufficient capital to operate the business and which amount may be determined by the Franchisor from time to time. Capital shall be calculated as the aggregate amount of cash in share capital and members' or shareholders' loans maintained by a legal entity Franchisee or cash contributed to the Franchised Business in the case of a personal Franchisee.

## **14. TRAINING AND FURTHER OBLIGATIONS OF FRANCHISOR**

14.1 **Training.** Franchisor shall provide one initial training and certification session of approximately thirty (30) of technical training for a lead technician and thirty-eight (38) hours of on-site business operations training for Franchisee. Within thirty (30) days of signing this Agreement, Franchisee shall provide Franchisor a list of those attending training. The majority of the training will be held virtually, and a franchisee operated training location the Franchisor selects. The scheduling of the actual training will be done so as to occur within sixty (60) days of Franchisee's planned opening. The format and content of the training program will be determined solely by Franchisor. All expenses incurred by Franchisee and other trainees in connection with such training including the payment of a \$2,500 training fee payable to the assigned franchisee trainer and without limitation those related to transportation, accommodation, meals and other living expenses, wages and other employment benefits shall be at the sole expense of Franchisee. Franchisor will not provide wages or employee benefits to Franchisee or other trainees during or with respect to the training period. Franchisee must attend and successfully complete initial training to Franchisor's satisfaction. Failure to satisfactorily complete all mandatory training is a material breach of this Agreement. Franchisor will also provide, at its expense, three (3) days of support to commence at the Franchised Location within fourteen (14) days of opening or transfer of ownership of the Franchised Business. If Franchisor determines that additional support is required, in its sole discretion, additional training and support may be provided and Franchisee agrees to pay Franchisor it's the current rate for subsequent training and support.

14.2 **Retraining and Subsequent Training.** In the event that Franchisee is not operating the Franchised Business in full accordance with the Program and this Agreement, which determination Franchisor shall make in its sole discretion, Franchisor shall have the right to require retraining of the Franchise, or the representatives and employees of Franchisee. Franchisee shall pay Franchisor \$300 per day per person for this retraining. Franchisee is responsible for all out-of-pocket costs incurred in connection with such retraining, including all transportation, lodging and meal expenses. Any manager that Franchisee subsequently hires must also satisfactorily complete all or part the training and certification program. Franchisee must pay \$300 per day per person for tuition and training materials. Franchisee is responsible for all out-of-pocket costs incurred in connection with such retraining, including all transportation, lodging and meal expenses. This fee is subject to change with notice by Franchisor.

14.3 **Initial and Ongoing Information, Goods and Services.** Franchisor shall provide to Franchisee:

- (a) one Operations Manual on loan. This may be by online access with a password as opposed to a "hard copy" of the Operations manual;
- (b) additional training materials developed by Franchisor from time to time;
- (c) marketing materials and other sales aids developed by Franchisor from time to time (at Franchisee's expense);
- (d) promotional advice and recommendations at the time when the Franchised Business opens for business and ongoing promotional advice and recommendations on a reasonable basis thereafter; and
- (e) inclusion of franchisee's location on The Flying Locksmiths website.

#### 14.4 *Continuing Consultation, Advice, and Activities*

- (a) As and to the extent required in Franchisor's sole discretion, Franchisor shall provide regular consultation and advice to Franchisee in response to Franchisee's inquiries about specific administrative and operating issues that Franchisee brings to Franchisor's attention. Franchisor shall have sole discretion to determine the method for communicating the consultation or advice, which may differ from the methods used for other franchisees. For example, and without limitation, consultation and advice may be provided by telephone, in writing (in which case Franchisor may furnish the information electronically), on-site in person, or by other means.
- (b) If Franchisee requests additional on-site instruction and assistance after the Opening Date, Franchisor may in its discretion furnish such training under the terms and conditions mutually agreed.
- (c) Franchisor may implement a mystery shopper program using the services of an outside mystery shopper company to perform regular mystery shopper visits at the Franchised Business in order to provide Franchisor and Franchisee with critical feedback and insight into the effectiveness of Franchisee's operations from a customer's perspective.
- (d) In addition to additional training, Franchisor may conduct an annual meeting at a location that Franchisor selects (the "Annual Meeting") to address recently-implemented changes in the System and other topics of common interest to franchisees, including, without limitation, new merchandising approaches, changes in goods and services, vendor relationships, industry trends, customer relations, personnel administration, local advertising and promotional strategies, and competitive changes. If Franchisor chooses to conduct an Annual Meeting, Franchisor will determine the content, location and length of the Annual Meeting; provided, however, the Annual Meeting shall not exceed three (3) days in any twelve (12) Calendar Month period. Franchisor may require the attendance of Franchisee's key personnel at one or more Annual Meetings, provided, however, Franchisor shall not require that more than two (2) persons attend the Annual Meeting. Franchisee shall pay the transportation, lodging, personal expenses and salary for each employee who attends an Annual Meeting.
- (e) As to the extent required in Franchisor's sole discretion, Franchisor will investigate and conduct market research; monitor the activities of competitors; and continue to evaluate additional products and suppliers then incorporated into the Program in order to maintain and enhance the reputation and demand for The Flying Locksmiths products.

### 15. TERMINATION BY FRANCHISEE

15.1 *No Right to Terminate Contact.* Franchisee may not terminate this Agreement unless otherwise provided by law.

## 16. REMEDIES UPON DEFAULT BY FRANCHISEE

16.1 *Material Defaults*". You acknowledge that the strict performance of all the terms of this Agreement is necessary not only for our protection, but also for the protection of you and our other franchisees. As a result, you acknowledge and agree that the occurrence of any of the following events, each or any of which shall be considered a Material Default of this Agreement, constitutes reasonable grounds for termination of this Franchise Agreement by us; provided, however that You shall be given the opportunity, within fifteen (15) days after receipt of written notice of such Material Default, to cure the default by promptly providing proof of cure to us. Notwithstanding the foregoing, if the default is curable but is of a nature which cannot reasonably be cured within such fifteen (15) day period and you have commenced and are continuing to make good faith efforts to cure the breach, you shall be given an additional reasonable period of time to cure the default, and this Agreement shall not terminate. If any such default is not cured within the time as specified by us, this Agreement shall terminate effective immediately without further notice to you. You shall be in default under this Agreement for failure to comply with any of the requirements imposed by the Agreement, or for failure to carry out the terms of this Agreement in good faith. Such defaults include, but are not limited to:

- (a) failure to pay any sum due to Franchisor, or any Affiliate or nominee of Franchisor, Franchisee's landlord, any governmental authority, or supplier of any item of supplies;
- (b) failure to comply with any other obligation of Franchisee contained in this Agreement or any other agreement between Franchisee and Franchisor or any Affiliate or nominee of Franchisor ;
- (c) failure to commence operation of the Franchised Business on the Scheduled Opening Date as provided herein or doing anything or omitting to do anything which causes the Franchised Business to be closed for business or otherwise not operating in full compliance with this Agreement for five (5) consecutive Business Days or any five (5) Business Days in any thirty (30) consecutive day period, without the prior written consent of Franchisor, unless the Franchised Business ceased operation for reasons not related to a breach of this Agreement by Franchisee including force majeure, strike, fire, natural disaster, or any other cause beyond Franchisee's control and not caused or continued, directly or indirectly, by an act or omission of Franchisee or any of its employees, directors, officers, members, agents or other representatives; provided that Franchisee will diligently employ all reasonable measures to resume the Franchised Business as soon as possible;
- (d) failure to remain in good standing under all leases, or doing or omitting to do anything else which gives anyone the right to terminate a lease or take possession of the premises or equipment;
- (e) (i) Franchisee becoming insolvent in that it is unable generally to pay its bills as they become due, (ii) Franchisee sells or purports to sell or transfer or otherwise loses possession or ownership or control of all or a substantial part of the assets used in the Franchised Business, (iii) Franchisee allows any item of personal property used in the Franchised Business to become attached, executed against or

levied upon, without obtaining the release of such attachment, execution, distress, levy, sequestration or extent within ten (10) days, (iv) Franchisee allows any judgment to be entered against Franchisee or any of its Affiliates of which Franchisee has notice (actual or constructive) arising out of or relating to operation of the Franchised Business without satisfying such judgment or securing it by payment into court within thirty (30) days, or (v) Franchisee is enjoined from operating the Franchised Business and such injunction is not dismissed, stayed or set aside within thirty (30) days;

- (f) an assignment or attempted assignment, at law or at equity, of this Agreement by Franchisee, including an involuntary assignment under applicable matrimonial laws, in whole or in part, without obtaining the prior written consent of Franchisor as required by this Agreement;
- (g) Franchisee or any of its directors, officers, members, employees, agents or other representatives attempts to (or actually does) assign, transfer or convey any part the Program, Intellectual Property, and/or Confidential and Proprietary Material, including any copyrighted material; if Franchisee or any of its directors, officers, members, employees, agents or other representatives breaches confidentiality provisions concerning any of the foregoing; or if Franchisee or any of its directors, officers, members, employees, agents or other representatives uses or permits the use of any of the foregoing in a manner or at a location not authorized in advance in writing by Franchisor;
- (h) Thirty (30) days after Franchisee's receipt of notice from Franchisor, Franchisee continually failing to offer for sale any approved product or service, or offering to sell any product or service from the Franchised Business that is not part a product or service designated or approved in writing by Franchisor;
- (i) intentionally falsifying, misrepresenting or misstating to Franchisor any information contained in a financial statement, report or other document which Franchisee provides to Franchisor whether prior to or after the execution of this Agreement;
- (j) Franchisee engaging in misleading advertising or operating the Franchised Business in a dishonest, illegal or unethical manner, or having its business license for the Franchised Business suspended or revoked;
- (k) Franchisee failing to rectify diligently any order issued by a governmental authority concerning breach of any health, safety or other regulation or legal requirement applicable to the Franchised Business within the time frame required by the government authority;
- (l) a personal or entity Franchisee or any director, officer, or member of an entity Franchisee being convicted of an offence which in the reasonable opinion of Franchisor could bring the Program, any of the Intellectual Property, or any other part of the goodwill established thereby into disrepute;

- (m) Franchisee receives three (3) or more notices of default under this Section 16.1 or Section 16.2 in any twenty-four (24) month period, whether or not such defaults are cured after notice;
- (n) Franchisee commits four (4) Territory Infringements whether or not such defaults are cured after notice; and
- (o) Any other reason permitted by law.

Any of the defaults which do not have an opportunity to cure specified, shall be deemed incurable.

**16.2 *Cross Default.*** If Franchisee or one or more of Franchisee's owners has a controlling interest in or is a franchisee pursuant to another franchise agreement with Franchisor respecting another Franchised Business, a default under such other franchise agreement shall constitute a default under this Agreement, and should such other franchise agreement for any reason be terminated, Franchisor may, at its option, terminate this Agreement. For purposes of this Section 16.2, the term franchise includes master franchises and multi-unit franchise agreements.

**16.3 *Termination for Material Default.*** If Franchisee commits any Material Default under this Agreement, Franchisor may terminate this Agreement immediately upon giving written notice to Franchisee. In the event of any such default, Franchisor may exercise any and all rights and remedies available to Franchisor under law, including all rights and remedies provided to Franchisor under this Agreement, the Guarantee and the Security Agreement.

**16.4 *Appointment of Receiver or Receiver-Manager.*** Without limiting the foregoing, upon a Material Default by Franchisee, Franchisor may in writing appoint a receiver or receiver-manager (in either case, the "Receiver") of the assets of Franchisee and may remove any Receiver so appointed and appoint a replacement from time to time. A Receiver shall be deemed the agent of Franchisee and Franchisor shall not be responsible for any misconduct or negligence on the part of the Receiver. The Receiver shall have power to:

- (a) enter upon and take possession of the all equipment, inventory and all other assets used in or offered for sale by the Franchised Business (collectively the "Assets") with power to exclude Franchisee, its employees, agents and other representatives therefrom, without becoming liable as a creditor in possession;
- (b) preserve, protect and maintain the Assets and make such replacements thereof and repairs and additions thereto as Franchisor may deem advisable;  
  
sell, lease, assign or otherwise dispose of or concur in selling, leasing, assigning or otherwise disposing of all or any part of the Assets, whether by public or private sale or lease or otherwise, in such manner, at such price as can be reasonably obtained therefor and on such terms as to credit and with such conditions of sale and stipulations as to title or conveyance or evidence of title or otherwise as to Franchisor may seem reasonable, provided that Franchisee will not be entitled to be credited with the proceeds of any such sale, lease or other disposition until the monies therefor are actually received; and
- (c) exercise all other rights and remedies provided to Franchisor by this Agreement to

the extent permitted by law or to such lesser extent permitted by its appointment, the Receiver shall have all the powers of Franchisor hereunder, and in addition shall have power to carry on the Franchised Business of Franchisee and for such purpose from time to time to borrow money either secured or unsecured. Subject to applicable law and the claims, if any, of the creditors of Franchisee ranking in priority to the security constituted by this Agreement, all amounts realized from the disposition of the Assets pursuant to this Agreement will be applied as Franchisor, in its sole discretion, may direct as follows:

- (i) in or toward payment of all costs, charges and expenses (including legal fees and disbursements on a solicitor and his own client basis) incurred by Franchisor in connection with or incidental to:
  - (1) the exercise by Franchisor of all or any of the powers granted to it pursuant to this Agreement; and
  - (2) the appointment of the Receiver and the exercise by the Receiver of all or any of the powers granted to the Receiver pursuant to this Agreement, including the Receiver's reasonable remuneration and all out goings properly payable by the Receiver.
- (ii) in or toward payment to Franchisor of all interest referred to in this Agreement and unpaid;
- (iii) in or toward payment to Franchisor of all principal and other monies (except interest) due as provided or referred to in this Agreement; and
- (iv) any surplus will be paid to Franchisee.

If the amounts realized from the disposition of the Assets are not sufficient to pay Franchisee's obligations in full to Franchisor, then Franchisee will immediately pay to Franchisor the amount of such deficiency.

**16.5 *Other Remedies for Material Default.*** In the event of a Material Default of this Agreement, and in addition to the other remedies provided in this Agreement or under applicable law, Franchisor may:

- (a) bring such action for injunctive or other similar relief as may be necessary to compel Franchisee to comply with Franchisee's obligations contained or referred to in this Agreement;
- (b) without waiving any claim for default hereunder and without prior notice to Franchisee, take whatever steps Franchisor deems necessary to cure any default by Franchisee hereunder for the account of and on behalf of Franchisee, and Franchisee hereby irrevocably appoints Franchisor as its attorney to do so, and the related expenses incurred by Franchisor shall be due and payable forthwith by Franchisee upon demand and shall be deemed to be an amount owing to Franchisor hereunder; and/or

- (c) without waiving any claim for default hereunder and without prior notice to Franchisee, enter upon any premises upon which the Franchised Business is conducted without being liable to Franchisee in any way for such entry, for the purposes of securing the return of any of Franchisor's property, performing or compelling performance of Franchisee's obligations to Franchisor and protecting Franchisor's rights upon expiration or termination of this Agreement;

**16.6 Damages based on Material Default.** In the event of a termination of this Agreement by Franchisor based on a Material Default, Franchisor shall have the right to claim and recover damages from Franchisee and such damages shall include, without limitation, loss of the benefit of Franchisor's bargain hereunder. It is acknowledged by Franchisee that the benefit of Franchisor's bargain hereunder shall include the Royalties which Franchisor would have expected to receive for the unexpired balance of the Term (or Renewal Term, if it is then in force) to a maximum of \$50,000.

**16.7 Telephone Numbers, Websites, and Domain Names.** Upon expiration or earlier termination of this Agreement, with respect rights to the telephone numbers, websites, and domain names which are utilized in connection with the Franchised Business, Franchisee hereby irrevocably authorizes Franchisor to do whatever is necessary (including executing documents in the name of Franchisee) to transfer all rights to such items to Franchisor or an assignee of Franchisor. Further, Franchisor will itself execute similar documents if any vendor of these services so requests. Franchisee shall not use any personal/residential telephone numbers in the operation of the Franchised Business. If Franchisee does so, those numbers will be subject to the provisions of this Section 16.7.

**16.8 Remedies Cumulative.** The rights and remedies of Franchisor contained in this Section 16 and elsewhere in this Agreement or in a document referred to in this Agreement are cumulative and no exercise or enforcement of any right or remedy by Franchisor shall preclude its exercise or enforcement of any other right or remedy to which Franchisor is entitled by law, in equity or otherwise.

## **17. SECURITY INTEREST**

**17.1 Grant of Security Interest.** Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interest in all leasehold improvements, furniture, furnishings, fixtures, equipment, inventory and supplies located at or used in connection with the Franchised Business, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefore, and all cash and non-cash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee to Franchisor. Franchisee agrees to execute and deliver to Franchisor in a timely manner all financial statements and other documents necessary or desirable to evidence, perfect and continue the priority of such security interests under the Uniform Commercial Code. For such purposes, the address of Franchisee and Franchisor are as stated in this Agreement. If Franchisee is in good standing, Franchisor agrees, upon request, to execute subordinations of its security interest to suppliers, lenders and/or lessors furnishing equipment or financing for the Franchised Business.

## **18. FRANCHISEE'S OBLIGATIONS UPON EXPIRATION OR TERMINATION**

18.1 **Payment of Accounts.** Within fifteen (15) days after expiration or termination of this Agreement (or on such later date as such debts are due), Franchisee will pay, by bank draft, all outstanding Royalties, Franchise Promotional fees, and all other amounts payable by Franchisee (whether to Franchisee or its Affiliate) together with accrued interest charges thereon in accordance with Section 23.2.

18.2 **Discontinuance.** Upon expiration or termination of this Agreement, Franchisee shall immediately discontinue use of the Intellectual Property (including the Marks), the Operations Manual, the Confidential and Proprietary Material and all other materials provided by Franchisor such as advertising materials and training materials, trade secrets, systems, methods of operation, software, passwords, and the format and goodwill of the Program. Franchisee shall also forthwith change the color scheme of the Franchised Location to one that differentiates it from the color scheme of the Program and shall remove all signage related to the Program from the Franchised Business. Franchisee shall not thereafter operate or do business under any name or in any manner that might tend to give the general public the impression that Franchisee is directly or indirectly associated, affiliated, licensed by or related to Franchisor or the Program, and Franchisee shall not, directly or indirectly, use any Intellectual Property (including the Marks) or any other name, logo, signage, symbol, insignia, slogan, advertising, copyright, copyrighted materials, design, trade secret, process, system, method of operation or format confusingly similar to those used by the Program. Franchisee acknowledges the proprietary rights of Franchisor as set out in this Agreement and agrees to return to Franchisor the Operations Manual, all advertising and training materials and all other confidential information relating to the Program, as well as all other property of Franchisor, forthwith upon expiration or earlier termination of this Agreement. Additionally, Franchisee shall, upon termination or expiration of this Agreement, promptly remove any signage from the Franchised Business and any other premises from which the Franchised Business is conducted which uses the Intellectual Property (including the Marks) or otherwise and refers, directly or implicitly, to the Program.

18.3 **Power of Attorney.** Following expiration or earlier termination of this Agreement, Franchisor may execute in Franchisee's name and on Franchisee's behalf all documents necessary or advisable in Franchisor's judgment to terminate Franchisee's use of the Marks and Franchisor is hereby irrevocably appointed as Franchisee's attorney to do so, and such appointment, to the extent permitted by applicable law, shall survive the incapacity or death of an individual Franchisee.

## 19. RENEWAL

If Franchisee is in full compliance with this Agreement, has not at any time committed any Material Default that has not been remedied and meets Franchisor's then current standard requirements for franchisees, and the Franchisee has not been habitually in breach of this Agreement, then Franchisor will enter into renewals under the then current franchise agreement(s). Renewals are granted upon the following terms and conditions:

- (a) Franchisee must give written notice of the right of renewal to Franchisor not more than nine (9) calendar months nor less than six (6) calendar months prior to expiration of the Term (or first renewed term);
- (b) Franchisee shall execute Franchisor's then current form of franchise agreement which shall include Franchisor's then current rates and then current definitions and

shall, within thirty (30) days prior to expiration of the Term, with appropriate modifications to reflect that such renewal franchise relates to the grant of a renewal franchise including application of your prior years as a franchisee to the determination of the Monthly Minimum Gross Revenue Performance royalty, pay to Franchisor a non-refundable renewal fee of \$5,000 to reimburse the Franchisor's costs associated with the renewal of this Agreement and in lieu of paying the then-standard franchise fee. This fee is charged at each of the renewals;

- (c) Franchisee shall execute and, if Franchisee is an entity, shall cause its owners to execute a general release, in a form provided by Franchisor, of any and all claims against Franchisor and its Affiliates and their respective officers, directors, managers, members, shareholders, employees, agents and other representatives with respect to the Term; and
- (d) at the time of execution of a renewal franchise agreement, Franchisee shall not have an uncured notice of a default under this Agreement or any other agreement or obligation Franchisee may have with Franchisor including, but not limited to, all obligations to pay Royalties and other amounts; responsibilities to comply with the Operations Manual, including trade name and logo guidelines, and so forth.

## **20. ASSIGNMENT OR TRANSFER**

20.1 *Assignment or Transfer by Franchisee.* Franchisee acknowledges that the rights and duties created by this Agreement are personal to Franchisee and that Franchisor has entered into this Agreement in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Franchisee (or its principals, in the case of a corporate Franchisee). Therefore, except as expressly provided herein, neither this Agreement nor any of the rights and privileges of Franchisee contained herein, nor the Franchised Business or any part of it, nor any share or interest in Franchisee (if an entity) may be voluntarily, involuntarily, directly or indirectly (including by operation of law) assigned, sold, pledged, hypothecated, subdivided, sublicensed, optioned, diluted (such as by stock issuance or sale) or otherwise transferred or encumbered, at law or at equity. Any assignment or transfer not expressly permitted by this Agreement shall constitute a breach of this Agreement and shall be of no force and effect, and shall not be effective to convey any interest in this Agreement or the Franchised Business.

Without limiting the foregoing, Franchisee shall not assign or transfer, in whole or in part, Franchisee's interest in this Agreement or the Franchised Business except upon the terms and conditions provided in this Section 20. Any such assignment or transfer shall require the prior written consent of Franchisor, which Franchisor will not withhold unreasonably. Franchisor may refuse to consent to an assignment or transfer if any Material Default has occurred and has not been remedied. By way of illustration and not limitation, Franchisor may withhold its consent if the proposed assignee or transferee does not meet Franchisor's then current requirements for its new franchisees, is and will remain involved in any way in another business similar to the Franchised Business, is not in Franchisor's opinion financially and operationally capable of performing the then current obligations of System franchisees, or has had previous business experience or lack of experience which, in the judgment of Franchisor, suggest that the proposed assignee or transferee may not be a suitable franchisee of the Program. Franchisor's consent to any

assignment or transfer shall not constitute a waiver of any claim, demand, action or cause of action which it may have against Franchisee, and shall not constitute a release of any third party guarantee or covenant for performance of this Agreement by Franchisee.

**20.2 2.0.2 Transfer of Interest in Corporate Franchisee.** Without limiting the foregoing section, in the event that Franchisee is a corporation, partnership or other form of business organization, any material change in the legal or beneficial ownership of Franchisee, whether by agreement, court order, or by operation of law will be deemed to be an assignment or transfer of this Agreement by Franchisee. For the purposes of this paragraph, a material change in ownership will be any cumulative change in the legal or beneficial ownership of voting shares (or comparable voting units) representing more than twenty percent (20%) percent of all outstanding voting shares (or comparable voting units).

**20.3 Conditions of Consent.** Any consent given to Franchisee to assign, transfer, sell or otherwise alienate Franchisee's interest in this Agreement and the Franchised Business shall be subject to the following conditions (none of which limit in any way the discretion of Franchisor to grant or reasonably withhold its consent to any proposed assignment or transfer):

- (a) Franchisee shall submit all proposed advertisements for the sale of the Franchised Business to Franchisor for prior written approval, and Franchisor shall approve the material terms and conditions of any proposed transfer or assignment;
- (b) Franchisee shall pay a non-refundable transfer fee of \$5,000, plus the greater of ten percent (10%) of the selling price or \$10,000 if you choose to utilize one of the broker networks that we have arrangements with to help you sell your business, of which \$2,500 shall be payable upon the Franchisee's declaration of an intent to sell the Franchised Business, to reimburse Franchisor for its costs and expenses associated with reviewing and processing the application and providing training to the assignee;
- (c) Franchisee and assignee or transferee shall execute Franchisor's then current form of assignment of franchise agreement or, at the election of Franchisor, the assignee or transferee shall execute Franchisor's then current form of franchise agreement for a term equal to the remainder of the Term;
- (d) Franchisee shall return to Franchisor the Operations Manual and all other manuals and materials provided hereunder, for re-issuance to the assignee or transferee;
- (e) Franchisee and its principals shall each execute a release in the form provided by Franchisor and described in Section 20.5. Notwithstanding an assignment or transfer, Franchisee shall not be released by Franchisor;
- (f) The assignee or transferee and its designated Operating Principal and any management personnel shall have completed to Franchisor's satisfaction Franchisor's then-current training program;
- (g) all obligations of Franchisee under this Agreement and under all documents relating hereto and any or all other agreements then in effect between Franchisor or its nominee and Franchisee shall be in good standing; and

- (h) the assignee shall execute Franchisor's then current form of guarantee.

**20.4 *Transfer to an Entity by Personal Franchisee.*** If Franchisee is an individual, then his or her assignment of this Agreement to an entity formed solely for the purpose of owning and operating the Franchised Business pursuant to this Agreement, including but not limited to a corporation, limited liability company, limited liability partnership, limited partnership or any other form of entity, shall not be deemed to be an assignment of this Agreement, on condition that at least fifteen (15) days prior to an assignment being effected, Franchisee provides full written details of the proposed assignment to Franchisor and both Franchisee and proposed assignee certify in such writing that:

- (a) Franchisee has, and will retain at all time during the Term and any exercised Renewal Term legal and beneficial ownership of not less than seventy-five percent (75%) of the outstanding voting equity of the assignee entity;
- (b) Franchisee is and will remain the principal officer, chairman, director, member, partner, manager of the assignee entity;
- (c) all equity holders (both legal and equitable), members, partners, managers, directors and officers of the assignee entity will forthwith sign Franchisor's then current form of guarantee whereby they will, among other things, jointly and severally guarantee performance of this Agreement by the entity;
- (d) notwithstanding the assignment, the assignor shall remain liable, jointly and severally with the assignee entity and guarantors, for all obligations of Franchisee contained herein, and concurrently with the assignment, the assignor will execute and become bound by the Franchisor's then-current form of guarantee;
- (e) the assignor assigns to the assignee all or any portion of the Agreements entered into between the Franchisor and assignor including without limitation, all franchise agreements;
- (f) the assignor assigns to the assignee all Assets, leases, intangibles (including without limitation, insurance contracts), and all other assets held by the assignor that are necessary for or used in the Franchised Business; and
- (g) the assignee has no material liabilities that would affect the ability of the assignee to carry on the Franchised Business.

Additionally, the provisions of subsections 20.3(b) to (f) above shall apply, with the necessary changes, to the proposed assignment.

**20.5 *Franchisee's Release of Claims.*** It shall be a condition of Franchisor's consent to any assignment that Franchisee and its principals each deliver to Franchisor a complete release of all claims against Franchisor and its Affiliates and their respective directors, officers, shareholders, members, managers, partners, employees, agents and other representatives in respect of all obligations arising under or pursuant to this Agreement, such release shall be in a form provided by Franchisor.

**20.6 *Death, Incapacity or Permanent Disability.*** In the event of the death or permanent disability of a personal Franchisee (or a principal of Franchisee where Franchisee is an entity or other entity and its principal is the manager of the Franchised Business), then Franchisee or estate of a deceased personal Franchisee shall have the right, within six (6) months after such event, to assign this Agreement to an assignee who is, in Franchisor's opinion, financially and operationally capable of performing the obligations of Franchisee hereunder, provided that each of the conditions set out in Section 20.3 are fulfilled to the reasonable satisfaction of Franchisor. For the purposes of this Section 20.6, permanent disability means the inability of the personal Franchisee or principal to manage effectively the day-to-day operation of the Franchised Business for a period of thirty (30) days. During any period of disability (permanent or otherwise) or pending assignment or in the event of death as aforesaid, in the event the Franchisee does not or is unable to replace the General Manager as required by Section 11.1, Franchisor may appoint a competent and trained manager to operate the Franchised Business for the account of Franchisee. The substitute manager shall be deemed for all purposes to be the agent or employee of Franchisee. Franchisor shall not be liable to Franchisee or to any creditor of the Franchised Business for any debt, obligation, contract, loss or damage incurred, or for any purchase made during any period in which the Franchised Business is so managed.

**20.7 *Right of First Refusal.*** If Franchisee or its shareholders or members shall at any time determine to sell, assign or transfer this Agreement or an interest in the Franchised Business or any equity interest in Franchisee (if an entity), then Franchisee shall provide Franchisor with a copy of the written offer from a fully disclosed purchaser. Franchisor shall have the right, exercisable by written notice delivered to Franchisee within fifteen (15) days from the date of delivery of a bona fide offer, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer and shall have not less than sixty (60) days to prepare for closing. Franchisor may, at closing, pay any of Franchisee's trade creditors out of the purchase price, and set off against the purchase price any unpaid debts of Franchisee to Franchisor. If Franchisor does not exercise its right of first refusal, Franchisee (or other vendor) may complete the sale to such purchaser pursuant to and on the terms of such offer, subject to compliance with the consent and approval requirements of this Section 20; provided, however, that if the sale to such purchaser does not complete within ninety (90) days after delivery of such offer to Franchisor, or if there is a material change in the terms of the sale, then Franchisor shall again have a new right of first refusal as herein provided.

**20.8 *Assignment by Franchisor.*** This Agreement may be assigned in whole or in part by Franchisor and, if Franchisor makes a full assignment to a third party and the third party agrees in writing to assume all of the obligations and liabilities of Franchisor hereunder, then Franchisor shall automatically be released from all obligations and liabilities hereunder. A partial assignment by Franchisor may include an assignment of the Royalties payable by Franchisee.

**20.9 *Legend on Share Certificates.*** If Franchisee is an entity, Franchisee shall cause all shares of its capital stock, unit certificates, operating agreement or similar agreements or indications of ownership; the following legend, with necessary changes:

The Company and the securities evidenced by this certificate are subject to, and the disposition and transfer of such securities are restricted by, a franchise agreement dated as of \_\_, between the Company and TFL Franchise Systems LLC, a Massachusetts limited liability

company, a copy of which may, at the request of any shareholder of the corporation, be examined at the principal business office of the Company during normal business hours.

## 21. NON-COMPETITION

**21.1 *In Term Competition Restriction.*** Except as expressly permitted by this Agreement or by any other written agreement between Franchisor and Franchisee, during the Term or an exercised Renewal Term, Franchisee, or any of Franchisee's officers, directors, or managers, shall not directly or indirectly engage in the provision of locksmith or security goods or services, including doors, video cameras, and access control, in the United States. During the same time period, Franchisee also agrees not to take any steps to interfere with Franchisor's relations with National Accounts. And Franchisee agrees not to sell or transfer subscription based contracts made available to Franchisee by Franchisor to competitors in the United States.

**21.2 *Post-Term Competition Restriction.*** Except as expressly permitted by this Agreement or by any other written agreement between Franchisor and Franchisee, for a period of 18 months after expiration of the Term or an exercised Renewal Term, Franchisee, or any of Franchisee's officers, directors, or managers, shall not directly or indirectly, engage in the provision of locksmith or security goods or services, including doors, video cameras, and access control, at or within twenty (20) miles of Franchisee's location or within twenty (20) miles of any other franchisee of Franchisor. This Section 21 shall also continue to apply to Franchisee in the case of any assignment of this Agreement or any sale of the Franchised Business. During the same time period, Franchisee also agrees not to take any steps to interfere with Franchisor's relations with National Accounts.

**21.3 *Application.*** This Section 21 shall survive the expiration or sooner termination of this Agreement and any assignment, transfer or sale hereunder. Franchisee acknowledges that by reason of the unique nature and considerable value of the Marks and the business reputation associated with Franchisor and the Program, including methods of operating, format and related proprietary rights and by reason of Franchisee's knowledge of and association and experience with the Program, the provisions of this Section 21 are reasonable and commensurate for the protection of the legitimate business interests of Franchisor, its Affiliates and franchisees.

## 22. FRANCHISEE ACKNOWLEDGMENTS

### 22.1 *Acknowledgments.*

- (a) Review of Documents and Time for Careful Consideration. Franchisee acknowledges that he, she or it has been advised to seek legal counsel and accounting professionals of his, her or its own choosing regarding all aspects of this Agreement and the relationship created thereby.
- (b) Injunctive Relief. Franchisee acknowledges that certain breaches of this Agreement would result in loss to Franchisor for which Franchisor could not be adequately compensated in damages by a monetary award. Accordingly, Franchisee agrees that in the event of any such breach of this Agreement, Franchisor shall, in addition to all the remedies available to Franchisor at law or in equity, be entitled as a matter

of right to a restraining order, injunction (including an interim injunction), decree of specific performance or otherwise, without the need to post any bond or other security in connection therewith, to ensure compliance by Franchisee with the provisions of this Agreement and preservation, of Franchisor's proprietary rights. Franchisee waives the requirement that Franchisor post bond on any temporary restraining order, preliminary, or permanent injunction.

- (c) Responsibility for Investigations, Permits, Etc. Franchisee acknowledges that it is solely responsible and for obtaining all necessary permits to operate the Franchised Business.

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.

## 23. MISCELLANEOUS

**23.1 *Indemnity by Franchisee.*** Except as otherwise provided in this Agreement, Franchisee agrees to indemnify and save harmless Franchisor, its subsidiaries, Affiliates, shareholders, members, managers, directors, officers, employees, agents, assignees and other franchisees from and against, and to reimburse them for, all liabilities, obligations, and consequential damages, taxes, costs, losses and actual legal expenses incurred by them in connection with any claim, litigation or other action or proceeding arising out of the operation of the Franchised Business by Franchisee. Franchisee shall be responsible for and shall pay and satisfy any judgment or settlement that may arise out of any such claim, litigation, action or proceeding. Without limiting the generality of the foregoing, Franchisee agrees that if Franchisor is made a party to any lawsuit or any other action or proceeding in connection with the Franchised Business or the activities of Franchisee or any of its Affiliates, Franchisor may, at its sole option, either (a) permit Franchisee to conduct the defense or prosecution of the matter at the cost of Franchisee; or (b) take conduct of the defense or prosecution, in which case all expenses thereof will be borne or reimbursed by Franchisee. This indemnity shall continue in full force after termination or expiration of this Agreement.

**23.2 *Interest on Overdue Amounts.*** All payments required to be made by Franchisee to Franchisor under or pursuant to this Agreement shall bear simple interest from and after their respective due dates until paid in full at the rate of ten percent (10%) per annum or such other rate as Franchisor may specify in writing from time to time or the maximum rate permitted by law if lower.

**23.3 *Application of Payments.*** Franchisor shall have sole discretion to apply any payments made by Franchisee to any past due indebtedness of Franchisee, including but not necessarily limited to Royalties, Franchise Promotional Fund, purchases from Franchisor, or any of its Affiliates, interest or other indebtedness.

**23.4 *Parties are Independent Contractors.*** The parties intend by this Agreement to

establish the relationship of franchisor and franchisee, each as an independent contractor, and it is not the intention of either party to establish a fiduciary relationship, to undertake a joint venture, to make Franchisee in any sense an agent, employee, Affiliate, associate or partner of Franchisor or to confer on Franchisee any authority to act in the name of or on behalf of Franchisor. Franchisee is solely responsible for the day-to-day affairs, management, operations and financial control of the Franchised Business and for Franchisee's employees and Franchisee's treatment of them.

**23.5 Conformity with Laws.** If any court order, statute, law, by-law, ordinance or regulation promulgated by any competent authority requires a longer or different notice period than that specified herein, the notice period shall automatically be deemed to be amended so as to conform with the minimum requirements of such statute, law, by-law, ordinance, regulation or court order.

**23.6 Additional Franchises.** Franchisee acknowledges that Franchisor may from time to time grant franchises for additional Franchised Businesses under terms that may differ materially from the terms of this Agreement and that consequently Franchisor's obligations and rights with respect to its various franchises may from time to time differ materially from those provided in this Agreement.

**23.7 Waiver.** Franchisor reserves the right, from time to time, to waive observance or performance of any obligation imposed on Franchisee by this Agreement. No waiver of any default of any term, proviso, covenant or condition of this Agreement by Franchisor shall constitute a waiver of any other term, proviso, covenant or condition of this Agreement.

**23.8 Entire Agreement.** This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

**23.9 Amendments.** This Agreement can be amended or added to only by a writing executed by both Franchisor and Franchisee.

**23.10 Further Assurances.** Franchisor and Franchisee will each acknowledge, execute and deliver all such further documents, instruments or assurances and will each perform such further acts or deeds as may be necessary or advisable from time to time to give full effect to this Agreement.

**23.11 Severability.** If any article, section or subsection of this Agreement or any portion thereof is determined to be indefinite, invalid, illegal or otherwise void, voidable or unenforceable, then it shall automatically be severed from this Agreement and the balance of this Agreement shall continue in full force and effect.

**23.12 Governing Law.** This Agreement is effective upon its acceptance in Massachusetts by our authorized officer. Except as to claims governed by federal law, Massachusetts law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties ("Claims"). However, no laws regulating the sale of franchises

or governing the relationship between franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

23.13 ***Jurisdiction and Venue.*** In any suit over any Claims, venue shall be proper only in the state and federal courts closest to our main office. However, if you are an Illinois or Maryland resident or your Territory is located in Illinois or Maryland, you agree to bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where franchisor headquarters are located.

23.14 ***Jury Waiver.*** YOU AND WE EACH IRREVOCABLY WAIVE OUR RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY. YOU AND WE ACKNOWLEDGE THAT THIS WAIVER OF JURY TRIAL RIGHTS PROVIDES THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND RESOLUTION OF ANY DISPUTE ARISING OUT OF THIS AGREEMENT AND ANY ASPECT OF THE PARTIES' RELATIONSHIP. YOU AND WE FURTHER ACKNOWLEDGE THE SUFFICIENCY AND RECEIPT OF MUTUAL CONSIDERATION FOR SUCH BENEFIT.

23.15 ***Class Action Waiver.*** You agree that any Claims you may have against us, including our past and present employees and agents, shall be brought individually and you shall not join with claims of any other person or entity or bring, join or participate in a class action against us.

23.16 ***Punitive Damages Waiver.*** In any lawsuit, dispute or claim over any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.

23.17 ***Limitation of Actions.*** You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims.

23.18 ***Prior Notice of Claims.*** As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

23.19 ***Internal Dispute Resolution.*** You must first bring any Claim to our CEO, after providing notice as set forth in Section 23.18 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

23.20 ***Mediation.*** Before you may bring any Claim against us in court, you agree to try for a period of sixty (60) days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we cannot mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association ("AAA"), and split any AAA and mediator fees equally.

23.21 ***Attorney Fees.*** If we are the substantially prevailing party as to any Claims, you agree to reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

23.22 **Third Party Beneficiaries.** Our officers, directors, managers, members, shareholders, agents, and employees are express third party beneficiaries of the terms of these Governing Law provisions contained herein.

23.23 **Survival.** All of the covenants contained in this Agreement that may require performance after the termination or expirations of this Agreement will survive any termination or expiration of this Agreement.

23.24 **Severability Clause.** If any covenant or provision in this Agreement is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision of this Agreement.

23.25 **Area Representatives.** If you are or become in a territory under an Area Representative, you agree not to bring any Claims against the Area Representative. If you breach this clause, you agree to reimburse us or the Area Representative for any legal fees and costs incurred in defending such Claims.

23.26 **Submission of Agreement.** The submission of this Agreement to Franchisee does not constitute an offer by Franchisor. This Agreement shall only become effective when it has been executed by both Franchisor and Franchisee.

23.27 **Notice.** All approvals, requests, notices, and reports required or permitted under this Agreement will not be effective unless in writing and delivered to the party entitled to receive the notice in accordance with this Section. All such approvals, requests, notices, and reports, as well as all payments, will be deemed delivered at the time delivered by hand; or one (1) Business Day after sending by e-mail or comparable electronic system or through a nationally recognized commercial courier service for next Business Day delivery; or three (3) Business Days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified and/or, with respect to any approvals and notices that We provide to You or Your Owners, at the Franchised Business's address. As of the Effective Date of this Agreement, notices should be addressed to the following addresses unless and until a different address has been designated by written notice to the other party:

- (a) If to Franchisor at:  
859 Willard Street, Suite 100  
Quincy, MA 02169.
- (b) If to Franchisee at:

[signatures on following page]

IN WITNESS WHEREOF Franchisor and Franchisee have executed this Agreement as of the Effective Date shown in Attachment 1.

**FRANCHISEE:**

Name: \_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

**FRANCHISOR:**

TFL FRANCHISE SYSTEMS, LLC.,  
a Massachusetts limited liability company

By: \_\_\_\_\_  
(authorized signature)

Name: \_\_\_\_\_

**ATTACHMENT 1**

**FRANCHISED BUSINESS – PARTICULARS**

1. Franchisee: \_\_\_\_\_

2. Effective Date: \_\_\_\_\_

3. Territory Description:  
\_\_\_\_\_

4. Scheduled Opening Date of Franchised Business: \_\_\_\_\_

**ATTACHMENT 2**

**MARKS**

| Registration Number | Description of Mark   | Principal or Supplemental Register of the United States Patent and Trademark Office | Registration Date                      |
|---------------------|---|---|--|
| 4751651             |    | Principal   | June 9, 2015                           |
| 4811307             |   | Principal   | September 15, 2015                     |
| 5132846             | The Flying Locksmiths   | Principal   | January 31, 2017                       |
| Serial #97796595    |  | Principal   | Application Date:<br>February 15, 2023 |

**ATTACHMENT 3**

**PRINCIPAL OWNER'S STATEMENT**

This form must be completed by the Franchisee (“I,” “me” or “my”) if I have multiple owners or if I, or my Franchised Business, is owned by a business organization (like a corporation, partnership or limited liability company). Franchisor is relying on the truth and accuracy of this form in awarding the Franchise to me.

1. **Form of Owner.** I am a (check one):

- (i) General Partnership \_\_\_\_\_
- (ii) Corporation \_\_\_\_\_
- (iii) Limited Partnership \_\_\_\_\_
- (iv) Limited Liability Company \_\_\_\_\_
- (v) Other \_\_\_\_\_  
Specify: \_\_\_\_\_

2. **Business Entity.** I was incorporated or formed on \_\_\_\_\_, \_\_\_\_\_ under the laws of the [State/Commonwealth of \_\_\_\_\_]. I have not conducted business under any name other than my corporate, limited liability company or partnership name. The following is a list of all persons who have management rights and powers (e.g., operating principal, officers, managers, partners, etc.) and their positions are listed below:

| <b><u>Name of Person</u></b> | <b><u>Position(s) Held</u></b> |
|------------------------------|--------------------------------|
| _____                        | _____                          |
| _____                        | _____                          |
| _____                        | _____                          |
| _____                        | _____                          |

3. **Owners.** The following list includes the full name and mailing address of each person who is an owner and fully describes the nature of each owner's interest. Attach additional sheets if necessary.

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

4. **Governing Documents.** Attached are copies of the documents and contracts governing the ownership, management and other significant aspects of the business organization (e.g., articles of incorporation or organization, partnership or shareholder agreements, etc.).

This Statement of Principal Owners is current and complete as of \_\_\_\_\_, 20\_\_\_\_.

**OWNER INDIVIDUALS:**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

**CORPORATION, LIMITED  
LIABILITY COMPANY OR  
PARTNERSHIP:**

\_\_\_\_\_  
(Name)

By: \_\_\_\_\_

Title: \_\_\_\_\_

**ATTACHMENT 4**

**AUTOMATIC BANK DRAFT AUTHORIZATION**

**ACH Origination Authorization**

Please complete the following with your banking information and attach a voided check:

Company Name: \_\_\_\_\_

Name of Financial Institution: \_\_\_\_\_

Address of Financial Institution: \_\_\_\_\_

Routing Number: \_\_\_\_\_

Account Number: \_\_\_\_\_

I hereby authorize TFL Franchise Systems, LLC and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my franchise agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify either TFL Franchise Systems, LLC or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least thirty (3) days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to fifteen (15) days following issuance of my statement by the above-referenced financial institution or up to sixty (60) days after deposit, whichever occurs first.

Signature: \_\_\_\_\_

Printed Name of Person Signing: \_\_\_\_\_

Title (if any): \_\_\_\_\_

Application Date: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Applicant's Address: \_\_\_\_\_

\_\_\_\_\_

**ATTACHMENT 5**

**PERSONAL GUARANTY**

This Personal Guaranty, is made by \_\_\_\_\_, (“Guarantor”), in favor of TFL Franchise Systems, LLC, a Massachusetts limited liability company (the “Franchisor”) on the date set forth below.

**RECITALS**

A. WHEREAS, Franchisor is entering into a Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) with \_\_\_\_\_ (“the Franchisee”);

B. WHEREAS, Guarantor is a shareholder, director, officer, member, manager, trustee, or partner of Franchisee and will directly or indirectly benefit from the Franchisor entering into the Franchise Agreement with Franchisee; and

C. WHEREAS, Franchisor is unwilling to enter into the Franchise Agreement without the Guarantor(s) providing this Personal Guaranty of Franchisee’s obligations under the Franchise Agreement;

NOW, THEREFORE, to induce Franchisor to enter into the Franchise Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby agrees as follows:

**AGREEMENT**

1. The Guaranty. Guarantor hereby irrevocably, absolutely and unconditionally guaranties the full, complete and punctual performance by Franchisee of all of the terms and conditions of the Franchise Agreement, including any amendments thereto or renewals thereof (collectively, the “Guaranteed Obligations”). The obligations and liability of the Guarantor hereunder shall be as a primary obligor under the Franchise Agreement, and not merely as a surety, and the Franchisor shall not be obliged to resort to or exhaust any recourse which it may have against the Franchisee, any third party, or any security or collateral before being entitled to bring a claim against the Guarantor.

2. Obligations Unconditional. The obligations of the Guarantor under this Guaranty are absolute and unconditional to the fullest extent permitted by applicable law, irrespective of any circumstance whatsoever (other than full payment or performance) which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor. No dealings between the Franchisor and the Franchisee of any kind, whether with or without notice to the Guarantor, shall affect the liability of the Guarantor hereunder. Without limiting the foregoing, the Guarantor hereby authorizes Franchisor, without notice or demand and without affecting Guarantor’s liability hereunder, from time to time to (a) change or extend the time or manner of payment of the Franchise Agreement obligations; (b) or take and hold additional security for the payment of the Franchise Agreement, and exchange, enforce, waive and release any such security.

Additionally, Guarantor hereby waives:

(a) Any right to require Franchisor to (i) proceed against Franchisee or any other guarantor of the obligations; (ii) proceed against or exhaust any security received from Franchisee or any other guarantor of the obligations; and/or (iii) pursue any other remedy in Franchisor's power whatsoever;

(b) Presentment, demand, protest, notice of protest, notice of dishonor and notice of non-payment and notice of acceptance of this Guaranty;

(c) Any right to the benefit of, or to direct the application of, any security held by Franchisor, and until all the Guaranteed Obligations have been paid and performed in full, any right to enforce any remedy which Franchisor now has or hereafter may have against Franchisee, and any right to participate in any security now or hereafter held by Franchisor; and

(d) Any right to receive from the Franchisor any communication whatsoever with respect to performance of the Guaranteed Obligations by the Franchisee (including any subsequently created obligation or liability of the Guarantor to the Franchisor); notice of the existence or creation of any liabilities under the Franchise Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between the Franchisee and the Franchisor resulting from the Franchise Agreement or otherwise, and the settlement, compromise or adjustment thereof.

3. Continuing Guaranty. This Personal Guaranty constitutes a continuing guaranty of performance of the Guaranteed Obligations and the obligations of the Guarantor hereunder are not limited to any particular period of time but shall continue until all of the terms, covenants and conditions of the Franchise Agreement have been fully and completely performed by the Franchisee or otherwise discharged by the Franchisor, and the Guarantor shall not be released from any liability under this Personal Guaranty so long as there is any claim of the Franchisor against the Franchisee arising out of the Guaranteed Obligations that has not been fully performed, settled or discharged, nor shall this Personal Guaranty be affected by the death, disability, dissolution, or reorganization of the Franchisee or any of its directors, officers, members, partners, managers, or shareholders, or any change in the Guarantor's financial condition or in the business or financial condition of the Franchisee or any of its directors, managers, officers, members or shareholders (including by way of insolvency, bankruptcy or receivership).

4. Subrogation. The Guarantor hereby agrees that it shall not be subrogated to any of the rights of the Franchisor until payment in full of the Guaranteed Obligations.

5. Binding Effect of Agreements. Any account settled or stated or any other settlement made between the Franchisor and the Franchisee, and any determination made pursuant to any of the Guaranteed Obligations which is expressed to be binding upon the Franchisee shall be binding upon the Guarantor.

6. Personal Covenants. As additional personal covenants (and without limiting the applicability of the other provisions of this Personal Guaranty), the Guarantor as primary obligor unconditionally covenants and agrees to be bound personally and to comply with all provisions of the Franchise Agreement dealing with the use of trade names and trademarks, copyrights,

Confidential and Proprietary Material, compliance with laws, and non-competition. If the Guarantor breaches any of these provisions, then the Franchise Agreement shall be deemed to be in default and the Franchisor may exercise its remedies for default under the Franchise Agreement.

7. Amendment. The terms of this Personal Guaranty may be waived, altered or amended only by an instrument in writing duly executed by the Guarantor and the Franchisor.

8. Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then to the fullest extent permitted by law (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Franchisor in order to carry out the intentions of the parties hereto as nearly as may be possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

9. No Waiver. No delay or refusal in exercising, any right, power or remedy hereunder shall operate as a waiver thereof.

10. Expenses. The Guarantor will pay all reasonable expenses, including attorneys' fees, that are incurred by Franchisor in connection with the enforcement of this Agreement.

11. Successors and Assigns. This Personal Guaranty shall be binding upon and inure to the benefit of the parties and their respective successors and assigns provided, however, that the Guarantor shall not assign or transfer his/her rights hereunder without the prior written consent of the Franchisor.

12. Independent Advice. The Guarantor acknowledges that he/she has obtained, or has had the opportunity to obtain, independent legal advice before signing this Personal Guaranty.

13. Governing Law, Jurisdiction and Venue. This Personal Guaranty shall be construed and interpreted according to the laws of the Commonwealth of Massachusetts. The Federal and State Courts in or nearest the headquarters of TFL Franchise Systems, LLC shall have exclusive venue and jurisdiction to entertain any proceeding in respect of this Personal Agreement, and Guarantor consents to the jurisdiction and venue of such courts in all matters related to this Agreement.

IN WITNESS WHEREOF the Guarantor has signed this Personal Guaranty as of the date set forth below:

DATED:

GUARANTOR:

\_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

## ATTACHMENT 6

### MASTER EQUITY SUBLEASE AGREEMENT

This Master Equity Sublease Agreement is entered into this \_\_\_\_\_ by and between TFL Franchise Systems LLC (“Sublessor”), and the sublessee whose name and address is set forth on the signature page below (“Sublessee”).

**1. SUBLEASE OF VEHICLES:** Sublessor hereby subleases to Sublessee and Sublessee hereby subleases from Sublessor the vehicles (individually, a “Vehicle” and collectively, the “Vehicles”) described in the schedules from time to time delivered by Sublessor to Sublessee as set forth below (“Schedule(s)”) for the rentals and on the terms set forth in this Agreement and in the applicable Schedule. References to this “Agreement” shall include this Master Equity Sublease Agreement and the various Schedules and addenda to this Master Equity Sublease Agreement. Sublessor will, on or about the date of delivery of each Vehicle to Sublessee, send Sublessee a Schedule covering the Vehicle, which will include, among other things, a description of the Vehicle, the sublease term and the monthly rental and other payments due with respect to the Vehicle. The terms contained in each such Schedule will be binding on Sublessee unless Sublessee objects in writing to such Schedule within ten (10) days after the date of delivery of the Vehicle covered by such Schedule. Sublessor is not the sole legal owner of each Vehicle. This Agreement is a sublease only and Sublessee will have no right, title or interest in or to the Vehicles except for the use of the Vehicles as described in this Agreement.

**2. TERM:** The term of this Agreement (“Term”) for each Vehicle begins on the date such Vehicle is delivered to Sublessee (the “Delivery Date”) and, unless terminated earlier in accordance with the terms of this Agreement, continues for the “Sublease Term” as described in the applicable Schedule.

**3. RENT AND OTHER CHARGES:**

(a) Sublessee agrees to pay Sublessor monthly rental and other payments according to the Schedules and this Agreement. The monthly payments will be in the amount listed as the “Total Monthly Rental Including Additional Services” on the applicable Schedule and will be due and payable in advance on the first day of each month. If a Vehicle is delivered to Sublessee on any day other than the first day of a month, monthly rental payments will begin on the first day of the next month. In addition to the monthly rental payments, Sublessee agrees to pay Sublessor a pro-rated rental charge for the number of days that the Delivery Date precedes the first monthly rental payment date. A portion of each monthly rental payment, being the amount designated as “Depreciation Reserve” on the applicable Schedule, will be considered as a reserve for depreciation and will be credited against the Delivered Price of the Vehicle for purposes of computing the Book Value of the Vehicle under Section 3(c). Sublessee agrees to pay Sublessor the “Total Initial Charges” set forth in each Schedule on the due date of the first monthly rental payment under such Schedule. Sublessee agrees to pay Sublessor the “Service Charge Due at Sublease Termination” set forth in each Schedule at the end of the applicable Term (whether by reason of expiration, early termination or otherwise).

(b) In the event the Term for any Vehicle ends prior to the last day of the scheduled Term, whether as a result of a default by Sublessee, a Casualty Occurrence or any other reason, the rentals and management fees paid by Sublessee will be recalculated in accordance with the rule of 78’s and the adjusted amount will be payable by Sublessee to Sublessor on the termination date.

(c) Sublessee agrees to pay Sublessor within thirty (30) days after the end of the Term for each Vehicle, additional rent equal to the excess, if any, of the Book Value of such Vehicle over the greater of (i) the wholesale value of such Vehicle as determined by Sublessor in good faith or (ii) except as provided below, twenty percent (20%) of the Delivered Price of such Vehicle as set forth in the applicable Schedule. If the Book Value of such Vehicle is less than the greater of (i) the wholesale value of such Vehicle as determined by Sublessor in good faith or (ii) except as provided below, twenty percent (20%) of the Delivered Price of such Vehicle as set forth in the applicable Schedule, Sublessor agrees to pay such deficiency to Sublessee as a terminal rental adjustment within thirty (30) days after the end of the applicable Term. Notwithstanding the foregoing, if (i) the Term for a Vehicle is greater than forty-eight (48) months (including any extension of the Term for such Vehicle), (ii) the mileage on a Vehicle at the end of the Term is greater than 15,000 miles per year on average (prorated on a daily basis) (i.e., if the mileage on a Vehicle with a Term of thirty-six (36)

months is greater than 45,000 miles) or (iii) in the sole judgment of Sublessor, a Vehicle has been subject to damage or any abnormal or excessive wear and tear, the calculations described in the two immediately preceding sentences shall be made without giving effect to clause (ii) in each such sentence. The “Book Value” of a Vehicle means the sum of (i) the “Delivered Price” of the Vehicle as set forth in the applicable Schedule minus (ii) the total Depreciation Reserve paid by Sublessee to Sublessor with respect to such Vehicle plus (iii) all accrued and unpaid rent and/or other amounts owed by Sublessee with respect to such Vehicle.

(d) Any security deposit of Sublessee will be returned to Sublessee at the end of the applicable Term, except that the deposit will first be applied to any losses and/or damages suffered by Sublessor as a result of Sublessee’s breach of or default under this Agreement and/or to any other amounts then owed by Sublessee to Sublessor.

(e) Any rental payment or other amount owed by Sublessee to Sublessor which is not paid within twenty (20) days after its due date will accrue interest, payable on demand of Sublessor, from the date due until paid in full at a rate per annum equal to the lesser of (i) Eighteen Percent (18%) per annum or (ii) the highest rate permitted by applicable law (the “Default Rate”).

(f) If Sublessee fails to pay any amount due under this Agreement or to comply with any of the covenants contained in this Agreement, Sublessor or any other agent of Sublessor may, at its option, pay such amounts or perform such covenants and all sums paid or incurred by Sublessor in connection therewith will be repayable by Sublessee to Sublessor upon demand together with interest thereon at the Default Rate.

(g) Sublessee’s obligations to make all payments of rent and other amounts under this Agreement are absolute and unconditional and such payments shall be made in immediately available funds without setoff, counterclaim or deduction of any kind. Sublessee acknowledges and agrees that neither any Casualty Occurrence to any Vehicle nor any defect, unfitness or lack of governmental approval in, of, or with respect to, any Vehicle regardless of the cause or consequence will relieve Sublessee from the performance of any of its obligations under this Agreement, including, without limitation, the payment of rent and other amounts under this Agreement.

**4. USE AND SURRENDER OF VEHICLES:** Sublessee agrees to allow only duly authorized, licensed and insured drivers to use and operate the Vehicles. Sublessee agrees to comply with, and cause its drivers to comply with, all laws, statutes, rules, regulations and ordinances and the provisions of all insurance policies affecting or covering the Vehicles or their use or operation. Sublessee agrees to keep the Vehicles free of all liens, charges and encumbrances. Sublessee agrees that in no event will any Vehicle be used or operated for transporting hazardous substances or persons for hire, for any illegal purpose or to pull trailers that exceed the manufacturer’s trailer towing recommendations. Sublessee agrees that no Vehicle is intended to be or will be utilized as a “school bus” as defined in the Code of Federal Regulations or any applicable state or municipal statute or regulation. Sublessee agrees not to remove any Vehicle from the continental United States. At the expiration or earlier termination of this Agreement with respect to each Vehicle, or upon demand by Sublessor made pursuant to Section 14, Sublessee at its risk and expense agrees to return such Vehicle to Sublessor at such place and by such reasonable means as may be designated by Sublessor. If for any reason Sublessee fails to return any Vehicle to Sublessor as and when required in accordance with this Section, Sublessee agrees to pay Sublessor additional rent for such Vehicle at twice the normal pro-rated daily rent. Acceptance of such additional rent by Sublessor will in no way limit Sublessor’s remedies with respect to Sublessee’s failure to return any Vehicle as required hereunder.

**5. COSTS, EXPENSES, FEES AND CHARGES:** Sublessee agrees to pay all costs, expenses, fees, charges, fines, tickets, penalties and taxes (other than federal and state income taxes on the income of Sublessor) incurred in connection with the titling, registration, delivery, purchase, sale, rental, use or operation of the Vehicles during the Term. If Sublessor or any other agent of Sublessor incurs any such costs or expenses, Sublessee agrees to promptly reimburse Sublessor for the same.

**6. LICENSE AND CHARGES:** Each Vehicle will be titled and licensed in the name designated by Sublessor at Sublessee’s expense. Certain other charges relating to the acquisition of each Vehicle and paid or satisfied by Sublessor have been capitalized in determining the monthly rental, treated as an initial charge or otherwise charged to Sublessee. Such charges have been determined without reduction for trade-in, exchange allowance or other credit attributable to any Sublessor- owned vehicle.

**7. REGISTRATION PLATES, ETC.:** Sublessee agrees, at its expense, to obtain in the name designated by Sublessor all registration plates and other plates, permits, inspections and/or licenses required in connection with the Vehicles, except for the initial registration plates which Sublessor will obtain at Sublessee's expense. The parties agree to cooperate and to furnish any and all information or documentation, which may be reasonably necessary for compliance with the provisions of this Section or any federal, state or local law, rule, regulation or ordinance. Sublessee agrees that it will not permit any Vehicle to be located in a state other than the state in which such Vehicle is then titled for any continuous period of time that would require such Vehicle to become subject to the titling and/or registration laws of such other state.

**8. MAINTENANCE OF AND IMPROVEMENTS TO VEHICLES:**

(a) Sublessee agrees, at its expense, to (i) maintain the Vehicles in good condition, repair, maintenance and running order and in accordance with all manufacturer's instructions and warranty requirements and all legal requirements and (ii) furnish all labor, materials, parts and other essentials required for the proper operation and maintenance of the Vehicles. Any alterations, additions, replacement parts or improvements to a Vehicle including, but not limited to, The Flying Locksmiths rooftop sign, the interior racks, the power inverter, A Code Machine, Key Duplicator, and Lab Pin Kits will become and remain the property of Sublessor and will be returned with such Vehicle upon such Vehicle's return pursuant to Section 4. Notwithstanding the foregoing, so long as no Event of Default has occurred and is continuing, Sublessee shall have the right to remove any additional equipment installed by Sublessee on a Vehicle prior to returning such Vehicle to Sublessor under Section 4. The value of such alterations, additions, replacement parts and improvements will in no instance be regarded as rent. Sublessee will not make any alterations, additions, replacement parts or improvements to any Vehicle which detract from its economic value or functional utility. Sublessor will not be required to make any repairs or replacements of any nature or description with respect to any Vehicle, to maintain or repair any Vehicle or to make any expenditure whatsoever in connection with any Vehicle or this Agreement.

**9. SELECTION OF VEHICLES AND DISCLAIMER OF WARRANTIES:**

(a) SUBLESSEE ACCEPTANCE OF DELIVERY AND USE OF EACH VEHICLE WILL CONCLUSIVELY ESTABLISH THAT SUCH VEHICLE IS OF A SIZE, DESIGN, CAPACITY, TYPE AND MANUFACTURE SELECTED BY SUBLESSEE AND THAT SUCH VEHICLE IS IN GOOD CONDITION AND REPAIR AND IS SATISFACTORY IN ALL RESPECTS AND IS SUITABLE FOR SUBLESSEE'S PURPOSE. SUBLESSEE ACKNOWLEDGES THAT SUBLESSOR IS NOT A MANUFACTURER OF ANY VEHICLE OR AN AGENT OF A MANUFACTURER OF ANY VEHICLE.

(b) SUBLESSOR MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, WITH RESPECT TO ANY VEHICLE, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY AS TO CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY SUBLESSEE. THE VEHICLES ARE SUBLEASED "AS IS," "WITH ALL FAULTS." All warranties made by any supplier, vendor and/or manufacturer of a Vehicle are hereby assigned by Sublessor to Sublessee for the applicable Term and Sublessee's only remedy, if any, is against the supplier, vendor or manufacturer of the Vehicle.

(c) None of Sublessor or any other agent of Sublessor will be liable to Sublessee for any liability, claim, loss, damage (direct, incidental or consequential) or expense of any kind or nature, caused directly or indirectly, by any Vehicle or any inadequacy of any Vehicle for any purpose or any defect (latent or patent) in any Vehicle or the use or maintenance of any Vehicle or any repair, servicing or adjustment of or to any Vehicle, or any delay in providing or failure to provide any Vehicle, or any interruption or loss of service or use of any Vehicle, or any loss of business or any damage whatsoever and however caused. In addition, none of Sublessor or any other agent of Sublessor will have any liability to Sublessee under this Agreement or under any order authorization form executed by Sublessee if Sublessor is unable to locate or purchase a Vehicle ordered by Sublessee or for any delay in delivery of any Vehicle ordered by Sublessee.

**10. RISK OF LOSS:** Sublessee assumes and agrees to bear the entire risk of loss of, theft of, damage to or destruction of any Vehicle from any cause whatsoever ("Casualty Occurrence"). In the event of a Casualty Occurrence to a Vehicle, Sublessee shall give Sublessor prompt notice of the Casualty Occurrence and thereafter will place the applicable Vehicle in good repair, condition and working order; provided, however, that if the applicable Vehicle is determined by Sublessor to be lost, stolen, destroyed or damaged beyond repair (a

“Totaled Vehicle”), Sublessee agrees to pay Sublessor no later than the date thirty (30) days after the date of the Casualty Occurrence the amounts owed under Sections 3(b) and 3(c) with respect to such Totaled Vehicle. Upon such payment, this Agreement will terminate with respect to such Totaled Vehicle.

**11. INSURANCE:**

(a) Sublessee agrees to purchase and maintain in force during the Term, insurance policies in at least the amounts listed below covering each Vehicle, to be written by an insurance company or companies satisfactory to Sublessor, insuring Sublessee, Sublessor and any other person or entity designated by Sublessor against any damage, claim, suit, action or liability:

(i) Commercial Automobile Liability Insurance (including Uninsured/Underinsured Motorist Coverage and No-Fault Protection where required by law) for the limits listed below (Note - \$5,000,000 Combined Single Limit Bodily Injury and Property Damage with No Deductible is required for each Vehicle capable of transporting more than 8 passengers):

State of Vehicle Registration

Coverage

All States

\$1,000,000 Combined Single Limit Bodily Injury and Property Damage – No Deductible

(ii) Physical Damage Insurance (Collision & Comprehensive): Actual cash value of the applicable Vehicle. Maximum deductible of \$500 per occurrence - Collision and \$500 per occurrence - Comprehensive).

If the requirements of any governmental or regulatory agency exceed the minimums stated in this Agreement, Sublessee must obtain and maintain the higher insurance requirements. Sublessee agrees that each required policy of insurance will by appropriate endorsement or otherwise name Sublessor and any other person or entity designated by Sublessor as additional insureds and loss payees, as their respective interests may appear. Further, each such insurance policy must provide the following: (i) that the same may not be cancelled, changed or modified until after the insurer has given to Sublessor and any other person or entity designated by Sublessor at least thirty (30) days prior written notice of such proposed cancellation, change or modification, (ii) that no act or default of Sublessee or any other person or entity shall affect the right of Sublessor, any other agent of Sublessor or any of their respective successors or assigns to recover under such policy or policies of insurance in the event of any loss of or damage to any Vehicle and (iii) that the coverage is “primary coverage” for the protection of Sublessee, Sublessor, any other agent of Sublessor and their respective successors and assigns notwithstanding any other coverage carried by Sublessee, Sublessor, any other agent of Sublessor or any of their respective successors or assigns protecting against similar risks. Original certificates evidencing such coverage and naming Sublessor, any other agent of Sublessor and any other person or entity designated by Sublessor as additional insureds and loss payees shall be furnished to Sublessor prior to the Delivery Date, and annually thereafter and/or as reasonably requested by Sublessor from time to time. In the event of default, Sublessee hereby appoints Sublessor and any other agent of Sublessor as Sublessee’s attorney-in-fact to receive payment of, to endorse all checks and other documents and to take any other actions necessary to pursue insurance claims and recover payments if Sublessee fails to do so. Any expense of Sublessor or any other agent of Sublessor in adjusting or collecting insurance shall be borne by Sublessee.

Sublessee, its drivers, servants and agents agree to cooperate fully with Sublessor, any other agent of Sublessor and any insurance carriers in the investigation, defense and prosecution of all claims or suits arising from the use or operation of any Vehicle. If any claim is made or action commenced for death, personal injury or property damage resulting from the ownership, maintenance, use or operation of any Vehicle, Sublessee will promptly notify Sublessor of such action or claim and forward to Sublessor a copy of every demand, notice, summons or other process received in connection with such claim or action.

**12. INDEMNITY:** Sublessee agrees to defend and indemnify Sublessor, any other agent of Sublessor and their respective successors and assigns from and against any and all losses, damages, liabilities, suits, claims, demands, costs and expenses (including, without limitation, reasonable attorneys’ fees and expenses) which Sublessor, any other agent of Sublessor or any of their respective successors or assigns may incur by reason of Sublessee’s breach or violation of, or failure to observe or perform, any term, provision or covenant of this Agreement, or as a result

of any loss, damage, theft or destruction of any Vehicle or related to or arising out of or in connection with the use, operation or condition of any Vehicle. The provisions of this Section 12 shall survive any expiration or termination of this Agreement.

**13. INSPECTION OF VEHICLES; ODOMETER DISCLOSURE; FINANCIAL STATEMENTS:**

Sublessee agrees to accomplish, at its expense, all inspections of the Vehicles required by any governmental authority during the Term. Sublessor, any other agent of Sublessor and any of their respective successors or assigns will have the right to inspect any Vehicle at any reasonable time(s) during the Term and for this purpose to enter into or upon any building or place where any Vehicle is located. Sublessee agrees to comply with all odometer disclosure laws, rules and regulations and to provide such written and signed disclosure information on such forms and in such manner as directed by Sublessor. Providing false information or failure to complete the odometer disclosure form as required by law may result in fines and/or imprisonment. Sublessee hereby agrees to promptly deliver to Sublessor such financial statements and other financial information regarding Sublessee as Sublessor may from time to time reasonably request.

**14. DEFAULT; REMEDIES:** The following shall constitute events of default (“Events of Default”) by Sublessee under this Agreement: (a) if Sublessee fails to pay when due any rent or other amount due under this Agreement and any such failure shall remain unremedied for ten (10) days; (b) if Sublessee fails to perform, keep or observe any term, provision or covenant contained in Section 11 of this Agreement; (c) if Sublessee fails to perform, keep or observe any other term, provision or covenant contained in this Agreement and any such failure shall remain unremedied for thirty (30) days after written notice thereof is given by Sublessor or any other agent of Sublessor to Sublessee; (d) any seizure or confiscation of any Vehicle or any other act (other than a Casualty Occurrence) otherwise rendering any Vehicle unsuitable for use (as determined by Sublessor); (e) if any present or future guaranty in favor of Sublessor of all or any portion of the obligations of Sublessee under this Agreement shall at any time for any reason cease to be in full force and effect or shall be declared to be null and void by a court of competent jurisdiction, or if the validity or enforceability of any such guaranty shall be contested or denied by any guarantor, or if any guarantor shall deny that it, he or she has any further liability or obligation under any such guaranty or if any guarantor shall fail to comply with or observe any of the terms, provisions or conditions contained in any such guaranty; or (f) the occurrence of a material adverse change in the financial condition or business of Sublessee or any guarantor. For purposes of this Section 14, the term “guarantor” shall mean any present or future guarantor of all or any portion of the obligations of Sublessee under this Agreement.

Upon the occurrence of any Event of Default, Sublessor, without notice to Sublessee, will have the right to exercise concurrently or separately (and without any election of remedies being deemed made), the following remedies: (a) Sublessor may demand and receive immediate possession of any or all of the Vehicles from Sublessee, without releasing Sublessee from its obligations under this Agreement; if Sublessee fails to surrender possession of the Vehicles to Sublessor on default (or termination or expiration of the Term), Sublessor, any other agent of Sublessor and any of Sublessor’s independent contractors shall have the right to enter upon any premises where the Vehicles may be located and to remove and repossess the Vehicles; (b) Sublessor may enforce performance by Sublessee of its obligations under this Agreement; (c) Sublessor may recover damages and expenses sustained by Sublessor, any other agent of Sublessor or any of their respective successors or assigns by reason of Sublessee’s default including, to the extent permitted by applicable law, all costs and expenses, including court costs and reasonable attorneys’ fees and expenses, incurred by Sublessor, any other agent of Sublessor or any of their respective successors or assigns in attempting or effecting enforcement of Sublessor’s rights under this Agreement (whether or not litigation is commenced) and/or in connection with bankruptcy or insolvency proceedings; (d) upon written notice to Sublessee, Sublessor may terminate Sublessee’s rights under this Agreement; (e) with respect to each Vehicle, Sublessor may recover from Sublessee all amounts owed by Sublessee under Sections 3(b) and 3(c) of this Agreement (and, if Sublessor does not recover possession of a Vehicle, (i) the estimated wholesale value of such Vehicle for purposes of Section 3(c) shall be deemed to be \$0.00 and (ii) the calculations described in the first two sentences of Section 3(c) shall be made without giving effect to clause (ii) in each such sentence); and/or (f) Sublessor may exercise any other right or remedy which may be available to Sublessor under the Uniform Commercial Code, any other applicable law or in equity. A termination of this Agreement shall occur only upon written notice by Sublessor to Sublessee. Any termination shall not affect Sublessee’s obligation to pay all amounts due for periods prior to the effective date of such termination or Sublessee’s obligation to pay any indemnities under this Agreement. All remedies of Sublessor under this Agreement or at law or in equity are cumulative.

**15. ASSIGNMENTS:** Sublessee may not assign, sublease, transfer or pledge this Agreement, any Vehicle, or any interest in this Agreement or in and to any Vehicle, or permit its rights under this Agreement or any Vehicle to be subject to any lien, charge or encumbrance. Sublessee's interest in this Agreement is not assignable and cannot be assigned or transferred by operation of law. Sublessee will not transfer or relinquish possession of any Vehicle (except for the sole purpose of repair or service of such Vehicle).

**16. MISCELLANEOUS:** This Agreement contains the entire understanding of the parties. This Agreement may only be amended or modified by an instrument in writing executed by both parties. Sublessor shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies under this Agreement and no waiver whatsoever shall be valid unless in writing and signed by Sublessor and then only to the extent therein set forth. A waiver by Sublessor of any right or remedy under this Agreement on any one occasion shall not be construed as a bar to any right or remedy, which Sublessor would otherwise have on any future occasion. If any term or provision of this Agreement or any application of any such term or provision is invalid or unenforceable, the remainder of this Agreement and any other application of such term or provision will not be affected thereby. Giving of all notices under this Agreement will be sufficient if mailed by certified mail to a party at its address set forth below or at such other address as such party may provide in writing from time to time. Any such notice mailed to such address will be effective one (1) day after deposit in the United States mail, duly addressed, with certified mail, postage prepaid. Sublessee will promptly notify Sublessor of any change in Sublessee's address. This Agreement may be executed in multiple counterparts (including pdf counterparts), but the counterpart marked "ORIGINAL" by Sublessor will be the original sublease for purposes of applicable law. All of the representations, warranties, covenants, agreements and obligations of each Sublessee under this Agreement (if more than one) are joint and several.

**17. SUCCESSORS AND ASSIGNS; GOVERNING LAW:** Subject to the provisions of Section 15, this Agreement will be binding upon Sublessee and its heirs, executors, personal representatives, successors and assigns, and will inure to the benefit of Sublessor, any other agent of Sublessor and their respective successors and assigns. This Agreement will be governed by and construed in accordance with the substantive laws of the Commonwealth of Massachusetts. (determined without reference to conflict of law principles).

IN WITNESS WHEREOF, Sublessor and Sublessee have duly executed this Master Equity Sublease Agreement as of the day and year first above written.

SUBLESSEE: \_\_\_\_\_ SUBLESSOR: TFL Franchise Systems LLC  
\_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: Brett McMenimon  
Title: COO

Address: \_\_\_\_\_  
\_\_\_\_\_

Address: 895 Willard St., Suite 100  
Quincy, MA 02169

Date Signed: \_\_\_\_\_

Date Signed \_\_\_\_\_

**ATTACHMENT 7**

**FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT**

**Do not sign this Questionnaire if you are a resident of Maryland or the business is to be operated in Maryland.**

As you know, TFL Franchise Systems, LLC, (“Franchisor”) and you are preparing to enter into a Franchise Agreement for the establishment and operation of a The Flying Locksmiths franchise. The purpose of this questionnaire is to determine whether any statements or promises were made to you, either orally or in writing, by employees or representative of Franchisor that have not been authorized or that were not disclosed in the Disclosure Document or that might be untrue, inaccurate or misleading.

Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing The Flying Locksmiths franchise from an existing franchisee?

Yes \_\_\_\_\_ No \_\_\_\_\_

2. Have you received and personally reviewed the Franchise Agreement and each exhibit attached to it?

Yes \_\_\_\_\_ No \_\_\_\_\_

3. Have you received the Franchise Agreement you are to execute with all the blanks completed?

Yes \_\_\_\_\_ No \_\_\_\_\_

4. Has any employee, broker or other person speaking on behalf of Franchisor made any written or oral statement or promise concerning the sales, revenues, or profits of a The Flying Locksmiths franchise, other than what may be stated in Item 19 of the The Flying Locksmiths FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

5. Has any employee, broker or other person speaking on behalf of Franchisor made any written or oral statement or promise regarding the costs you may incur in starting a The Flying Locksmiths franchise that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

6. Has any employee, broker or other person speaking on behalf of Franchisor made any

written or oral statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a The Flying Locksmiths franchise?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Has any employee, broker or other person speaking on behalf of Franchisor made any written or oral statement, promise or agreement concerning the advertising, marketing, training, support services or assistance that Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

8. Has any employee, broker or other person speaking on behalf of Franchisor made any written or oral statement, promise or agreement relating to any right you may have to acquire territory in addition to what will be initially granted to you under the Franchise Agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Has any employee, broker or other person speaking on behalf of Franchisor made any other written or oral statement, promise or agreement relating to the The Flying Locksmiths franchise that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. If you have answered “Yes” to any of questions 8 through 14, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered “no” to each of the foregoing questions, please leave the following lines blank.

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16. Do you have the funds available to cover all of the startup costs, on-going costs and operating capital specified in the franchise disclosure document?

Yes \_\_\_\_\_ No \_\_\_\_\_

17. Have you ever been convicted of a felony crime?

Yes \_\_\_\_\_ No \_\_\_\_\_

If Yes, please provide a full explanation here.

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18. Will you allow TFL Franchise System to perform a basic background check?

Yes \_\_\_\_ No \_\_\_\_

If No, please provide explanation here.

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RESIDENTS OF THE STATE OF CALIFORNIA AND FRANCHISEES WITH A BUSINESS TO BE LOCATED IN CALIFORNIA ARE NOT REQUIRED TO COMPLETE THIS QUESTIONNAIRE.

RESIDENTS OF THE STATE OF WASHINGTON AND FRANCHISEES WITH A BUSINESS TO BE LOCATED IN WASHINGTON ARE NOT REQUIRED TO COMPLETE THIS QUESTIONNAIRE: This Acknowledgement does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

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.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Date: \_\_\_\_\_

\_\_\_\_\_  
Prospective Franchisee

**ATTACHMENT 8**

**STATE ADDENDA TO THE FRANCHISE AGREEMENT**

## **CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

Pursuant to California Business and Professions Code Sections 20020 and 20021, Sections 16.1 and 16.3 are deleted and in their place are substituted the following:

**11.1 Termination by Us Without Right to Cure.** We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The franchisee or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the franchisee admits his or her inability to pay his or her debts as they come due;

(b) The franchisee abandons the franchise by failing to operate the business for five consecutive days during which the franchisee is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the franchisee does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the franchisee's control;

(c) The franchisor and franchisee agree in writing to terminate the franchise;

(d) The franchisee makes any material misrepresentations relating to the acquisition of the franchise business or the franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The franchisee fails, for a period of ten (10) days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

(f) The franchisee, after curing any failure in accordance with Section 16.1 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The franchisee breaches the franchise agreement three or more times in a twelve (12) month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the franchisee remains unsatisfied for thirty (30) days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the franchise agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The franchisee is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The franchisee fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the franchisee will result in an imminent danger to public health or safety.

(l) 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.

**16.3 Termination by Us with Opportunity to Cure.** We may terminate this Agreement, after sending you notice and a sixty (60) day opportunity to cure for any other breach of this Agreement.

FRANCHISEE:

TFL Franchise Systems LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Barry L. McMenimon, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

**HAWAII ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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.

FRANCHISEE:

TFL Franchise Systems LLC

By: \_\_\_\_\_

By: \_\_\_\_\_  
Barry L. McMenimon, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

**ILLINOIS ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. 815 ILCS 705/41 provides as follows: "Sec. 41. Waivers void. 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 this State is void."
5. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

The Franchise Agreement is amended to also provide include the following: "We defer the payment of all initial fees paid by you to us until we have performed all pre-opening obligations and you are open for business."

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

FRANCHISEE:

TFL Franchise Systems LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Barry L. McMenimon, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

**MARYLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Any limitation on the period of time to bring arbitration or litigation of claims shall not act to reduce the 3 year statute of limitation afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.

5. The Franchise Agreement is amended to also provide: “. "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.”

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

7. The Franchise Agreement Section 22 and Attachment 7 are hereby deleted.

FRANCHISEE:

TFL Franchise Systems LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Barry L. McMenimon, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

**MINNESOTA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given ninety (90) days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Sec. 80C.17, Subd. 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.

FRANCHISEE:

TFL Franchise Systems LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Barry L. McMenimon, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

**NEW YORK ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- 1. The franchisee may terminate the franchise agreement on any grounds available by law.
- 2. Section 20.8 of the franchise agreement is amended to also provide as follows:

“However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the franchise agreement.”

FRANCHISEE:

TFL Franchise Systems LLC

By: \_\_\_\_\_

By: \_\_\_\_\_  
Barry L. McMenimon, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

**NORTH DAKOTA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. You are not required to sign a general release upon renewal of the franchise agreement.

2. The franchise agreement is amended to also provide as follows:

“Covenants not to compete are generally considered unenforceable in the State of North Dakota.”

3. The provisions concerning choice of law, jurisdiction and venue, jury waiver, waiver of punitive damages, and a one (1) year limitations of action are hereby deleted and in their place is substituted the following language:

“You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”

4. North Dakota law governs any cause of action arising out of the franchise agreement.

5. Any requirement in the Franchise Agreement that requires you to pay all costs and expenses incurred by us in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

6. The second paragraph Section 3.1 of the Franchise Agreement is deleted in its entirety and replaced with the following paragraph:

“We defer the payment of Initial Franchise Fee paid by you to us until we have performed all pre-opening obligations and you are open for business. The Initial Fee is fully earned upon receipt.”

7. Section 16.6 of the Franchise Agreement is modified to delete the requirement that you pay liquidated damages upon termination based upon Material Default.

8. Section 23.20 of the Franchise Agreement is modified to also provide that the site of any mediation or arbitration must be agreeable to all parties and may not be remote from the franchisee’s place of business.

FRANCHISEE:

TFL Franchise Systems LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Barry L. McMenimon, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

**RHODE ISLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the franchise agreement contains any provisions that conflict with the Rhode Island Franchise Investment Act, the provisions of this Addendum shall prevail to the extent of such conflict.

2. Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Any provision in the franchise agreement requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

4. The Rhode Island Franchise Investment Act stipulates that you cannot release or waive any rights granted under this Act. Any provision of this franchise agreement, which constitutes a waiver of rights granted under the Act, is superseded.

5. You agree to bring any claim against us, including our present and former employees and agents, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.

FRANCHISEE:

TFL Franchise Systems LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Barry L. McMenimon, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

**SOUTH DAKOTA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- 1. The Franchise Agreement is clarified to also indicate that fifty percent (50%) of the initial franchise fee and 50% of royalties are deemed paid for the use of our Marks and fifty percent (50%) are deemed paid for our training, support, and franchise system.

FRANCHISEE:

TFL Franchise Systems LLC

By: \_\_\_\_\_

By: \_\_\_\_\_  
Barry L. McMenimon, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

**VIRGINIA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

The Franchise Agreement is modified to also provide: “The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations 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.

FRANCHISEE:

TFL Franchise Systems LLC

By: \_\_\_\_\_

By: \_\_\_\_\_  
Barry L. McMenimon, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

**WASHINGTON ADDENDUM  
TO THE FRANCHISE AGREEMENT, AND RELATED AGREEMENTS**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

Section 3.1 of the Franchise Agreement is amended to include the following:

“We defer the payment of the initial franchise fee paid by you to us until we have fulfilled our pre-opening obligations and you are open for business.”

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting

or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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 does hereby acknowledge receipt of this Addendum.

FRANCHISEE:

TFL Franchise Systems LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

Barry L. McMenimon, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

**WISCONSIN ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.
  
2. The Franchise Agreement are amended to also include the following language:

With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that ninety (90) days prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has sixty (60) days to cure the deficiency and if the deficiency is cured, the notice is void.

FRANCHISEE:

TFL Franchise Systems LLC

By: \_\_\_\_\_

By: \_\_\_\_\_  
Barry L. McMenimon, CEO

By: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTACHMENT 9**

**SUMMARY OF INITIAL PACKAGE**

**ITEMS:**

|   |
|---|
| HANDTOOLS                                       |
| LOCKSMITH MACHINERY                             |
| SERVICE <del>VAN</del> <u>VEHICLE</u> INVENTORY |
| ONE-YEAR SEAMLESS SUBSCRIPTION                  |
| ONE YEAR SALESFORCE SUNSCRIPTION                |
| ONE-YEAR CAREERPLUG SUBSCRIPTION                |

## EXHIBIT D

### EMPLOYEE CONFIDENTIALITY AGREEMENT

This Employee Confidentiality Agreement (“Agreement”) is entered into by and between \_\_\_\_\_ (“Employer”) and \_\_\_\_\_ (“Employee”) and is effective as of \_\_\_\_\_, 201\_.

**WHEREAS**, Employer is engaged in operation of a The Flying Locksmiths franchise (the “Franchised Business”) pursuant to a Franchise Agreement between Employer and TFL Franchise Systems, LLC, (the “Franchisor”);

**WHEREAS**, the Franchised Business is based on a comprehensive program (the “Program”) that provides locksmith and security services and products for commercial and residential customers under the name of The Flying Locksmiths;

**WHEREAS**, the Program involves the use of Franchisor’s Confidential Information (defined below) in connection with each Franchised Business;

**WHEREAS**, Employer desires to employ persons to work in the Franchised Business who will have access to Franchisor’s Confidential Information;

**WHEREAS**, Employer has an obligation to safeguard Franchisor’s Confidential Information;

**WHEREAS**, Employee is willing to become an employee of Employer in the Franchised Business subject to the terms and conditions set forth in this Agreement; and

**WHEREAS**, Employer is willing to hire Employee to work in the Franchised Business, but only upon the terms and conditions set forth in this Agreement;

**NOW THEREFORE**, in consideration of the mutual covenants contained in this Agreement and other good and faithful consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

#### **1. Franchisor’s Confidential Information as Trade Secrets**

Employee understands and acknowledges that during the course of employment by the Employer, Employee will have access to and learn about confidential, secret and proprietary documents, materials and other information, in tangible and intangible form, of and relating to the Franchised Business and its existing and prospective customers, suppliers, investors and other associated third parties (“Confidential Information”). The Employee further understands and acknowledges that this Confidential Information and the Employer’s ability to reserve it for the exclusive knowledge and use of the Franchised Business is of great competitive importance and commercial value to the Employer, and that improper use or disclosure of the Confidential Information by the Employee might cause the Employer to incur financial costs, loss of business

advantage, liability under confidentiality agreements with third parties, civil damages and criminal penalties.

For purposes of this Agreement, Confidential Information includes, but is not limited to, all information not generally known to the public, relating directly or indirectly to the equipment operating procedures, business techniques, manuals, customer lists, of the Franchise Business, or of any other person or entity that has entrusted information to the Employer in confidence.

The Employee understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Employee, provided that such disclosure is through no direct or indirect fault of the Employee or person(s) acting on the Employee's behalf.

## **2. Employer Owns Confidential Information**

Employee understands and agrees that Confidential Information developed by Employee by virtue of Employee's employment by the Employer belongs to Employer and shall be subject to the terms and conditions of this Agreement.

## **3. Nondisclosure**

Employee shall not at any time or in any manner, either directly or indirectly, divulge, disclose or communicate to any unauthorized person(s) or entity any Confidential Information or use Confidential Information in an unauthorized manner. All Confidential Information shall be held by Employee in complete confidence. Such information is important, material, and confidential and gravely affects the effective and successful conduct of Employer's Franchised Business and injures Franchisor's goodwill. These provisions and restrictions apply while Employee is employed with Employer and at all times thereafter. Should Employee, at any time, cease to be an employee of Employer, Employee shall immediately return to the Employer the originals and all copies of all documents or other media containing or representing any of the Confidential Information. Breach of any of the terms of this paragraph shall be a material breach of this Agreement.

## **4. Unfair Competition**

Employee shall not, for any reason, directly or indirectly:

1. During the term of employment, provide services of the type offered by Employer except on behalf of and for the benefit of Employer.
2. Use any of the Franchisor's or Employer's proprietary trade secret information to solicit any of Franchisor's or Employer's clients; or

## **5. Remedies**

Employee agrees that, in the event of alleged breach, Employer shall be entitled, in addition to all other available remedies, to a temporary restraining order, a preliminary injunction and other relief and that Employee waives any right to Employer's posting of a bond on such order or injunction. Employee agrees that any action taken by Employer pursuant to this Agreement shall not constitute an election of remedies.

## **6. Non-Disparagement**

Employee agrees that Employee will not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Employer, the Franchised Business, or Franchisor's products or services or make any false statements about the Employer, the Franchised Business, or Franchisor or their employees, members, or officers.

## **7. Enforcement by Franchisor**

Both Employer and Employee acknowledge and agree that this Agreement is for the benefit not only of the Employer, but also of the Franchisor. Employer and Employee each agree that Franchisor shall have the same right to enforce this Agreement as Employer has; provided only that as between Employer and Franchisor, they shall be entitled to only one recovery of damages.

## **8. Miscellaneous Terms**

### 8.1 Non-Waiver.

No act or omission or delay in enforcing a right by either party shall waive any right under or breach by the other of this Agreement unless such party executes and delivers a written waiver. The waiver by either party of any right under or breach of this Agreement shall not be a waiver of any subsequent or continuing right or breach.

### 8.2 Attorney Fees.

In the event that any legal action or proceeding is commenced by Employer or Franchisor to enforce this Agreement or to determine the rights of any party, including any appeal proceeding, if Employer or Franchisor is the substantially prevailing party, they shall be entitled to their costs and attorney fees incurred in pursuing the action.

### 8.3 Severability.

In the event that any of the provisions of this Agreement are held to be unenforceable or invalid by a court of competent jurisdiction, the validity and enforceability of the remaining provisions shall not be affected thereby, and full effect shall be given to the intent manifested by the provisions, or portions thereof, held to be enforceable and valid, unless such invalidity shall pertain to the obligation to pay fees, in which event this Agreement shall terminate.

8.4 Survival.

Employee acknowledges and agrees that the terms and conditions of this Agreement which may require performance after the termination of this Agreement shall survive after Employee's termination.

8.5 Warranty Of Authority.

Each person signing this Agreement for or on behalf of any party to this Agreement warrants that s/he has full authority to sign and to legally bind the party.

8.6 Choice Of Law.

This Agreement shall be governed by and construed under the laws of the state in which the Franchised Business is located or where the employee lives or works.

8.7 Modification.

This Agreement shall not be modified or changed except by a written agreement executed by the parties.

EMPLOYEE: \_\_\_\_\_

EMPLOYER: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Signature

Signature

\_\_\_\_\_  
Title

Distribution: Copy to Employee and Copy to Employee's Personnel File

**EXHIBIT E**

**GENERAL RELEASE AND WAIVER OF CLAIMS**

THIS RELEASE is made and given by \_\_\_\_\_,  
("Releasor") with reference to the following facts:

1. Releasor and TFL Franchise Systems, LLC (Releasee) are parties to one or more franchise agreements.
2. The following consideration is given:

\_\_\_\_\_ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise"); or

\_\_\_\_\_ Releasor's consent to Releasee's transfer of its rights and duties under the Franchise Agreement; or

\_\_\_\_\_ Releasor's consent to Releasee's assumption of rights and duties under the Franchise Agreement; or

\_\_\_\_\_ [insert description]

3. Release- Franchisee and all of Franchisee's guarantors, members, officers, directors, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Franchisees, successors, assigns and affiliates (collectively "Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Franchisee could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

6. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan

Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act.

7. Releasor agrees to comply with all of its applicable post-termination or post-transfer obligations (as the case may be) in the Franchise Agreement described above.

**Releasor:**

**Releasee: TFL Franchise Systems, LLC**

By: \_\_\_\_\_

By: \_\_\_\_\_

Barry L. McMenimon, CEO

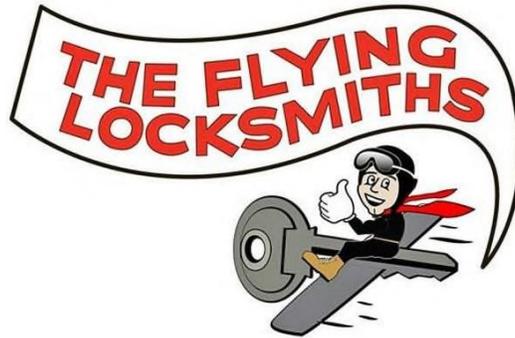
Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT F**

**OPERATIONS MANUAL TABLE OF CONTENTS**



**The Flying Locksmiths  
Operations Manual**

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**The Flying Locksmiths**  
**Table of Contents to Operations Manual**

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**EXHIBIT G**

**FINANCIAL STATEMENTS**

**INTERIM UN-AUDITED FINANCIAL STATEMENTS**

**For the Period**  
**January through ~~February~~July 2024**



**TFL Franchise Systems LLC**  
**Profit and Loss**  
January - July, 2024  
(Unaudited)

|                                   |              |              |
|-----------------------------------|--------------|--------------|
| <b>Revenues</b>                   |              |              |
| Royalties                         | \$ 2,812,230 |              |
| Client Service and Other Fees     | 1,540,829    |              |
| Franchise Fees                    | 782,420      |              |
| Subcontractor                     | 2,994,706    |              |
| <b>Total Revenues</b>             |              | \$ 8,130,185 |
| <b>Cost of Goods Sold</b>         |              |              |
| Royalty Related                   | 549,604      |              |
| Franchise Fee Related             | 572,551      |              |
| Subcontractor Expenses            | 2,630,381    |              |
| <b>Total Cost of Goods Sold</b>   |              | 3,752,536    |
| <b>Gross Profit</b>               |              | 4,377,649    |
| <b>Expenses</b>                   |              |              |
| Advertising and Promotion         | (24,651)     |              |
| General & Administrative          | 438,497      |              |
| Travel & Entertainment            | 47,340       |              |
| Professional Fees                 | 277,873      |              |
| Payroll and Related Expenses      | 2,767,789    |              |
| Automobile Expense                | 54,664       |              |
| Depreciation Expense              | 52,295       |              |
| <b>Total Expenses</b>             |              | 3,613,807    |
| <b>Net Operating Income</b>       |              | 763,842      |
| <b>Net Other Income (Expense)</b> |              | (43,420)     |
| <b>Net Income</b>                 |              | \$ 720,422   |



## TFL Franchise Systems LLC

### Profit and Loss

January - February, 2024

(Unaudited)

|                                   |    |                     |
|-----------------------------------|----|---------------------|
| <b>Revenues</b>                   |    |                     |
| Royalties                         | \$ | 758,655             |
| Call Center and Other Fees        |    | 379,327             |
| Franchise Fees                    |    | 223,440             |
| Subcontractor                     |    | 918,159             |
| <b>Total Revenues</b>             |    | <u>\$ 2,279,581</u> |
| <b>Cost of Goods Sold</b>         |    |                     |
| Royalty Related                   |    | 147,518             |
| Franchise Fee Related             |    | 163,586             |
| Subcontractor Expenses            |    | 805,101             |
| <b>Total Cost of Goods Sold</b>   |    | <u>1,116,205</u>    |
| <b>Gross Profit</b>               |    | <u>1,163,376</u>    |
| <b>Expenses</b>                   |    |                     |
| Advertising and Promotion         |    | (9,576)             |
| General & Administrative          |    | 109,962             |
| Travel & Entertainment            |    | 12,591              |
| Professional Fees                 |    | 57,982              |
| Payroll and Related Expenses      |    | 690,973             |
| Automobile Expense                |    | 13,792              |
| Depreciation Expense              |    | 14,941              |
| <b>Total Expenses</b>             |    | <u>890,665</u>      |
| <b>Net Operating Income</b>       |    | <u>272,711</u>      |
| <b>Net Other Income (Expense)</b> |    | <u>(11,331)</u>     |
| <b>Net Income</b>                 |    | <u>\$ 261,380</u>   |

**TFL FRANCHISE SYSTEMS LLC**  
**Financial Statements**  
**December 31, 2023, 2022 and 2021**  
**With Independent Auditor's Report**

**TFL Franchise Systems LLC**  
**Table of Contents**  
**December 31, 2023, 2022 and 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
TFL Franchise Systems LLC:

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of TFL Franchise Systems LLC (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

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

#### Basis of Opinion

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

#### Responsibilities of Management for the Financial Statements

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

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

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

#### **Emphasis of a Matter**

As discussed in Note 2, the Company restated its previously issued December 31, 2022 and 2021 financial statements for the correction of a material misstatement in the classification of deferred broker fees as net of deferred revenue rather than a gross asset in the respective periods. The restatement had no impact on the Company's statements of operations, changes in members' equity (deficit) and cash flows. Our opinion is not modified with respect to this matter.

#### **Other Matter**

The financial statements of the Company as of and for the year ended December 31, 2021, were audited by O'Connor & Drew, P.C., who joined with WithumSmith+Brown, PC on January 1, 2023 and expressed an unmodified opinion on those statements dated February 25, 2022. As part of our audit of the 2023 and 2022 financial statements, we also audited adjustments described in Note 2 that were applied to restate the 2021 financial statements. In our opinion such adjustments are appropriate and have been properly applied.

*WithumSmith+Brown, PC*

February 29, 2024

**TFL Franchise Systems LLC**  
**Balance Sheets**  
**December 31, 2023, 2022 and 2021**

|  | <u>2023</u>         | <u>(Restated)<br/>2022</u> | <u>(Restated)<br/>2021</u> |
|--|---------------------|----------------------------|----------------------------|
| <b>Assets</b>  |                     |                            |                            |
| Current assets   |                     |                            |                            |
| Cash and cash equivalents                                | \$ 935,187          | \$ 670,860                 | \$ 897,276                 |
| Accounts receivable, net                                 | 2,509,930           | 2,400,714                  | 1,925,580                  |
| Prepaid expenses   | 137,047             | 128,112                    | 85,413                     |
| Inventory  | 16,832              | 10,151                     | 10,648                     |
| Deferred costs   | <u>981,520</u>      | <u>982,386</u>             | <u>996,281</u>             |
| Total current assets                                     | <u>4,580,516</u>    | <u>4,192,223</u>           | <u>3,915,198</u>           |
| Property and equipment, net                              | <u>304,725</u>      | <u>379,706</u>             | <u>409,466</u>             |
| Noncurrent assets  |                     |                            |                            |
| Right-of-use assets - operating, net                     | 1,071,740           | 225,832                    | 289,382                    |
| Intangible asset, net                                    | 957,551             | -                          | -                          |
| Other assets   | -                   | 38,377                     | 38,377                     |
| Deferred costs, net of current portion                   | <u>2,676,054</u>    | <u>3,584,865</u>           | <u>4,563,924</u>           |
| Total noncurrent assets                                  | <u>4,705,345</u>    | <u>3,849,074</u>           | <u>4,891,683</u>           |
| Total assets   | <u>\$ 9,590,586</u> | <u>\$ 8,421,003</u>        | <u>\$ 9,216,347</u>        |
| <b>Liabilities and Members' Equity (Deficit)</b>         |                     |                            |                            |
| Current liabilities                                      |                     |                            |                            |
| Accounts payable   | \$ 645,694          | \$ 670,640                 | \$ 449,347                 |
| Accrued expenses   | 461,275             | 431,665                    | 449,317                    |
| Deferred revenue   | 1,340,645           | 1,342,008                  | 1,361,098                  |
| Lease liabilities - operating, current portion           | 149,770             | 156,567                    | 166,435                    |
| Paycheck Protection Program loan                         | -                   | -                          | 47,651                     |
| Note payable, current portion                            | 133,472             | -                          | -                          |
| Economic Injury Disaster Loan                            | <u>19,438</u>       | <u>3,161</u>               | <u>4,598</u>               |
| Total current liabilities                                | <u>2,750,294</u>    | <u>2,604,041</u>           | <u>2,478,446</u>           |
| Noncurrent liabilities                                   |                     |                            |                            |
| Deferred revenue, net of current portion                 | 4,159,310           | 5,426,992                  | 6,760,246                  |
| Lease liabilities - operating, net of current portion    | 968,146             | 83,639                     | 149,803                    |
| Note payable, net of current portion                     | 525,887             | -                          | -                          |
| Paycheck Protection Program loan, net of current portion | -                   | -                          | 414,714                    |
| Economic Injury Disaster Loan, net of current portion    | <u>111,065</u>      | <u>145,978</u>             | <u>145,402</u>             |
| Total noncurrent liabilities                             | <u>5,764,408</u>    | <u>5,656,609</u>           | <u>7,470,165</u>           |
| Members' equity (deficit)                                | <u>1,075,884</u>    | <u>160,353</u>             | <u>(732,264)</u>           |
| Total liabilities and members' equity (deficit)          | <u>\$ 9,590,586</u> | <u>\$ 8,421,003</u>        | <u>\$ 9,216,347</u>        |

The Notes to Financial Statements are an integral part of these statements.

**TFL Franchise Systems LLC**  
**Statements of Operations**  
**For the Years Ended December 31, 2023, 2022 and 2021**

|   | <u>2023</u>        | <u>2022</u>        | <u>2021</u>        |
|---|--------------------|--------------------|--------------------|
| <b>Franchise fees</b>                           | \$ 1,491,152       | \$ 1,517,384       | \$ 1,595,798       |
| Less: Broker and master fees                    | <u>(1,032,939)</u> | <u>(1,072,172)</u> | <u>(1,196,001)</u> |
| Franchise fees                                  | <u>458,213</u>     | <u>445,212</u>     | <u>399,797</u>     |
| <b>Royalties and related fees</b>               | 7,222,104          | 6,289,817          | 5,434,416          |
| Less: Master and member fees                    | <u>(939,963)</u>   | <u>(963,150)</u>   | <u>(859,386)</u>   |
| Royalties and related fees                      | <u>6,282,141</u>   | <u>5,326,667</u>   | <u>4,575,030</u>   |
| <b>Subcontractor revenue</b>                    | 5,764,445          | 5,682,816          | 4,513,971          |
| Less: Subcontractor expense                     | <u>(5,085,645)</u> | <u>(5,127,578)</u> | <u>(4,108,325)</u> |
| Subcontractor revenue                           | <u>678,800</u>     | <u>555,238</u>     | <u>405,646</u>     |
| Gross profit                                    | 7,419,154          | 6,327,117          | 5,380,473          |
| Operating expenses                              | <u>6,462,926</u>   | <u>5,904,234</u>   | <u>4,959,793</u>   |
| Income from operations                          | <u>956,228</u>     | <u>422,883</u>     | <u>420,680</u>     |
| <b>Other income and expense</b>                 |                    |                    |                    |
| Other income                                    | 36,994             | 75,788             | 78,457             |
| Interest expense                                | (43,086)           | (13,139)           | -                  |
| Forgiveness of Paycheck Protection Program loan | <u>-</u>           | <u>462,365</u>     | <u>501,700</u>     |
| Total other income and expense                  | <u>(6,092)</u>     | <u>525,014</u>     | <u>580,157</u>     |
| Income before provision for state income tax    | 950,136            | 947,897            | 1,000,837          |
| Provision for state income tax                  | <u>(30,000)</u>    | <u>(12,485)</u>    | <u>(15,344)</u>    |
| <b>Net income</b>                               | <u>\$ 920,136</u>  | <u>\$ 935,412</u>  | <u>\$ 985,493</u>  |

The Notes to Financial Statements are an integral part of these statements.

**TFL Franchise Systems LLC**  
**Statements of Changes in Members' Equity (Deficit)**  
**For the Years Ended December 31, 2023, 2022 and 2021**

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|  |                     |
|--|---------------------|
| <b>Members' deficit, December 31, 2020</b> | \$ (1,717,679)      |
| Net income                                 | 985,493             |
| Contributions                              | 59,633              |
| Distributions                              | <u>(59,711)</u>     |
| <b>Members' deficit, December 31, 2021</b> | (732,264)           |
| Net income                                 | 935,412             |
| Contributions                              | 14,227              |
| Distributions                              | <u>(57,022)</u>     |
| <b>Members' equity, December 31, 2022</b>  | 160,353             |
| Net income                                 | 920,136             |
| Distributions                              | <u>(4,605)</u>      |
| <b>Members' equity, December 31, 2023</b>  | <u>\$ 1,075,884</u> |

The Notes to Financial Statements are an integral part of these statements.

**TFL Franchise Systems LLC**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2023, 2022 and 2021**

|   | <u>2023</u>        | <u>2022</u>       | <u>2021</u>       |
|---|--------------------|-------------------|-------------------|
| <b>Operating activities</b>   |                    |                   |                   |
| Net income  | \$ 920,136         | \$ 935,412        | \$ 985,493        |
| Adjustments to reconcile net income to net cash provided by<br>(used in) operating activities |                    |                   |                   |
| Depreciation and amortization   | 157,592            | 93,019            | 92,493            |
| Bad debts   | 11,040             | 23,383            | 5,852             |
| Loss on disposal of fixed assets  | 9,949              | -                 | -                 |
| Other assets  | 38,377             | -                 | -                 |
| Deferred costs  | 1,025,438          | 1,067,976         | 1,111,781         |
| Deferred revenue  | (1,425,799)        | (1,502,384)       | (1,550,798)       |
| Paycheck Protection Program loan forgiveness  | -                  | (462,365)         | (501,700)         |
| Changes in assets and liabilities   |                    |                   |                   |
| Accounts receivable, net  | (120,256)          | (498,517)         | (95,296)          |
| Prepaid expenses  | (8,935)            | (42,699)          | (16,477)          |
| Inventory   | (6,681)            | 497               | (1,891)           |
| Deferred costs  | (115,761)          | (75,022)          | (278,591)         |
| Accounts payable and accrued expenses   | 4,664              | 203,641           | (339,808)         |
| Deferred revenue  | 156,754            | 150,040           | 406,676           |
| Lease liabilities - operating   | 31,802             | (12,482)          | (3,574)           |
| Net cash provided by (used in) operating activities   | <u>678,320</u>     | <u>(119,501)</u>  | <u>(185,840)</u>  |
| <b>Investing activities</b>   |                    |                   |                   |
| Acquisition of Intangible asset   | (1,020,000)        | -                 | -                 |
| Acquisition of property and equipment   | (30,111)           | (63,259)          | (98,713)          |
| Net cash used in investing activities   | <u>(1,050,111)</u> | <u>(63,259)</u>   | <u>(98,713)</u>   |
| <b>Financing activities</b>   |                    |                   |                   |
| Paycheck Protection Program loan proceeds   | -                  | -                 | 462,365           |
| Note payable proceeds   | 743,622            | -                 | -                 |
| Note payable payments   | (84,263)           | -                 | -                 |
| Economic Injury Disaster Loan payments  | (18,636)           | (861)             | -                 |
| Member contributions  | -                  | 14,227            | 59,633            |
| Member distributions  | (4,605)            | (57,022)          | (59,711)          |
| Net cash provided by (used in) financing activities   | <u>636,118</u>     | <u>(43,656)</u>   | <u>462,287</u>    |
| Net change in cash and cash equivalents   | 264,327            | (226,416)         | 177,734           |
| <b>Cash and cash equivalents</b>  |                    |                   |                   |
| Beginning of year   | <u>670,860</u>     | <u>897,276</u>    | <u>719,542</u>    |
| End of year   | <u>\$ 935,187</u>  | <u>\$ 670,860</u> | <u>\$ 897,276</u> |

The Notes to Financial Statements are an integral part of these statements.

**TFL Franchise Systems LLC**  
**Notes to Financial Statements**  
**December 31, 2023, 2022 and 2021**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business Operations**

TFL Franchise Systems LLC d/b/a The Flying Locksmiths (the "Company") is a Massachusetts Limited Liability Company established in 2015. The Company is a franchisor that offers *The Flying Locksmiths* and *Flylock Security Solutions* franchises for the operation of businesses that provide locksmith and security services and products for commercial and residential customers. The Company operates a national call center on behalf of franchisees that manages prospective customers, schedules jobs and routes the jobs through a centralized process. The Company also subcontracts national locksmith and security services amongst the franchises and third-party service providers.

**Basis of Accounting**

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Management's Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results could differ from the estimates and assumptions used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of accounts receivable, estimating depreciation and the recoverability of long-lived assets, estimating lease liabilities and evaluating loss contingencies.

**Cash and Cash Equivalents**

Cash and cash equivalents include all highly liquid instruments that have an original maturity of three months or less.

**Accounts Receivable**

The Company performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral for accounts receivable arising in the normal course of business. Allowances for potential credit losses are determined by evaluating the collectability of the receivable based on the credit history of the third party, the age of the receivable, past collection experience, current economic conditions and reasonable and supportable forecasts of future conditions. As of December 31, 2023, 2022 and 2021, management established an allowance for doubtful accounts of \$50,773, \$50,000 and \$40,000, respectively.

**Contract Balances**

Contract liabilities represent deferred revenue since the Company has received funds or recognized the receivable, but the Company has a remaining portion of a performance obligation under its agreement with its franchisees. The deferred revenue is recognized on a straight-line basis over the remaining portion of the franchise agreements. The balance does not include the fee for a renewal unless a valid renewal agreement is entered into with the franchisee.

**TFL Franchise Systems LLC**  
**Notes to Financial Statements**  
**December 31, 2023, 2022 and 2021**

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At December 31, 2023, 2022 and 2021, contract receivables of \$2,509,930, \$2,400,714 and \$1,925,580, respectively, were recorded as accounts receivable. At December 31, 2020, contract receivables of \$1,836,136 were recorded as accounts receivable. At December 31, 2023, 2022 and 2021, contract liabilities of \$5,499,955, \$6,769,000 and \$8,121,344, respectively, were recorded as deferred revenue. At December 31, 2020, contract liabilities of \$9,265,466 were recorded as deferred revenue.

**Inventory**

The Company's inventory consists of locks, keys and other locksmith materials. Inventory is stated at the lower of cost or net realizable value.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the shorter of the assets' estimated useful lives or lease terms, which are five years for automobiles, three to ten years for computer and office equipment, seven years for furniture and fixtures, and the term of the lease for leasehold improvements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of operations.

**Leases**

The Company categorizes leases with contractual terms longer than 12 months as either operating or finance. Finance leases are generally those leases that allow the Company to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. The Company had no finance leases during 2023, 2022 and 2021.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes and maintenance. For leases of property, the Company accounts for these other services as a component of the lease. For all other leases, the services are accounted for separately and the Company allocates payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments, reduced by landlord incentives, using a discount rate based on similarly secured borrowings available to the Company. Right-of-use assets are recognized based on the initial present value of the fixed lease payments, reduced by landlord incentives, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. Finance lease assets are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term.

**Advertising**

The Company charges the cost of advertising to expense as incurred. Advertising expense was \$(38,770) and \$3,130, net of cooperative marketing fees collected of \$191,200 and \$137,650, for the years ended December 31, 2023 and 2022, respectively. In March 2022, the Company implemented a cooperative marketing program with its franchisees in which a monthly fee is collected from each franchisee. Advertising expenses were \$93,722 for the year ended December 31, 2021.

**TFL Franchise Systems LLC**  
**Notes to Financial Statements**  
**December 31, 2023, 2022 and 2021**

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**Collection of Taxes on Revenue-Producing Activities**

The Company records all sales and other taxes collected as part of a revenue-producing transaction as liabilities on the balance sheets, recording only the sale as revenue (net method).

**Income Taxes**

The Company is a limited liability company. Members are taxed individually on their share of the Company's income or loss allocated in accordance with membership interests. The Company is taxed at the corporate level for state income tax purposes in accordance with current state tax laws. No provision for deferred taxes is provided in these financial statements due to their lack of materiality.

Accounting principles generally accepted in the United States of America require an entity to assess the probability that a tax position has a more likely than not sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized.

Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances, the statute of limitations may remain open indefinitely.

**Defined Contribution Plan**

The Company has a Savings Incentive Match Plan for Employees Individual Retirement Account ("SIMPLE IRA" or "Plan"). All employees are eligible to participate in the SIMPLE IRA Plan upon hire. The Company matches employee contributions equal to participants' contributions to the Plan up to 3.0% of the individual participant's annual compensation. Total expense for the years ended December 31, 2023, 2022 and 2021, was \$41,386, \$32,461 and \$28,617, respectively.

**Compensated Absences**

Employees of the Company are entitled to paid vacation and other time off, depending on length of service. Based upon periodic reviews, management believes the amount to be immaterial at any given time. Accordingly, the Company's policy is to recognize the costs of compensated absences when actually paid to employees.

**Revenue Recognition**

Revenue from contracts with customers is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services.

The following five-step model is used to recognize revenue: (1) identifying the contract(s) with a customer, (2) identifying the performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations in the contract, and (5) recognizing revenue when (or as) the performance obligations are satisfied. The Company's revenues and cash flows are correlated to the general conditions of the economy.

**TFL Franchise Systems LLC**  
**Notes to Financial Statements**  
**December 31, 2023, 2022 and 2021**

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**Franchise Fees**

The Company considers the initial franchise fee to have multiple performance obligations that impact the timing and amount of revenue recognition. The Company recognizes franchise fees in accordance with Accounting Standards Update (“ASU”) 2021-02, *Franchisors - Revenue from Contracts with Customers* (Subtopic 952-606), which provides for a practical expedient that simplifies the application of the guidance about identifying performance obligations. This practical expedient permits franchisors that are not public business entities to account for preopening services provided to a franchisee as a single separate performance obligation if the services are consistent with those included in a predefined list, which includes (1) assistance in the selection of a site, (2) assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural and engineering services, and lease negotiation, (3) training of the franchisee’s personnel or the franchisee, (4) preparation and distribution of manuals and similar material concerning operations, administration and recordkeeping, (5) bookkeeping, information technology and advisory services, including setting up the franchisee’s records and advising the franchisee about income, real estate and other taxes or about local regulations affecting the franchisee’s business, and (6) inspection, testing, and other quality control programs.

Accordingly, the Company recognizes franchise fees over time as the performance obligations are satisfied with a portion recognized upon completion of preopening service obligations and the remainder amortized on a straight-line basis over the life of the franchise agreement. The price of franchise fees varies based on the type (area or individual franchisee) and geographic area of operation. Franchise fees are payable prior to the opening of the franchise with limited exceptions (See Note 9).

**Royalties**

The Company considers the performance obligation to be satisfaction of franchisee revenue generation, at which point, the Company earns a royalty. As a result, the Company recognizes royalties over time as the franchisee generates revenue. Royalties are invoiced to franchisees three months after revenue recognition is triggered to allow franchisees the opportunity to collect payments on the related services. Payment for royalties is payable upon the franchisee’s receipt of invoice.

Related fees consist mainly of dispatch system fees charged to franchisees based on a the number of users of the Company’s proprietary software platform used to manage jobs. The Company also provides a job estimation service and franchisees are billed per estimate provided. Dispatch system fees and estimation fees are billed quarterly, and, as such, the Company recognizes dispatch system fees and estimation fees over time as the fees are earned. The fees are payable upon receipt of invoice.

**Subcontractor Revenue**

The Company considers the performance obligation to be satisfaction of the subcontractor service, at which point, the Company recognizes revenue based on a cost-plus model. As a result, the Company recognizes subcontractor revenue over time when the subcontractor’s underlying locksmith service is completed. The price for subcontractor charges varies based upon the customer’s needs. Payment for these obligations range 30-45 days after the receipt of invoice.

**Adopted Accounting Pronouncement**

In June 2016, the Financial Accounting Standards Board (“FASB”) issued an Accounting Standards Update (“ASU”) amending the accounting for credit losses on financial instruments. This methodology replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposure and other financial instruments recorded at amortized cost. The Company adopted the new standard effective January 1, 2023, using the modified retrospective approach. The implementation of this standard did not have a material impact on the financial statements.

**TFL Franchise Systems LLC**  
**Notes to Financial Statements**  
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**2. PRIOR PERIOD ADJUSTMENT**

The following financial statement line items as of December 31, 2022 and 2021 were restated due to the Company's material misstatement in the classification of deferred broker fees as net of deferred revenue rather than a gross asset. The restatement had no impact on the Company's statements of operations, changes in members' equity (deficit) and cash flows.

| <b>Balance Sheet</b>                     | <b>At December 31, 2022</b>   |                    |                         |
|--|-------------------------------|--------------------|-------------------------|
|  | <b>As Previously Reported</b> | <b>As Restated</b> | <b>Effect of Change</b> |
| Deferred costs                           | \$ -                          | \$ 982,386         | \$ 982,386              |
| Current assets                           | 3,209,837                     | 4,192,223          | 982,386                 |
| Deferred costs, net of current portion   | -                             | 3,584,865          | 3,584,865               |
| Noncurrent assets                        | 264,209                       | 3,849,074          | 3,584,865               |
| Total assets                             | 3,853,752                     | 8,421,003          | 4,567,251               |
| Deferred revenue                         | (359,622)                     | (1,342,008)        | (982,386)               |
| Current liabilities                      | (1,621,655)                   | (2,604,041)        | (982,386)               |
| Deferred revenue, net of current portion | (1,842,127)                   | (5,426,992)        | (3,584,865)             |
| Noncurrent liabilities                   | (2,071,744)                   | (5,656,609)        | (3,584,865)             |
| Total liabilities                        | (3,693,399)                   | (8,260,650)        | (4,567,251)             |

| <b>Balance Sheet</b>                     | <b>At December 31, 2021</b>   |                    |                         |
|--|-------------------------------|--------------------|-------------------------|
|  | <b>As Previously Reported</b> | <b>As Restated</b> | <b>Effect of Change</b> |
| Deferred costs                           | \$ -                          | \$ 996,281         | \$ 996,281              |
| Current assets                           | 2,918,917                     | 3,915,198          | 996,281                 |
| Deferred costs, net of current portion   | -                             | 4,563,924          | 4,563,924               |
| Noncurrent assets                        | 327,759                       | 4,891,683          | 4,563,924               |
| Total assets                             | 3,656,142                     | 9,216,347          | 5,560,205               |
| Deferred revenue                         | (364,817)                     | (1,361,098)        | (996,281)               |
| Current liabilities                      | (1,482,165)                   | (2,478,446)        | (996,281)               |
| Deferred revenue, net of current portion | (2,196,322)                   | (6,760,246)        | (4,563,924)             |
| Noncurrent liabilities                   | (2,906,241)                   | (7,470,165)        | (4,563,924)             |
| Total liabilities                        | (4,388,406)                   | (9,948,611)        | (5,560,205)             |

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**3. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at December 31:

|                                 | <u>2023</u>         | <u>2022</u>         | <u>2021</u>         |
|---------------------------------|---------------------|---------------------|---------------------|
| Royalties                       | \$ 1,766,141        | \$ 1,530,102        | \$ 1,426,414        |
| Subcontractor                   | 681,261             | 827,535             | 449,449             |
| Other                           | 113,301             | 93,077              | 89,717              |
| Allowance for doubtful accounts | <u>(50,773)</u>     | <u>(50,000)</u>     | <u>(40,000)</u>     |
| Accounts receivable, net        | <u>\$ 2,509,930</u> | <u>\$ 2,400,714</u> | <u>\$ 1,925,580</u> |

**4. PROPERTY AND EQUIPMENT**

A summary of the major components of property and equipment at December 31, is as follows:

|                                | <u>2023</u>       | <u>2022</u>       | <u>2021</u>       |
|--------------------------------|-------------------|-------------------|-------------------|
| Computer equipment             | \$ 692,740        | \$ 689,459        | \$ 626,200        |
| Leasehold improvements         | 4,264             | 164,275           | 164,275           |
| Furniture and fixtures         | 63,685            | 96,433            | 96,433            |
| Office equipment               | -                 | 3,508             | 3,508             |
| Less: Accumulated depreciation | <u>(455,964)</u>  | <u>(573,969)</u>  | <u>(480,950)</u>  |
| Property and equipment, net    | <u>\$ 304,725</u> | <u>\$ 379,706</u> | <u>\$ 409,466</u> |

**5. INTANGIBLE ASSET**

In April 2023, the Company acquired the rights and benefits of a certain agreement with an area franchisee for a total of \$1,020,000. As a result of this acquisition, the area franchisee no longer owns the rights to certain territories in southeastern United States and forfeits the royalties earned in those territories.

The Company adopted the provisions of Accounting Standards Codification 350-30-35 and amortizes the intangible asset on the straight-line method over the remaining contractual period of the agreement in which the right was granted. The original agreement was effective as of June 2015 and was for 20 years. The Company will amortize the intangible asset through June 2035.

As of December 31, 2023, amortization expense and accumulated amortization were \$62,449. Amortization subsequent to December 31, 2023 is as follows:

|           |                   |
|-----------|-------------------|
| 2024      | \$ 83,265         |
| 2025      | 83,265            |
| 2026      | 83,265            |
| 2027      | 83,265            |
| 2028      | 83,265            |
| 2029-2033 | 416,328           |
| 2034-2035 | <u>124,898</u>    |
| Total     | <u>\$ 957,551</u> |

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In management's opinion, there has been no impairment to the carrying value of intangible assets during the year ended December 31, 2023.

**6. DEBT OBLIGATIONS**

**Note Payable**

In March 2023, the Company entered into a \$750,000 note payable at an interest rate of 7.50% and maturing in March 2028, which is secured by real property of one the members. Deferred finance charges of \$6,378, net of amortization of \$850, are netted against the corresponding debt. The note was used to help finance the Company's acquisition of the rights and benefits of an area franchisee agreement (see Note 5). The note calls for monthly principal and interest payments. The Company incurred interest expense of \$36,431 on the note payable during the year ended December 31, 2023.

Principal maturities of the note payable subsequent to December 31, 2023 are as follows:

|       |                   |
|-------|-------------------|
| 2024  | \$ 133,472        |
| 2025  | 144,224           |
| 2026  | 155,682           |
| 2027  | 168,041           |
| 2028  | <u>57,940</u>     |
| Total | <u>\$ 659,359</u> |

**Letter of Credit**

The Company has a letter of credit agreement with PNC Bank for \$84,252. The letter of credit agreement is to be used as a security deposit for the Company's lease agreement (see note 10). The letter of credit was renewed in February 2024 and will expire in November 2024.

**Line of Credit**

The Company has available a \$65,748 (\$150,000 reduced by the \$84,252 letter of credit) secured demand line of credit. The line of credit bears interest at the Wall Street Journal Prime Rate (8.50%, 7.50% and 3.25% at December 31, 2023, 2022 and 2021, respectively), plus 1.00%, and is due on demand. The line of credit is secured by all business assets of the Company, is guaranteed by the Company's majority member and is renewed annually. There were no draws on the line of credit in 2023, 2022 or 2021.

**7. PAYCHECK PROTECTION PROGRAM LOAN**

In April 2020 and 2021, the Company received a Paycheck Protection Program ("PPP") loan under the Consolidated Appropriations Act 2021 and Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in the amount of \$501,700 and \$462,365, respectively. These loans will be forgiven based upon the Company using the proceeds on eligible expenses over a twenty-four-week period from the time that the loan was obtained and will be recorded as nonoperating revenue. Eligible expenses include payroll and related benefits, utilities and rent/mortgage interest. The Company has used the entire funds from the first and second loans in accordance with the provisions of the CARES Act.

The Company applied for and has been granted full forgiveness for the first PPP loan amount and the related accrued interest totaling \$501,700.

The Company applied for and has been granted full forgiveness for the second PPP loan amount and the related accrued interest totaling \$462,365.

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**8. ECONOMIC INJURY DISASTER LOAN**

In June 2020, the Company executed a secured loan with the Small Business Administration under the Economic Injury Disaster Loan ("EIDL") program in the amount of \$150,000. The loan is for working capital purposes, is secured by all tangible assets of the Company and is payable over 30 years at an interest rate of 3.75% per year. Installment payments, including principal and interest, began in 2022.

Maturities of the EIDL subsequent to December 31, 2023, for the years ending December 31, are as follows:

|            |    |                |
|------------|----|----------------|
| 2024       | \$ | 19,438         |
| 2025       |    | 20,180         |
| 2026       |    | 20,949         |
| 2027       |    | 21,749         |
| 2028       |    | 22,578         |
| Thereafter |    | <u>25,609</u>  |
|            | \$ | <u>130,503</u> |

**9. FRANCHISING**

**Franchise Fees**

The Company executes franchise contracts that set the terms of its arrangement with each franchise through area or individual agreements. Area franchise agreements grant the franchisee the right to establish and operate and/or sell franchised businesses and to identify, train and provide support to other franchisees within the defined geographic territory. Additionally, area franchisees earn 4% royalties on revenue generated by franchisees in their territories. Individual franchise agreements allow the franchisee the right to open an individual location. Individual franchise agreements have ten-year terms and area franchise agreements have twenty-year terms. Both types of agreements contain an option to renew for an additional fee if certain conditions are met. The franchise agreements require the franchisee to pay in full, an initial, nonrefundable fee of \$0.15 per person in the territory, with minimum territory sizes dictated by the Company based on geographic areas. Existing franchises are allowed to acquire additional territory subject to the Company's authorization. For the years ended December 31, 2023, 2022 and 2021, franchise fees (initial or additional territory) ranged from approximately \$60,000 to \$96,000, \$60,000 to \$88,000 and \$68,000 to \$188,000, respectively.

For individual franchise sales, the performance obligations are completion of preopening services and licensing of intellectual property with access to the Company's proprietary systems. Substantial performance for both performance obligations is satisfied when the owner completes required preopening services, and the franchise is operational. For area franchise sales, substantial performance is satisfied when the owner completes required preopening services. Because the Company's area franchises do not require a designated number of franchise businesses to be established, substantial performance is satisfied upon completion of preopening services. For existing franchises that acquire additional territory, substantial performance is satisfied upon execution of the franchise agreement amendment as the franchise is immediately able to operate in the newly acquired territory.

Preopening services are recognized as franchise fee revenue upon performance of the service. The transaction price of preopening services recognized upon completion is \$20,000 for individual franchises and \$7,500 for area franchises. The remaining franchise fee, net of applicable broker, area and partner fees, is recognized proportionately over the term of the franchise agreement. The renewal fees are recognized over time from the start of the renewal term to the completion of the renewal term.

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As territory is assigned to each franchise sold, the Company may reach the point where existing markets become saturated and initial franchising revenue declines. Unless new markets are entered into, franchise revenues after market saturation will come primarily from renewal fees for existing franchises.

**Royalties**

Franchise agreements require the franchisee to pay a monthly royalty and call center fee aggregating 12% of gross sales. This fee is due 60 days after the applicable month-end. Royalty revenue is recognized over time in the period the royalty revenue is earned as the underlying franchisee sales occur.

**Subcontractor**

The Company subcontracts national locksmith and security services amongst the franchises and third-party service providers. Subcontractor revenue is charged on a cost-plus model and is recognized as services are performed.

**Franchise Operations**

Direct costs of sales and servicing of franchise agreements are charged to operating expenses as incurred. Franchisees bear all direct costs involved in the development and operation of their franchise.

There are no franchisor-owned franchises, however there is an affiliated company identified in Note 11.

**Deferred Revenue and Costs of Obtaining a Contract**

Deferred revenue represents the portion of franchise fee revenue that will be recognized over the remaining term of the agreements. This begins when substantial performance of the Company's obligations is completed. If substantial performance of the Company's obligations is not satisfied, the full franchise fee is deferred. In the event of a franchise closure, so long as the franchise is not sold or transferred, any remaining unamortized franchise fee is recognized in the year of closure as the Company has no future obligations. Revenues of \$45,154, \$120,376 and \$128,330 (and related costs of \$43,918, \$85,591 and \$99,014, respectively) from prior franchise sales originally deferred were recognized during 2023, 2022 and 2021, respectively. Costs of obtaining a contract include broker fees that are paid at initiation of the contract. These fees are recognized as a deferred costs and amortized to expense over the life of the contract.

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Deferred revenue and deferred costs as of December 31, consists of the following:

| <b>2023</b>        |  |   |                     |
|--------------------|--|---|---------------------|
| <b>Fiscal Year</b> | <b>Franchise Fees<br/>(Deferred revenue)</b> | <b>Broker Fees<br/>(Deferred costs)</b> | <b>Net Impact</b>   |
| 2024               | \$ 1,340,645                                 | \$ (981,520)                            | \$ 359,125          |
| 2025               | 1,309,125                                    | (950,421)                               | 358,704             |
| 2026               | 920,068                                      | (648,116)                               | 271,952             |
| 2027               | 489,933                                      | (319,517)                               | 170,416             |
| 2028               | 295,950                                      | (175,348)                               | 120,602             |
| 2029               | 218,311                                      | (123,351)                               | 94,960              |
| 2030               | 207,213                                      | (114,302)                               | 92,911              |
| 2031               | 172,682                                      | (88,091)                                | 84,591              |
| 2032               | 161,678                                      | (80,589)                                | 81,089              |
| 2033               | 150,003                                      | (69,013)                                | 80,990              |
| 2034               | 150,003                                      | (69,013)                                | 80,990              |
| 2035               | 84,344                                       | (38,293)                                | 46,051              |
|                    | <u>\$ 5,499,955</u>                          | <u>\$ (3,657,574)</u>                   | <u>\$ 1,842,381</u> |
| <b>2022</b>        |  |   |                     |
| <b>Fiscal Year</b> | <b>Franchise Fees<br/>(Deferred revenue)</b> | <b>Broker Fees<br/>(Deferred costs)</b> | <b>Net Impact</b>   |
| 2023               | \$ 1,342,008                                 | \$ (982,386)                            | \$ 359,622          |
| 2024               | 1,342,008                                    | (982,386)                               | 359,622             |
| 2025               | 1,310,488                                    | (951,287)                               | 359,201             |
| 2026               | 914,431                                      | (643,132)                               | 271,299             |
| 2027               | 478,258                                      | (307,941)                               | 170,317             |
| 2028               | 284,274                                      | (163,771)                               | 120,503             |
| 2029               | 206,635                                      | (111,775)                               | 94,860              |
| 2030               | 195,538                                      | (102,726)                               | 92,812              |
| 2031               | 161,006                                      | (76,515)                                | 84,491              |
| 2032               | 150,003                                      | (69,013)                                | 80,990              |
| 2033               | 150,003                                      | (69,013)                                | 80,990              |
| 2034               | 150,003                                      | (69,013)                                | 80,990              |
| 2035               | 84,345                                       | (38,293)                                | 46,052              |
|                    | <u>\$ 6,769,000</u>                          | <u>\$ (4,567,251)</u>                   | <u>\$ 2,201,749</u> |

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| Fiscal Year | 2021                                 |                                 |                     |
|-------------|--------------------------------------|---------------------------------|---------------------|
|             | Franchise Fees<br>(Deferred revenue) | Broker Fees<br>(Deferred costs) | Net Impact          |
| 2022        | \$ 1,361,098                         | \$ (996,281)                    | \$ 364,817          |
| 2023        | 1,361,098                            | (996,281)                       | 364,817             |
| 2024        | 1,361,098                            | (996,281)                       | 364,817             |
| 2025        | 1,329,578                            | (965,182)                       | 364,396             |
| 2026        | 903,427                              | (635,630)                       | 267,797             |
| 2027        | 467,254                              | (300,439)                       | 166,815             |
| 2028        | 273,270                              | (156,269)                       | 117,001             |
| 2029        | 195,631                              | (104,273)                       | 91,358              |
| 2030        | 184,534                              | (95,224)                        | 89,310              |
| 2031        | 150,003                              | (69,013)                        | 80,990              |
| 2032        | 150,003                              | (69,013)                        | 80,990              |
| 2033        | 150,003                              | (69,013)                        | 80,990              |
| 2034        | 150,003                              | (69,013)                        | 80,990              |
| 2035        | 84,344                               | (38,293)                        | 46,051              |
|             | <u>\$ 8,121,344</u>                  | <u>\$ (5,560,205)</u>           | <u>\$ 2,561,139</u> |

The summary below of sold, operational, and closed individual and area franchises is cumulative through the end of the applicable period. Franchises that are resold or transferred are not considered sold or closed. Cumulative information on the number of franchises as of December 31, is as follows:

|                       | 2023 | 2022 | 2021 |
|-----------------------|------|------|------|
| Individual Franchises |      |      |      |
| Sold                  | 93   | 92   | 89   |
| Operational           | 89   | 87   | 87   |
| Closed                | 11   | 9    | 6    |
| Master Franchises     |      |      |      |
| Sold                  | 5    | 5    | 5    |
| Operational           | 4    | 5    | 5    |

**10. OPERATING LEASE COMMITMENTS**

The Company had maintained its headquarters and call center in Braintree, Massachusetts, under a noncancelable operating lease. The lease had monthly rental payments escalating from approximately \$12,400 to approximately \$12,800 and expired in September 2023.

Upon expiration of the agreement, the Company moved and now maintains its headquarters in Quincy, Massachusetts, under a noncancelable operating lease. The lease has monthly rental payments escalating from approximately \$14,000 to \$17,400 and expires in October 2030. Also, the agreement generally requires the Company to pay real estate taxes, insurance and repairs. The Company charges a portion of the lease to an affiliated entity based on its utilization of the facility. The lease provides a renewal option for five years. The renewal option has not been included in the lease liability calculation, since it is not reasonably certain that it will be exercised, based on general uncertainties that come with the passage of time.

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The Company also has operating lease arrangements for eight vehicles with aggregate monthly payments of approximately \$6,000 expiring at various dates through 2027. The lease arrangements provide an option to renew the lease month to month for an unlimited period of time. The renewal options have not been included in the lease liability calculation, since it is not reasonably certain that they will be exercised, based on general uncertainties that come with the passage of time.

Because the rates implicit in the leases are generally not available, the Company utilizes its incremental borrowing rate.

At December 31, 2023, 2022 and 2021, the total amount of the leased right-of-use assets and accumulated amortization was \$1,180,415, \$561,384 and \$446,708, respectively, and \$108,675, \$335,552 and \$157,326, respectively.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2023:

|  |                     |
|--|---------------------|
| 2024                                   | \$ 225,076          |
| 2025                                   | 230,788             |
| 2026                                   | 210,851             |
| 2027                                   | 191,581             |
| 2028                                   | 193,732             |
| Thereafter                             | <u>352,478</u>      |
|  | 1,404,506           |
| Less: Imputed interest                 | <u>(286,590)</u>    |
| Lease liabilities at December 31, 2023 | <u>\$ 1,117,916</u> |

Lease expense comprises the following for the years ended December 31:

|                         | <u>2023</u>       | <u>2022</u>       | <u>2021</u>       |
|-------------------------|-------------------|-------------------|-------------------|
| Operating lease expense | \$ 241,756        | \$ 189,951        | \$ 177,136        |
| Variable lease expense  | 21,357            | -                 | -                 |
| Sublease income         | <u>(47,358)</u>   | <u>(47,574)</u>   | <u>(55,826)</u>   |
| Total lease expense     | <u>\$ 215,755</u> | <u>\$ 142,377</u> | <u>\$ 121,310</u> |

|  | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|-------------|
| Other information  |             |             |             |
| Cash paid for amounts included in the measurement of lease liabilities       |             |             |             |
| Operating cash flows from operating leases                                   | \$ 203,954  | \$ 190,659  | \$ 169,648  |
| Right-of-use assets obtained in exchange for new operating lease liabilities | 1,042,287   | 102,902     | 35,226      |
| Weighted-average remaining lease term—operating leases                       | 6.27 years  | 2.01 years  | 1.99 years  |
| Weighted-average discount rate—operating leases                              | 7.30%       | 4.25%       | 4.25%       |

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**11. RELATED PARTY TRANSACTIONS**

**Members**

The Company has two minority members that are engaged in the franchise brokerage industry. For the years ended December 31, 2023, 2022 and 2021, the Company paid the two members approximately \$48,000, \$95,000 and \$115,000, respectively, in broker fees and approximately \$171,000, \$138,000 and \$115,000, respectively, in royalties.

**The Flying Locksmiths, Inc.**

The Company and The Flying Locksmiths, Inc. ("TFL Boston") are affiliated through common ownership. TFL Boston sells substantially the same products and services as the Company's franchisees. TFL Boston is not operated as a franchisor-owned location. As of December 31, 2023, 2022 and 2021, there was no amount due from TFL Boston.

**12. CASH FLOW INFORMATION**

Cash paid for state income taxes during the years ended December 31, 2023, 2022 and 2021, amounted to \$20,292, \$9,985 and \$21,356, respectively. Cash paid for interest during the years ended December 31, 2023, 2022 and 2021, amounted to approximately \$43,000, \$13,000 and \$0, respectively. Noncash deferred finance charges related to the note payable the Company received were \$6,378 for the year ended December 31, 2023.

**13. RISKS, UNCERTAINTIES AND CONTINGENCIES**

**Litigation**

Various claims are pending or threatened against the Company that arose during the ordinary course of operations. With the exception of the matter disclosed below, management believes that no litigation is currently pending or threatened that would materially affect the Company's financial position or results of operations. However, due to uncertainties in the legal process, it is at least reasonably possible that management's analysis of the outcome may change in the near term.

During 2023, one claim from a former franchisee remains unsettled, and the outcome is unable to be determined.

**Cash**

From time to time, the Company's cash balances fluctuate and may exceed the amount insured by the Federal Deposit Insurance Corporation and Massachusetts Depositors Insurance Fund. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, results of operations and cash flows. As of December 31, 2023, 2022 and 2021, the Company's cash balance was fully insured.

**14. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 29, 2024, the date for which the financial statements were made available for issuance. Management did not identify any events subsequent to December 31, 2023, requiring disclosure in these financial statements.

**EXHIBIT H**

**LIST OF FRANCHISEES**

The following is a list of the names of all Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

| <b>State</b> | <b>City</b>     | <b>Franchisee Name</b>         | <b>Address</b>  | <b>Phone</b>   |
|--------------|-----------------|--------------------------------|---|----------------|
| AL           | Birmingham      | John Yow                       | 1243 Dunston Ave.<br>Birmingham, AL 35213             | (334) 312-9259 |
| AL           | Huntsville      | Bill Bass                      | 7734 Madison Blvd., Suite 102<br>Huntsville, AL 35806 | (256) 653-9288 |
| AZ           | Phoenix         | Andrew Lacquiere Mella LLC     | 10221 N. 32nd Street Suite B<br>Phoenix, AZ 85028     | (602) 282-3452 |
| CA           | Irvine          | Matt Johnston<br>(Franchise 1) | 2 Alamitos<br>Foothill Ranch, CA 92610                | (714) 743-3156 |
| CA           | Irvine          | Matt Johnston<br>(Franchise 2) | 2 Alamitos<br>Foothill Ranch, CA 92610                | (714) 743-3156 |
| CA           | Manhattan Beach | Charles Freedman               | 11122 La Cienga Blvd. Ste 254<br>Inglewood, CA 90304  | (310) 909-9345 |
| CA           | San Diego       | Ray Walton                     | 12320 Stowe Dr Ste J Poway, CA<br>92064               | (619) 840-8381 |
| CA           | San Jose        | Ty Nguyen                      | 830 Stewart Dr #208, Sunnyvale,<br>CA 94085           | (408) 964-0541 |
| CA           | Tri-Valley      | Sai Yendluri                   | 7114 Corte Balboa<br>Pleasanton, CA 94566             | (214) 215-4258 |

| <b>State</b> | <b>City</b>     | <b>Franchisee Name</b>           | <b>Address</b>  | <b>Phone</b>   |
|--------------|-----------------|----------------------------------|---|----------------|
| CA           | Valencia        | Scott Ziola                      | 23550 Lyons Ave #208, Santa Clarita, CA 91321           | (818) 261-8431 |
| CA           | Sacramento      | Aaron Meyers                     | 11357 Pyrites Way Suite B8<br>Rancho Cordova, CA 95670  | (602) 525-7795 |
| CO           | Highlands Ranch | Cameron Hoffman<br>(Franchise 1) | 3821 E Aldenbridge Circle,<br>Littleton, CO 80126       | (303) 960-1531 |
| CO           | Highlands Ranch | Cameron Hoffman<br>(Franchise 2) | 3821 E Aldenbridge Circle,<br>Littleton, CO 80126       | (303) 960-1531 |
| CO           | Highlands Ranch | Cameron Hoffman<br>(Franchise 3) | 3821 E Aldenbridge Circle,<br>Littleton, CO 80126       | (303) 960-1531 |
| CT           | Charlton        | Mike Faubert                     | 16 Windy Ridge Lane<br>Charlton, MA 01507               | (508) 308-7829 |
| FL           | Palm Beach      | Greg Ingram                      | 3759 D Rd.<br>Loxahatchee, FL 33470                     | (561) 707-7524 |
| FL           | FT Myers        | Josh Pickle                      | 1950 Courtney Dr. Suite 205<br>Fort Myers FL 33901      | (239) 790-6880 |
| FL           | Jacksonville    | Terry Bunch                      | 7901 Baymeadows Way, Suite 25<br>Jacksonville, FL 32256 | (912) 289-1039 |
| FL           | Largo           | David Lenhart                    | 3900 Belle Oak Boulevard, Suite 102<br>Largo, FL 33771  | (770) 557-5100 |
| FL           | Lithia          | Michael Broussard                | 156 E Bloomingdale Ave,<br>Brandon, FL 33511            | (954) 553-0293 |

| State | City                 | Franchisee Name                                  | Address   | Phone          |
|-------|----------------------|--|---|----------------|
| FL    | Naples               | Joshua Pickle                                    | 1950 Courtney Dr., Suite 205<br>Fort Myers, FL 33901  | (513) 520-4404 |
| FL    | Orlando              | Jon Mazzoli<br>Newco, LLC,                       | 707 Nicolet Avenue #103, Winter<br>Park, FL 32789   | (407) 725-2144 |
| FL    | Sarasota             | Joshua Pickle<br>Pickle<br>Holding<br>South, LLC | 3947 Clark Road, Suite D<br>Sarasota FL 34233   | (513) 630-4838 |
| FL    | Tallahassee          | Terry Bunch                                      | 7901 Baymeadows Way, Suite 25<br>Jacksonville, FL 32256   | (912) 289-1039 |
| FL    | Tampa                | Diego Rosas                                      | 8000 West DR #518 North Bay<br>Village, FL 33141  | (713) 899-8934 |
| FL    | New Port<br>Richey   | Diego Rosas                                      | 6401 US Highway 19 Ste 101<br>New Port Richey, FL 34562   | (727) 493-5644 |
| GA    | Alpharetta           | Kurt Knutzon                                     | 2621 Sandy Plains Rd #303,<br>Marietta, GA 30066  | (770) 633-9316 |
| GA    | Marietta             | Craig Allen                                      | 2470 Windy Hill Road, Suite 235<br>Marietta, GA 30067   | (404) 966-1557 |
| GA    | Atlanta<br>Northeast | Stephen<br>Fitzgerald                            | 980 Birmingham Rd., #501-381<br>Milton, GA 30004  | (407) 247-0348 |
| GA    | Peachtree City       | Latha Ravi                                       | 1000 <del>Cooper Cr Ste-</del><br><del>109</del> <u>Sany Way STE 207</u><br>Peachtree City GA 30269 | (678) 877-1371 |
| IL    | Chicago              | Sam Toh  | 6549 N Fairfield Ave,<br>Chicago, IL 60645  | (312) 342-6790 |

| <b>State</b> | <b>City</b>   | <b>Franchisee Name</b>                  | <b>Address</b>  | <b>Phone</b>   |
|--------------|---------------|---|---|----------------|
| IL           | Wheaton       | David Southworth (Franchise 1)          | 528 South Blanchard Street<br>Wheaton, IL 60187               | (630) 297-5542 |
| IL           | Wheaton       | David Southworth (Franchise 2)          | 528 South Blanchard Street<br>Wheaton, IL 60187               | (630) 297-5542 |
| IN           | Fort Wayne    | Doug Hayden                             | 6464 Terrill Lane<br>Brownsburg, IN 46112                     | (260) 578-1404 |
| IN           | Indianapolis  | Doug Hayden                             | 5531 Crestview Ave<br>Indianapolis, IN 46220                  | (260) 578-1404 |
| IN           | South Bend    | Chris Cass                              | 316 N Ironwood Drive Ste 2<br>South Bend IN 46615             | (574) 217-0010 |
| KY           | Louisville    | Josh Hubert                             | 10117 Production Court<br>Louisville KY 40299                 | (502) 242-0442 |
| LA           | New Orleans   | Alex Jones                              | 2121 N. Causeway Boulevard<br>Suite 231<br>Metairie, LA 70001 | (504) 708-5099 |
| MA           | Swampscott    | Joe Strothman;<br>Lucky Locksmiths, Inc | 50A Northwestern Dr., Suite 111<br>Salem, NH 03079            | (978) 707-8050 |
| MA           | Worcester     | Mike Brown                              | 57 E. Main St. Ste. 212<br>Westborough, MA 01581              | (617) 959-4259 |
| MA           | Charlton      | Mike Faubert                            | 16 Windy Ridge Lane<br>Charlton, MA 01507                     | (508) 308-7829 |
| MD           | Silver Spring | Duncan Robinson                         | 805 Gist Avenue<br>Silver Spring, MD 20910                    | (301) 523-6498 |

| <b>State</b> | <b>City</b>         | <b>Franchisee Name</b>                                  | <b>Address</b>   | <b>Phone</b>   |
|--------------|---------------------|---|--|----------------|
| MI           | Ann Arbor           | Rich Dabney;<br>RMD Solutions<br>LLC                    | 2890 Carpenter Road, Suite<br>700A, Ann Arbor, MI 48108        | (734) 625-0744 |
| MI           | Detroit             | Mark Heidel   | 2685 Lapeer Road Suite 210<br>Auburn Hills, MI 48326           | (248) 835-9779 |
| MI           | Grand Rapids        | Mike Lewis  | 1535 Lake Grove SE<br>Grand Rapids, MI 49506                   | (616) 915-0271 |
| MN           | Minneapolis         | Matt Clark-<br>Johnson                                  | 900 13 <sup>th</sup> Ave. N., Suite 1000<br>Plymouth, MN 55427 | (612) 276-3188 |
| MO           | Kansas City         | Nate Bruns  | 9729 W. 115 <sup>th</sup> St.<br>Overland Park, KS 66210       | (785) 383-8999 |
| MO           | North St. Louis     | Dan Jansen  | 19136 Deep Woods Dr.<br>Wildwood, MO 63038                     | (618) 219-3676 |
| MO           | Richmond<br>Heights | Mark Brown  | 18 Lake Forest Drive Richmond<br>Heights, MO 63117             | (314) 249-3747 |
| NC           | Raleigh             | Sarah<br>Wojciechowski                                  | 18 Glenenin Rd.<br>Windham, NH 03087                           | (770) 608-4014 |
| NC           | Indian Land         | Oscar Garcia<br>Door Security,<br>Inc.<br>(Franchise 1) | 9301 Monroe Road, Ste G,<br>Charlotte, NC 28270                | (704) 994-8660 |
| NC           | Indian Land         | Oscar Garcia<br>Door Security,<br>Inc.<br>(Franchise 2) | 9301 Monroe Road, Ste G,<br>Charlotte, NC 28270                | (704) 994-8660 |
| NC           | Rocky Mount         | William Allen,<br>Jr.                                   | 9970 Beach Drive Unit 13<br>Calabash, North Carolina 28467     | (252) 314-2991 |

| <b>State</b> | <b>City</b>         | <b>Franchisee Name</b>   | <b>Address</b>   | <b>Phone</b>   |
|--------------|---------------------|--|--|----------------|
| NJ           | Edison              | Matt DiMarco   | 1967 Lincoln Highway, Suite 39<br>Edison NJ 08817            | (908) 836-8599 |
| NV           | Henderson           | Derrick Sharkey;<br>D & M Sharkey<br>Inc                             | 2920 N Green Valley Parkway<br>Suite 527, Henderson NV 89014 | (702) 755-5010 |
| NY           | Rockville<br>Centre | Joe Ferrick<br>(Franchise 1)   | 76 South Forest Avenue<br>Rockville Centre, NY 11570         | (516) 532-9687 |
| NY           | Rockville<br>Centre | Joe Ferrick<br>(Franchise 2)   | 76 South Forest Avenue<br>Rockville Centre, NY 11570         | (516) 532-9687 |
| NY           | Rye                 | Matt Fahey   | 36 Franklin Ave<br>Rye, NY 10580                             | (914) 921-9320 |
| OH           | Cincinnati          | Josh Hubert;<br>Cincinnati<br>Locksmiths,<br>LLC (Franchise<br>1)    | 635 W 7 <sup>th</sup> St, Ste 106<br>Cincinnati, OH 45203    | (513) 766-2573 |
| OH           | Cincinnati          | Josh Hubert;<br>Cincinnati<br>Locksmiths,<br>LLC<br>(Franchise<br>2) | 635 W 7 <sup>th</sup> St, Ste 106<br>Cincinnati, OH 45203    | (513) 766-2573 |
| OH           | Dayton              | Joshua Pickle  | 787 Andrea Dr<br>Loveland, OH 45140                          | (513) 630-4838 |
| OH           | Copley              | Gordie<br>McDermott  | 4368 Bentley Drive<br>Copley, OH 44321                       | (614) 357-0365 |
| OH           | Powell              | George Greco   | 9378 Pine Creek Dr.<br>Powell, Ohio 43065                    | (614) 822-0522 |

| <b>State</b> | <b>City</b>   | <b>Franchisee Name</b>                      | <b>Address</b>   | <b>Phone</b>   |
|--------------|---------------|---|--|----------------|
| OK           | Oklahoma City | Samson Tesfaselassie                        | 500 N Meridian Ave #108,<br>Oklahoma City, OK 73107      | (405) 727-9156 |
| OR           | Portland      | David Collis                                | 20055 SW Pacific Hwy Suite<br>#201<br>Sherwood, OR 97140 | (503) 789-7731 |
| PA           | Conshohocken  | Matt DiMarco                                | 30 S. Valley Rd. Ste 123B,<br>Paoli, PA 19301            | (610) 633-1775 |
| PA           | Chester       | Jake Young                                  | 1002 Saber Road<br>Chester County, PA 19382              | (917) 334-6958 |
| PA           | Easton        | Jeff Baker                                  | 2906 William Penn Hwy #306<br>Easton, PA 18045           | (610) 297-6760 |
| PA           | Lewisberry    | Larry Bixler                                | 1300 Market Street Suite 303<br>Lemoyne, PA 17043        | (717) 991-7981 |
| PA           | McKees Rocks  | Hendrick Goller;<br>Helios<br>Holdings, LLC | 6 E Main St,<br>Carnegie, PA 15106                       | (412) 419-4288 |
| PA           | Philadelphia  | Judd Feinerman                              | 1725 Fairmount Ave<br>Philadelphia, PA 19130             | (484) 252-3396 |
| SC           | Simpsonville  | Oscar Garcia                                | 140 Bruce Rd #700<br>Greenville, SC 29605                | (864) 626-0645 |
| TN           | Nashville     | Bob Legato                                  | 12 Beechwood Ct.<br>Mt Juliet, TN 37122                  | (913) 325-3308 |
| TN           | Knoxville     | Ryan Edman                                  | 111 Center Park Drive, Suite 187<br>Knoxville, TN 37922  | (865) 719-9298 |

| <b>State</b> | <b>City</b>  | <b>Franchisee Name</b>                       | <b>Address</b>   | <b>Phone</b>   |
|--------------|--------------|--|--|----------------|
| TN           | Memphis      | Tim Edwards                                  | 6000 Poplar Ave. Suite 250<br>Memphis, TN 38119                  | (414) 238-9220 |
| TN           | Mt Juliet    | Bob Legato                                   | 12 Beechwood Ct<br>Mt Juliet, TN 37122                           | (440) 865-3116 |
| TN           | Chattanooga  | Clay Crumbliss                               | 1305 Cumberland Road<br>Chattanooga, TN                          | (423) 667-2811 |
| TX           | Austin       | Craig Heiser                                 | 7600 Chevy Chase Dr,<br>Building 2, Suite 300<br>Austin TX 78752 | (512) 595-0588 |
| TX           | Houston West | David Cohen                                  | 25807 Westheimer Parkway<br>Katy, TX 77493                       | (832) 445-6423 |
| TX           | Frisco       | Thomas Rasmussen                             | 16632 Indiangrass Rd.<br>Frisco, TX 75033                        | (480) 619-8090 |
| TX           | Haslet       | Casey Ewing                                  | 1150 Blue Mound Rd W #809,<br>Haslet, TX 76052                   | (972) 261-8470 |
| TX           | Pearland     | Richard Gomelsky; REM TFL, LLC (Franchise 1) | 3311 Richmond Ave #150,<br>Houston, TX 77098                     | (832) 819-2461 |
| TX           | Pearland     | Richard Gomelsky; REM TFL, LLC (Franchise 2) | 3311 Richmond Ave #150,<br>Houston, TX 77098                     | (832) 819-2461 |
| TX           | San Antonio  | Deb Breen                                    | 8034 Culebra Road, Suite 111,<br>San Antonio, TX, 78251          | (210) 931-1675 |

| <b>State</b> | <b>City</b>    | <b>Franchisee Name</b> | <b>Address</b>  | <b>Phone</b>   |
|--------------|----------------|------------------------|---|----------------|
| TX           | The Colony     | Robert Ferguson        | 14330 Midway Road Ste 216<br>Farmers Branch, TX 75244       | (952) 818-6016 |
| TX           | The Highlands  | Craig Heiser           | 719 Sawdust Road Suite 223 The<br>Woodlands, TX 77380       | (832) 498-1514 |
| VA           | Fairfax        | Duncan<br>Robinson     | 4215 Lafayette Center Drive<br>Suite 5<br>Chantilly VA 2015 | (703) 828-6515 |
| VA           | Richmond       | Dave Millure           | 1726 Altamont Ave, Suite 1<br>Richmond, VA 23230            | (843) 997-0978 |
| VA           | Virginia Beach | Connor<br>McGehee      | 4661 Lee Ave, Unit B Virginia<br>Beach, VA 23455            | (757) 837-3567 |
| WA           | Seattle        | James Kung             | 1941 1st Avenue South, Suite 3D,<br>Seattle, WA 98134       | (403) 862-8966 |
| WI           | Madison        | Charles Kazmer         | W7602 Island Church Road<br>Waterloo, WI 53594              | (608) 297-1766 |
| WI           | Milwaukee      | Eric Franson           | 131 W. Layton Ave. Suite 212<br>Milwaukee, WI 53207         | (414) 301-6260 |

**Franchise Agreement Signed But Outlet Not Yet Open (as of 12/31/2023):**

**None**

## **EXHIBIT I**

### **FORMER FRANCHISEES**

The following is a list of the names of all Franchisees who had an outlet terminated, cancelled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who had not communicated with us within ten weeks of the date of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

#### **Florida – Sarasota**

John Perry (Transfer)  
5319 Paylor Lane, Suite 400  
Sarasota, FL 34240  
(860) 367-7104

#### **Minnesota – Minneapolis**

Tim Blinkhorn (Transfer)  
417 S. Pine Street  
Waconia, MN 55387  
(763) 360-9761

#### **New York – Garden City**

Bruce Conors & Joe Perillo (Terminated)  
119 Locust Street  
Garden City, NY 11530  
(516) 444-3999

#### **North Carolina – Charlotte**

Jim DiSalle (Transfer)  
9301 Monroe Road, Suite G  
(704) 401-6740

#### **South Carolina – Charleston**

Chip Carpenter (Ceased Operation)  
125A Wappoo Creek Drive  
Charleston, SC 29412  
(843) 343-9609

## EXHIBIT J

### **AREA REPRESENTATIVE DISCLOSURES**

The following constitutes disclosures about our Area Representatives as to Items 2, 3, 4, and 11:

#### **Item 2- Business Experience**

##### **Arizona, California, Indiana, Kentucky, Ohio, and Texas**

*Mathew Fink, Area Representative.* Mr. Fink has served as an Area Representative for us, as a Member Manager of TFL Master Ventures, in Arizona, California, Indiana, Kentucky, Ohio, and Texas since December 2015. From August 2018, Mr. Fink has also served as an Area Representative for Hammer and Nail Salon Group in 14 states. From May 2002 until the present, Mr. Fink has also served, as CEO of Antin Sachs, Inc., as a Comfort Keepers franchisee in San Diego, California.

*Troy McLain, Area Representative.* Mr. McLain has served as an Area Representative for us, as a Member Manager of TFL Master Ventures, LLC, in Arizona, California, Indiana, Kentucky, Ohio, and Texas since December 2015. From August 2018, Mr. Fink has also served as an Area Representative for Hammer and Nail Salon Group in 14 states. From March 2011 to the present, Mr. McLain has served as a Franchise Owner for Hoodz in Tempe, Arizona. From October 2010 until the present, Mr. McLain has served as a Franchise Consultant for McLain Services, LLC in Scottsdale, Arizona. From October 2009 to the present, Mr. McLain has served as an Area Developer for Junk King in Arizona, Georgia, North and South Carolina, Tennessee, and Texas. From July 2012 to July 2016, Mr. McLain served as a Franchise Owner for Title Boxing Club in Scottsdale, Arizona.

##### **Colorado, Nevada, and Utah**

*Clay Smith, Area Representative.* Mr. Smith has served as an Area Representative for us, as President of Unlock the Future, LLC, in Colorado, Nevada, and Utah since September 2015. From January 2018 to the present, Mr. Smith has also served as the President of TDM USA, Inc. in Salt Lake City, Utah. From January 2012 to July 2016, Mr. Smith has also served as Area Vice President, Domestic and International Sales, for Amedica in Salt Lake City, Utah.

##### **Florida**

*David Lenhart, Area Representative.* Mr. Lenhart has served as an Area Representative for us, as President of Trahnel, Inc., in Florida since August 2015.

~~*James Todd Wagner, Area Representative.* Mr. Wagner has served as an Area Representative for us, as President of Adeline Capital, LLC, in Florida, Georgia, North and South Carolina since June 2015. From November 2015 to the present, Mr. Wagner has also served as the President of TFL SC Inc., a franchisee of ours in Greenville, South Carolina. From January 2015 to the present, Mr. Wagner has served as the Owner/President for Adeline Capital, LLC in Simpsonville, South Carolina.~~

### **Georgia, North and South Carolina**

*James Todd Wagner, Area Representative.* Mr. Wagner has served as an Area Representative for us, as President of Adeline Capital, LLC, in Florida, Georgia, North and South Carolina since June 2015. From November 2015 to the present, Mr. Wagner has also served as the President of TFL SC Inc., a franchisee of ours in Greenville, South Carolina. From January 2015 to the present, Mr. Wagner has served as the Owner/President for Adeline Capital, LLC in Simpsonville, South Carolina.

### **Texas**

*Deborah Breen, Area Representative.* Ms. Breen has served as an Area Representative for us in Texas since June 2015. From June 2015 until the present, Ms. Breen has also served as a franchisee of ours in San Antonio, Texas. From May 2010 until the present, Ms. Breen has also served as a Broker Associate for Boyle Realty in Bandera, Texas.

### **Item 3- Litigation**

There is no litigation related to Area Representatives required to be disclosed in this item.

### **Item 4- Bankruptcy**

There is no bankruptcy related to Area Representatives required to be disclosed in this item.

### **Item 11- Franchisor's Assistance, Advertising, Computer Systems, and Training**

Area Representatives may assist in the non-technical (non-locksmithing) operational support of unit franchisees and assist in the sales and marketing training of unit franchisees. We describe the Area Representatives' experience, including the length of their experience in the field and with the franchisor, in Item 2 of this Exhibit, above.

## EXHIBIT K

### **STATE EFFECTIVE DATES**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

| <b>State</b> | <b>Effective Date</b>                      |
|--------------|--|
| California   | June 18, 2024, <a href="#">as amended</a>  |
| Hawaii       | August 9, 2024, <a href="#">as amended</a> |
| Illinois     | April 24, 2024, <a href="#">as amended</a> |
| Indiana      | March 9, 2024, <a href="#">as amended</a>  |
| Maryland     | July 17, 2024, <a href="#">as amended</a>  |
| Michigan     | March 26, 2024                             |
| Minnesota    | May 31, 2024, <a href="#">as amended</a>   |
| New York     | June 11, 2024, <a href="#">as amended</a>  |
| North Dakota | August 1, 2024, <a href="#">as amended</a> |
| Rhode Island | March 18, 2024, <a href="#">as amended</a> |
| South Dakota | April 24, 2024                             |
| Virginia     | July 1, 2024, <a href="#">as amended</a>   |
| Washington   | Pending                                    |
| Wisconsin    | March 4, 2024, <a href="#">as amended</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.

## EXHIBIT L

### RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If TFL Franchise Systems, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or sooner if required by applicable state law.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 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.

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.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If TFL Franchise Systems, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed in Exhibit B.

The franchisor is TFL Franchise Systems, LLC, 859 Willard Street, Suite 100, Quincy, Massachusetts 02169. Its telephone number is (781) 963-5080.

Issuance date: April 19, 2024, as amended September 9, 2024.

The franchise sellers for this offering are as follows:

Brett M McMemon, 859 Willard Street, Suite 100, Quincy, Massachusetts 02169; (781) 963-5080

Dennis Mulgannon, 347 Stagestop Court, El Dorado Hills, California 95762; (408) 318-5606

Geoff Batchelder, 538 Summertree Drive, Livermore, California 94551; (925)-218- 2332

\_\_\_\_\_ [enter other Seller]

We authorize the respective state agencies identified on Exhibit B to receive service of process for us in the particular state.

I have received a disclosure document dated April 19, 2024, as amended September 3, 2024,9 that included the following Exhibits.

- Exhibit A State Addenda to the Disclosure Document
- Exhibit B State Administrators and Agents for Service of Process
- Exhibit C Franchise Agreement
  - Attachment 1: Franchised Business – Particulars
  - Attachment 2: Marks
  - Attachment 3: Principal Owner's Statement
  - Attachment 4: Automatic Bank Draft Authorization
  - Attachment 5: Personal Guaranty
  - Attachment 6. Master Equity Sublease Agreement
  - Attachment 7: Franchisee Disclosure Acknowledgment Statement
  - Attachment 8: State Addenda to the Franchise Agreement
- Exhibit D Employee Confidentiality Agreement
- Exhibit E General Release and Waiver of Claims
- Exhibit F Table of Contents of Franchise Operations Manual
- Exhibit G Financial Statements
- Exhibit H List of Franchisees
- Exhibit I Former Franchisees
- Exhibit J Area Representative Disclosures
- Exhibit K State Effective Dates
- Exhibit L Receipt

Franchisee Signature: \_\_\_\_\_

Franchisee Name: \_\_\_\_\_

Date: \_\_\_\_\_

Please sign, date, and retain this copy for your records.

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If TFL Franchise Systems, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or sooner if required by applicable state law.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 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.

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.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If TFL Franchise Systems, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed in Exhibit B.

The franchisor is TFL Franchise Systems, LLC, 859 Willard Street, Suite 100, Quincy, Massachusetts 02169. Its telephone number is (781) 963-5080.

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- Exhibit G Financial Statements
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- Exhibit I Former Franchisees
- Exhibit J Area Representative Disclosures
- Exhibit K State Effective Dates
- Exhibit L Receipt

Franchisee Signature: \_\_\_\_\_

Franchisee Name: \_\_\_\_\_

Date: \_\_\_\_\_

Please sign, date, and return this copy to us at TFL Franchise Systems, LLC, 859 Willard Street, Suite 100, Quincy, MA 02169, or by electronic transmission (email) to us at [franchise@flyinglocksmiths.com](mailto:franchise@flyinglocksmiths.com).