
FRANCHISE DISCLOSURE DOCUMENT



Accurate Leak and Line, LLC
A Texas limited liability company
439 N. Gun Barrel Lane,
Gun Barrel City, TX 75156
214-340-5325
franchise@accurateleak.com
<https://www.accurateleak.com>

As an Accurate Leak and Line franchisee, you will operate a business specializing in underground plumbing diagnosis and repair service. Accurate Leak and Line offers residential and commercial services through combined traditional excavation and repair/replacement solutions and non-destructive CIPP trenchless pipe repair as a cost-efficient alternative to complete water or sewer system replacement (the “Services”).

The total investment necessary to begin operation of an Accurate Leak and Line franchise is \$133,700 to \$285,150. This includes \$54,900 that must be paid to the franchisor or affiliate. The total investment necessary to being operation of an Accurate Leak and Line franchise, if you are a conversion business is \$9~~3,750~~^{1,250} to \$239,700. This includes \$27,~~450~~²⁴⁰ 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, please contact Steve Scott Montgomery III and Chad Wilson Montgomery at 439 N. Gun Barrel Lane, Gun Barrel City, TX 75156 and 214-340-5325.

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

Special Risks to Consider About *This Franchise*

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

1. Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Texas. Out-of-state arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate, or litigate with the franchisor in Texas than in your own state.

2. 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.

3. Short Operating History. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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.

4.5. Use of Franchise Brokers. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Carefully evaluate any information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

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.

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

In this disclosure document, “we”, “us,” or “our” refers to Accurate Leak and Line, LLC. “You” means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our Guaranty and Non-Compete Agreement, which means that all of the franchise agreement’s provisions also will apply to your owners.

Us, Any Parents, and Certain Affiliates

Our name is Accurate Leak and Line, LLC. Our principal business address is 439 N. Gun Barrel Lane, Gun Barrel City, TX 75156. We do not have any parent entities. We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees. We have not conducted business or offered franchises in any other line of business. Our affiliate, Corporate Enterprises Inc. dba Accurate Leak and Line, has operated six (6) Businesses in Dallas,/Fort Worth, Austin, and surrounding areas, Texas since 2002. This affiliate has the same business address as us.

Our Predecessors

We do not have any predecessors.

Our Business Name

We use the name “Accurate Leak and Line” to conduct business. We do not intend to use any other names to conduct business.

Agent for Service of Process

Our agent for service of process in Texas is Chad Wilson Montgomery, and the agent’s principal business address is 439 N. Gun Barrel Lane, Gun Barrel City, TX 75156. Our agents for service of process in other states are disclosed in Exhibit D.

Business Organization

We are a Texas limited liability company. We were formed on November 12, 2020, but did not begin offering franchises until 2022.

Information About Our Business and the Franchises Offered

We do not operate businesses of the type being franchised.

We do not have any other business activities. We have not offered franchises in other lines of business.

We offer qualified individuals and entities the right to open and operate a franchised business that offers residential and commercial services through combined traditional excavation and repair/replacement solutions and non-destructive CIPP trenchless pipe repair as a cost-efficient

alternative to complete water or sewer system replacement (each, a “Business”). If you sign a franchise agreement with us, you will develop and operate a business specializing in underground plumbing diagnosis and repair service, under the trade name Accurate Leak and Line.

If you are an existing business that provides services similar to a Business, then you may qualify to purchase a Business as a conversion franchise (“Conversion Business”). To be eligible to purchase a Conversion Business, you must provide two (2) years’ worth of tax returns (Form 1040 with schedule C, E, or F, Form 1065, Form 1120S, or Form 1120, and any other information we reasonably request). Conversion Businesses may qualify to pay a reduced Initial Franchise Fee of \$27,450. See Item 6. The trenchless pipe rehabilitation and underground plumbing diagnosis and repair industry that is well developed. Our Services are offered year-round. You will compete for customers with independent owners, national chains, regional chains, and franchised businesses, offering trenchless pipe rehabilitation and underground plumbing diagnosis and repair service/solutions.

Laws and Regulations

Operation of an Accurate Leak and Line will require you to be aware of federal, state and local regulations that are common to all businesses including federal, state, and local employment laws and regulations, specifically including minimum wage and wage requirements. In certain states and jurisdictions, you must also be or employ licensed individuals to perform some of the services that Accurate Leak and Line locations provide.

~~You alone are responsible for investigating and complying with all applicable laws and regulations, despite any information that we may give you. You should consult with a legal advisor about legal requirements that may apply to your business.~~

**Item 2
BUSINESS EXPERIENCE**

Steve Scott Montgomery III — Owner and Director.

Employer	Title	Start Date (month/year)	End Date (month/year)	City, State
Accurate Leak and Line, LLC	Owner and Director	2/2021	Present	Gun Barrel City, TX
Corporate Enterprises Inc. dba Accurate Leak and Line	Owner and Director	2002	Present	Gun Barrel City, TX

Chad Wilson Montgomery — Owner and Director.

Employer	Title	Start Date (month/year)	End Date (month/year)	City, State
Accurate Leak and Line, LLC	Owner and Director	2/2021	Present	Gun Barrel City, TX

Employer	Title	Start Date (month/year)	End Date (month/year)	City, State
Corporate Enterprises Inc. dba Accurate Leak and Line	Owner	2002	Present	Gun Barrel City, TX

Mike Mushinski – President and Chief Operations Officer.

Employer	Title	Start Date (month/year)	End Date (month/year)	City, State
Accurate Leak and Line, LLC	President and Chief Operations Officer	10/2023	Present	Gun Barrel City, TX
Bluefrog Plumbing and Drain	President	01/2021	04/2023	Dallas, TX
Renew Crew @ Outdoor Living Brands (now Empower Brands)	Vice President and Brand Leader	08/2016	01/2020	Glen Allen, VA

**Item 3
LITIGATION**

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**

Franchise Fee

Upon signing of the Franchise Agreement, you must pay an initial franchise fee of \$54,900 (the “Initial Franchise Fee”). The Initial Franchise Fee is deemed fully earned upon payment and non-refundable under any circumstances. In exchange for the Initial Franchise Fee, you will be granted a Territory with a minimum population of 1,000,000 people (and a maximum of 1,500,000) or a radius of 25 miles, whichever is smaller.

If you purchase multiple Territories at the time you sign your first Franchise Agreement with us, then we will discount the Initial Franchise Fee for the additional Franchise Agreement(s) by 50% to \$27,450. The discount is only applicable toward your initial purchase of one territory and cannot be combined with any other discount, and will not be granted toward any future Territory expansions.

If you are a Conversion Franchise, the Initial Franchise Fee is reduced to \$27,450. The Initial Franchise Fee is deemed fully earned upon payment and non-refundable under any circumstances.

**Item 6
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty	<u>5%-7% of Gross Sales</u> See Note 1.	Monthly, on the 10 th day of each month	See Notes 1, 2, and 3
Brand Fund Contribution	<u>Either 2% of Gross sales or Minimums of \$0-\$500</u> See Note 1.	Same as Royalty Fee	Brand Fund Contribution will be capped at \$40,000 per year.
Market Cooperative Contribution	As determined by co-op. Currently, none.	As determined by the co-op.	We have the right to establish local or regional advertising cooperatives. The maximum contribution that a co-op may require is 5% of Gross Sales.
Local Marketing Requirement	5% Gross Sales or \$40,000 per year, whichever is greater.	Same as Royalty Fee	Upon request of us, you must provide proof of your Local Marketing spending. We may determine that if you contribute to a Market Cooperative, then the amount of the contribution will be counted towards your Local Marketing Requirement.
Replacement / Additional Training fee	Currently, \$250 per day	As invoiced	If you send a manager or other employee to our training program after you open, we will charge our then-current training fee.
Technology Fee	Our then-current fee which is presently \$399 per month, beginning the tenth of the month following successful completion of the initial training.	Same as Royalty Fee	Fees for website hosting, required software licensing, telephone service, email hosting, and other required technology related expenses
Annual Convention	Our then current fee, which is currently \$1,000 maximum per person to attend the Annual Convention	As invoiced	To help offset our out-of-pocket expenses for meeting space, meals, audio visual rental, workbooks, speakers, etc. Does not include travel, lodging or all meals.

Type of Fee	Amount	Due Date	Remarks
Non-attendance Fee	\$2,000	As invoiced	If individuals required to attend the Annual Convention fail to attend, you must pay the Non-attendance fee. If the individuals required to attend the Annual Convention fail to attend for two (2) consecutive years, we may opt to increase your Royalty Fee by 1% of Gross Sales.
Call Center Fee	Not currently charged.	As invoiced	Due if and when we establish a Call Center. See Item 8.
Third party vendors	Pass-through of costs, plus reasonable administrative charge. Currently, none.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computer support vendors, mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together with a reasonable markup or charge for administering the payment program.
Non-compliance fee	\$500	As invoiced	We may charge you \$500 if your business is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance.
Reimbursement	Amount that we spend on your behalf, plus 10%	Within 15 days of invoice	If we pay any amount that you owe or are required to pay to a third party, you must reimburse us.
Late fee	\$100 plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)	As invoiced	We may charge a late fee if you fail to make a required payment when due.

Type of Fee	Amount	Due Date	Remarks
Transfer fee	25% of the then-current Initial Franchise Fee (subject to state law)	When transfer occurs	Payable if you sell your business.
Renewal Fee	25% of the then-current Initial Franchise Fee	Upon execution of the renewal franchise agreement	Payable in lieu of the initial franchise fee if you enter into a renewal agreement
Liquidated damages	An amount equal to Royalty fees and Brand Fund Contributions for the lesser of (i) 2 years or (ii) the remaining weeks of the franchise term.	As Invoiced	Payable if we terminate your franchise agreement because of your default, or if you terminate the franchise agreement without the right to do so.
Indemnity	Our costs and losses from any legal action related to the operation of your franchise	As Invoiced	You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise (unless caused by our misconduct or negligence).
Prevailing party's legal costs	Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party	As Invoiced	In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses.

All fees are payable only to us (other than software subscription charges). All fees are imposed by us and collected by us (other than software subscription charges). All fees are non-refundable. All fees are uniform for all franchisees, although we reserve the right to ~~change~~, waive, or eliminate fees for any one or more franchisees as we deem appropriate.

There are currently no marketing cooperatives, purchasing cooperatives, or other cooperatives that impose fees on you.

Notes

1. **Royalty Rate and Brand Fund Contribution.** You are required to pay to us a Royalty of the greater of seven percent (7%) of Gross Sales or the amount listed below and (b) a Brand

Item 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Standard Franchise

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial franchise fee (see Note 1)	\$54,900 - \$54,900	Check or wire transfer	Upon signing the franchise agreement	Us
Rent/Real Estate & Leasehold Improvements (see Note 2)	\$0 - \$5,000	Check, debit, and/or credit	As incurred	Landlord/Agent
Utilities (Note 3)	\$100 - \$250	Check, debit, and/or credit	As incurred or when billed	Supplier
Initial Marketing Investment	\$15,000 - \$20,000	Check, debit, and/or credit	As incurred or when billed	Vendors and suppliers
Furniture, Fixtures, and Equipment (Note 4)	\$20,000 - \$60,000	Check, debit, and/or credit	As incurred	Vendors and suppliers
Computer Systems (Note 5)	\$1,000 - \$5,000	Check, debit, and/or credit	As incurred	Vendors and suppliers
Insurance (Note 6)	\$2,000 - \$5,000	Check	Upon ordering	Insurance company
Vehicle (see Note 37)	\$2,500 - \$45,000	Check	Upon purchase	Vendor
Signage (Note 8)	\$0 - \$5,000	Check, debit, and/or credit	Upon ordering	Vendor
Office Expenses	\$500 - \$1,000	Check, debit, and/or credit	As incurred	Vendors
Inventory (Note 9)	\$2,500 - \$10,000	Check, debit, and/or credit	Upon ordering	Vendors
Licenses and Permits (Note 10)	\$200 - \$1,000	Check	Upon application	Government
Dues and Subscriptions (Note 11)	\$1,500 - \$4,000	Check, debit, and/or credit	As incurred	Vendors, trade organizations

Professional Fees (lawyer, accountant, etc.)	\$1,000 - \$5,000	Check, debit, and/or credit	As incurred or when billed	Professional service firms
Travel, lodging and meals for initial training	\$2,500 - \$6,000	Cash, debit or credit	As incurred	Airlines, hotels, and restaurants
License Holder Recruitment (Note 12)	\$0 - \$8,000	Cash, debit or credit	As incurred	Licensors
Additional funds (for first 3 months - see Note 134)	\$30,000 - \$50,000	Varies	Varies	Employees, suppliers
Total (see Note 145)	\$133,700 - \$285,150			

Conversion Franchise

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial franchise fee (see Note 1)	\$27,450 - \$27,450	Check or wire transfer	Upon signing the franchise agreement	Us
Rent/Real Estate & Leasehold Improvements (see Note 2)	\$0 - \$5,000	Check, debit, and/or credit	As incurred	Landlord/Agent
Utilities (Note 3)	\$100 - \$250	Check, debit, and/or credit	As incurred or when billed	Supplier
Initial Marketing Investment	\$15,000 - \$20,000	Check, debit, and/or credit	As incurred or when billed	Vendors and suppliers
Furniture, Fixtures, and Equipment (Note 4)	\$10,000 - \$50,000	Check, debit, and/or credit	As incurred	Vendors and suppliers
Computer Systems (Note 5)	\$1,000 - \$5,000	Check, debit, and/or credit	As incurred	Vendors and suppliers
Insurance (Note 6)	\$2,000 - \$5,000	Check	Upon ordering	Insurance company
Vehicle (see Note 37)	\$2,500 - \$45,000	Check	Upon purchase	Vendor
Signage (Note 8)	\$0 - \$5,000	Check, debit, and/or credit	Upon ordering	Vendor

Office Expenses	\$500 - \$1,000	Check, debit, and/or credit	As incurred	Vendors
Inventory <u>(Note 9)</u>	\$0 - \$10,000	Check, debit, and/or credit	Upon ordering	Vendors
Licenses and Permits <u>(Note 10)</u>	\$200 - \$1,000	Check	Upon application	Government
Dues and Subscriptions	\$1,500 - \$4,000	Check, debit, and/or credit	As incurred	Vendors, trade organizations
Professional Fees (lawyer, accountant, etc.)	\$1,000 - \$5,000	Check, debit, and/or credit	As incurred or when billed	Professional service firms
Travel, lodging and meals for initial training	\$2,500 - \$6,000	Cash, debit or credit	As incurred	Airlines, hotels, and restaurants
License Holder Recruitment <u>(Note 12)</u>	\$0 - \$0	Cash, debit or credit	As incurred	Licensor
Additional funds (for first 3 months - see Note <u>134</u>)	\$30,000 - \$50,000	Varies	Varies	Employees, suppliers
Total (see Note <u>145</u>)	\$ 93,750 ⁹³ - \$239,700			

Notes

1. None of the expenditures in this table will be refundable. Neither we nor any affiliate finances any part of your initial investment.

2. We estimate real property, leasehold improvements, and utilities at zero because it is possible for you to open as a home-based business. If you have an office location, the office must contain a minimum of 500 square feet and include an office space and a shop that meet all applicable fire and safety codes. The rent estimate factors in the option to operate the business from home, or operating from an office location of 500 square feet. The high-end estimate covers one month of rent for a 500 square foot office.

3. The utilities estimate is for one month of utilities. The cost of utilities may vary depending on whether you choose to have a physical office location, or operate from home.

4. We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, and supplies necessary to open your business. The lower estimate may occur if you are equipping a home office or smaller premises, or purchase used furniture and equipment that meets our specifications. The high estimate is in instances where you rent a larger space and equip it with all new furnishings.

5. Currently you are required to purchase a Service Titan System to store data related to sales transactions, customers, employees, and inventory, and QuickBooks software for accounting.

6. You must obtain and carry insurance that meets the requirements included in the Manual. Please see Item 8 for a description of the required insurance coverage. The estimate covers the price to obtain the insurance and one month of payments.

37. Vehicle. You must use a truck/van as the vehicle appropriate for your business. It must be in excellent or better condition, clean, dent-free, otherwise presenting a professional appearance, and approved by us. The low-end estimate assumes you already have a personal vehicle for the business. The high assumes you lease a new vehicle, with certain fees and costs payable upon signing the lease.

8. If you operate your business from home, you will not be required to install signage.

9. We will provide you a list of our specifications and approved suppliers for opening inventory necessary to open your business. If you are a conversion franchise, you may already have sufficient inventory and may not need to purchase additional inventory. The amount of inventory you need will also vary based on the size of your territory.

10. If you run your business from an office location, we do not assist in conforming the premises to local ordinances and building codes and obtaining any required permits. You must acquire all business permits and licenses in order to operate your business.

11. The estimate for dues relates to membership in local trade organizations.

12. Certain jurisdictions may require you to hold a contractor license. If you do not personally hold a contractor license, you can pay a license holder to perform services under their license. The License Holder Recruitment fee is only applicable if you do not hold the required contractor license. If you have all applicable licenses, no designated license holder is required.

413. This includes any ~~additional funds~~~~other required expenses~~ you will ~~require~~~~incur~~ before operations begin and during the initial period of operations (approximately three (3) months), such as payroll (assuming a manager and two technicians), additional inventory, and other operating expenses. ~~in excess of income generated by the business.~~ It does not include any salary or compensation for you. It also does not include benefits for employees, as benefits are not offered by our existing locations. In formulating the amount required for additional funds, we relied on the following factors, basis, and experience: the development of an Accurate Leak and Line business by our affiliate, and our general knowledge of the industry.

145. Total initial investment will vary based on several factors including geographic location, territorial market size and demographic, size of initial operation etc.

Item 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Generally

We have the right to require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your business (1) either from us or our designee, or from suppliers approved by us, or (2) according to our specifications.

Specific Obligations

The following are our current specific obligations for purchases and leases:

A. Insurance. You must obtain insurance as described in the Franchise Agreement and in our Manual, which includes (i) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit, (ii) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than \$1,000,000, and (iii) Workers Compensation coverage as required by state law. Your policies (other than Workers Compensation) must list us and our affiliates as an additional insured, must include a waiver of subrogation in favor of us and our affiliates, must be primary and non-contributing with any insurance carried by us or our affiliates, and must stipulate that we receive 30 days’ prior written notice of cancellation.

B. Computer software and hardware. You must purchase and use the computer software and hardware that we specify. Currently you are required to purchase a Service Titan System to store data related to sales transactions, customers, employees, and inventory, and QuickBooks software for accounting. See Item 11 for more details.

C. Vehicle. You must use a truck/van as the vehicle appropriate for your business. It must be in excellent or better condition, clean, dent-free, otherwise presenting a professional appearance, and approved by us. The low-end estimate assumes you already have a personal vehicle for the business. The high assumes you lease a new vehicle, with certain fees and costs payable upon signing the lease.

Us or our Affiliates as Supplier

Neither we nor any affiliate is currently a supplier of any good or service that you must purchase, although we reserve to the right to be a supplier (or the sole supplier) of a good or service in the future.

Ownership of Suppliers

None of our officers owns an interest in any supplier to our franchisees.

A. *Your site.* We do not assist you in (i) locating your site and negotiating the purchase or lease of the site, (ii) conforming the premises to local ordinances and building codes and obtaining any required permits, or (iii) constructing, remodeling, or decorating the premises.

B. *Hiring and training employees.* We will provide you with our suggested staffing levels (Section 5.2), suggested guidelines for hiring employees (Section 5.2), operational instructions in the Manual which you can use as part of training new employees (Section 5.3), and our initial training program described below. All hiring decisions and conditions of employment are your sole responsibility.

C. *Necessary equipment, signs, fixtures, opening inventory, and supplies.* We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your business. (Section 5.4) We do not provide these items directly; we only provide the names of approved suppliers. We do not deliver or install these items.

D. *Brand Standards.* We will give you access to our Brand Standards. (Section 5.1)

E. *Initial Training Program.* We will conduct our initial training program. (Section 5.4). The current initial training program is described below.

F. *Initial Marketing Plan.* We will advise you regarding the planning and execution of your initial marketing plan. (Section 5.4)

G. *On-site opening support.* We will have a representative provide on-site support for one week in connection with your business opening. (Section 5.4)

Length of Time to Open

The typical length of time between signing the franchise agreement and the opening of your business is approximately 3 months. Factors that may affect the time period include your ability to obtain financing, obtain business permits and licenses, schedule initial training, and hire employees.

You must submit the proposed location of your business to us for approval with all related information and documents we may request. We will provide criteria for your location and review and advise you regarding potential locations. (Section 5.4). Some of the factors we consider is the consumer traffic, the number of residents in the area, the visibility of the location from major roadways and foot traffic, etc. If we do not approve the proposed location in writing within 30 days, the location is deemed rejected. If we cannot agree on a location for the business before your Opening Date, as set forth in you Franchise Agreement, at our discretion, we may terminate the franchise agreement and your initial franchise fee will not be refundedbe forfeited.

Our Post-Opening Obligations

After you open your business:

Local or Regional Advertising Cooperatives. We do not currently have any local or regional advertising cooperatives. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. Each franchisee in the area would have one vote per outlet (unless the franchisee is in default under its franchise agreement). The amount you must contribute to the cooperative will be determined by vote of the members, but not less than 1% of Gross sales and not more than 5% of Gross sales. If our own outlets are members of a cooperative, they must contribute to the cooperative on the same basis as franchisees, and they will vote on the same basis as other members. We administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review. Cooperatives will prepare annual financial statements which will be made available for review only by us and by the members of cooperative. We have the power to require cooperatives to be formed, changed, dissolved, or merged.

Brand Fund Contribution. You and all other franchisees must contribute to our Brand Fund an amount that we determine, currently 2% of Gross Sales, not to exceed four percent (4%) of Gross Sales per month.

Because we are a new franchisor, we did not spend any Brand Fund Contributions in our most recently concluded fiscal year.

If less than all Brand Fund Contributions are spent in the fiscal year in which they accrue, the money will remain in the Brand Fund to be spent in the next year.

The Brand Fund Contributions are not spent principally to solicit new franchise sales.

Initial Marketing Plan. You must develop an initial marketing plan and obtain our approval of the plan at least 30 days before the projected opening date of your business.

Local Marketing Requirement. You are required to spend the greater of \$40,000 or 5% of Gross Sales yearly on local marketing of the Business. Upon our request, you must provide proof of your Local Marketing Requirement expenditures. We have the sole discretion to determine what activities constitute “marketing” for purposes of the Local Advertising Requirements. We may, in our discretion, determine that if you contribute to a Market Cooperative, then the amount of the contribution will be counted towards your Local Marketing Requirements Computer Systems.

Computer System

We require you to purchase computer systems and software as follows:

1. The system will include Service Titan System and necessary hardware, tablet/desktop, printer and smart phones. These systems will generate or store data such as sales transactions/data, customer, employee and labor information, inventory.
2. Accounting software system (QuickBooks).

We estimate that these systems will cost between ~~\$1,0002,500~~ and ~~\$5,00020,000~~ to purchase.

We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates. We do require you to enter into a subscription contract for the Service Titan System.

You must upgrade or update any system when we determine. There is no contractual limit on the frequency or cost of this obligation.

We may require you to use a book keeping service of our discretion on an ongoing basis.

We estimate that the annual cost of any optional or required maintenance, updating, upgrading, or support contracts including book keeping services will be \$12,000 to \$24,000.

You must give us independent access to the information that will be generated or stored in these systems. The information that we may access will include sales, customer data, and reports. There is no contractual limitation on our right to access the information.

Brand Standards Manual

Manual Section	Number of Pages
Preface & Introduction	22
Establishing My Franchise Business	33
Personnel	43
Administrative Procedures	12
Daily Procedures	3
Selling & Marketing	17
Total Number of Pages	130

Training Program

Our training program consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Business Model / Operational and Marketing Strategies	6-12	6-12	Corporate Office/Virtual
Diagnostics / CIPP / Repairs / Pricing	6-12	6-12	Corporate Office/Virtual
ServiceTitan Operational Software	6-12	6-12	Corporate Office/Virtual
TOTALS:	18-36	18-36	

Training classes will be scheduled in accordance with the needs of new franchisees. We anticipate holding training classes three to six times per year. Training will be held at our offices and business location in Gun Barrel City, Texas. We reserve the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the training program. Training will be either held onsite at our corporate location or virtually/remotely upon our discretion. The initial training program is anticipated to last 1-2 weeks.

The instructional materials consist of the Brand Standards Manual and other materials, lectures, discussions, and on-the-job demonstration and practice.

Training classes will be led by Steve Montgomery III and Chad Montgomery. Their experience is described in Item 2. They each have over 20 years of experience in our industry, and with us or our affiliates.

There is no fee for the franchisee and up to 1 additional team member to attend training. You must pay the travel and living expenses of people attending training. No additional attendees are permitted to attend at this time.

You must attend training. You may send any additional people to training that you want (up to the maximum described above). You must complete training to our satisfaction at least four weeks before opening your business.

Franchisees will be required to attend up to 2 days of refresher/update training or meetings in up to 2 sessions. Space permitting, the franchisor will provide the opportunity for franchisees to send additional personnel to refresher training. This training will be provided at no cost, but the franchisee will pay for all applicable travel, lodging and out-of-pocket expenses.

We do not currently host an Annual Convention, but reserve the right to do so in the future.

Item 12 TERRITORY

Grant of Territory

You will be granted a standard franchise territory (“Territory”) that will encompass a minimum population of 1,000,000 people (and a maximum of 1,500,000) or a radius of 25 miles, whichever is smaller. Each territory will be defined by one or more zip codes. 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.

You will be able to choose your territory based on available pre-defined Territories, subject to our approval. We will use the most recent population information available in the U.S. Census Data, or other population statistical sources of our choosing to determine populations. Once we have determined your Territory, it will be defined on the Summary Page of your Franchise Agreement.

services at any locations inside or outside the territory, under trademarks or service marks other than the Marks;

- Establish and operate, and to grant other the right to operate, business offering dissimilar products and services both inside and outside of the Territory under the Marks; and
- To acquire, be acquired by, or merge with other brands or outlets, even if the concepts or outlets are similar to the business operated, and even if they have locations in the Territory.

We have no obligation to compensate you in connection with any of these activities.

Restrictions on Us from Soliciting or Accepting Orders in Your Territory

Except as described in this paragraph, we will not serve customers in your territory, nor authorize another party to serve customers in your territory, under our Accurate Leak and Line brand. However, we may serve (or authorize other franchisees to serve) customers in your territory if you are in default, or if you are incapable of meeting customer demand in your territory. We may also serve (or authorize another franchisee to serve) a particular customer in your territory if you fail to properly serve such customer, or if we reasonably believe that you will not properly serve such customer. We reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory (i) using our principal trademarks, but only for sales of products or services different from the ones you will offer, and (ii) using trademarks different from the ones you will use. In the circumstances where the franchise agreement does not prohibit us from soliciting or accepting orders from inside your territory, we do not pay any compensation to you.

Soliciting by You Outside Your Territory

You cannot solicit or market to potential customers outside of your territory, except for solicitations or marketing which are primarily targeted inside the territory and which incidentally reach potential customers outside of the territory. You cannot serve customers outside of your territory without our prior written permission. We may withdraw permission at any time.

Competition by Us Under Different Trademarks

Neither we nor any of our affiliates operates, ~~or~~ franchises, or plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, the franchise agreement does not prohibit us from doing so.

**Item 13
TRADEMARKS**

Principal Trademark

The following is the principal trademark that we license to you. This trademark is owned by us. It is registered on the Principal Register of the United States Patent and Trademark Office.

Trademark	Registration Date	Registration Number
	2/22/22	6650705
Accurate Leak and Line	2/22/22	6650706

Because the federal trademark registration is less than six years old, no affidavits are required at this time. The registration has not yet been renewed. We intend to file all affidavits and renewals for the trademarks as required by law.

Determinations

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings.

Litigation

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

Agreements

There are no currently effective agreements that significantly limit our rights to use or license the use of trademarks listed above in a manner material to the franchise.

Protection of Rights

We protect your right to use the principal trademarks listed in this Item, and we protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section.

The franchise agreement obligates you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to you. The franchise agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

If you use our trademarks in accordance with the franchise agreement, then (i) we will defend you (at our expense) against any legal action by a third-party alleging infringement by your

Proprietary Information

We have a proprietary, confidential Brand Standards Manual and related materials that include guidelines, standards and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

You (and your owners, if the franchise is owned by an entity) must protect the confidentiality of our Brand Standards Manual and other proprietary information, and you must use our confidential information only for your franchised business. We may require your managers and key employees to sign confidentiality agreements.

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

Your Participation

You are required to participate personally in the direct operation of your business and must devote substantial time and attention to the business.

If you are the sole owner of the business, then you are deemed the “Principal Executive”. If the business is owned through a corporation or limited liability company, you must designate one person as your “Principal Executive”. The Principal Executive is the executive primarily responsible for your business and has decision-making authority on behalf of the business. The Principal Executive must own at least 10% of the business. The Principal Executive must complete our initial training program. The Principal Executive must complete any post-opening training programs that we develop in the future. The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls), including regional or national brand conferences, that we require. The Principal Executive cannot fail to attend more than three consecutive required meetings.

If your business is owned by an entity, all owners of the business, including their spouses, must sign our Guaranty and Non-Compete Agreement (see Attachment 32 to Exhibit B).

“On-Premises” Supervision

When your business performs services for a customer, you are not required to personally conduct “on-premises” supervision of your business. However, we recommend on-premises supervision by you.

There is no limit on who you can hire as an on-premises supervisor. The general manager of your business (whether that is you or a hired person) must successfully complete our training program.

Provision	Section in franchise or other agreement	Summary
		<p>(including personal guaranty); sign general release (unless prohibited by applicable law). <u>The then-current form of franchise agreement may contain terms materially different than the original Agreement.</u></p> <p>If you continue operating your franchise after the expiration of the term without a renewal agreement, then we may either terminate your operation at any time or deem you to have renewed your agreement for a new term. <u>(Subject to state law).</u></p>
d. Termination by franchisee	§ 14.1	If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you, <u>or under any grounds permitted by law.</u>
e. Termination by franchisor without cause	Not Applicable	
f. Termination by franchisor with cause	§ 14.2	We may terminate your franchise agreement for cause, subject to any applicable notice and cure opportunity. <u>(Subject to state law).</u>
g. “Cause” defined--curable defaults	§ 14.2	Non-payment by you (10 days to cure); violate franchise agreement other than non-curable default (30 days to cure). <u>(Subject to state law).</u>
h. “Cause” defined--non-curable defaults	§ 14.2	Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our audit or evaluation; cease operations for more than 15 consecutive days; three defaults in 12 months; cross-termination; charge or conviction of, or plea to, a felony, commit or be accused of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise

Provision	Section in franchise or other agreement	Summary
		agreement which by its nature cannot be cured. <u>(Subject to state law).</u>
i. Franchisee’s obligations on termination/non-renewal	§§ 14.3 – 14.6	Pay all amounts due; return Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; purchase option by us. <u>(Subject to state law).</u>
j. Assignment of agreement by franchisor	§ 15.1	<u>Franchisor may transfer or assign the Franchise Agreement , or any obligations to any person or entity. Franchisor may also change ownership without Franchisee consent. Unlimited</u>
k. “Transfer” by franchisee - defined	Article 1	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business. <u>(Subject to state law).</u>
l. Franchisor’s approval of transfer by franchisee	§ 15.2	No transfers without our approval. <u>(Subject to state law).</u>
m. Conditions for franchisor’s approval of transfer	§ 15.2	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you’ve made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release; business complies with then-current system specifications. <u>(Subject to state law).</u>
n. Franchisor’s right of first refusal to acquire franchisee’s business	§ 15.5	If you want to transfer your business (other than to your co-owner or to your spouse, sibling, or child), we have a right of first refusal.

Provision	Section in franchise or other agreement	Summary
o. Franchisor’s option to purchase franchisee’s business	<u>§ 14.6</u> Not Applicable	<u>When the Franchise Agreement expires or is terminated, Franchisor has the right to purchase any or all of the assets related to the Business. (Subject to state law).</u>
p. Death or disability of franchisee	§§ 2.4, 15.4	If you die or become incapacitated, a new principal executive acceptable to us must be designated to operate the business, and your executor must transfer the business to an approved new owner within nine months.
q. Non-competition covenants during the term of the franchise	§ 13.2	Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by, any competitor. <u>(Subject to state law).</u>
r. Non-competition covenants after the franchise is terminated or expires	§ 13.2	For two years, neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by a <u>C</u> ompetitor operating in your former territory or the territory of any other Accurate Leak and Line business operating on the date of termination. <u>(Subject to state law). A Competitor means any business which offers trenchless pipe rehabilitation and underground plumbing diagnosis and repair services.</u>
s. Modification of the agreement	§ 18.4	No modification or amendment of the franchise agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications.
t. Integration/merger clause	§ 18.3	Only the terms of the franchise agreement and other written agreements are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. <u>Nothing in the Franchise Agreement is intended to disclaim the</u>

Provision	Section in franchise or other agreement	Summary
		representations made in the Franchise Disclosure Document. However, no claim made in any franchise agreement is intended to disclaim the express representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	§ 17.1	All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law).
v. Choice of forum	§§ 17.1; 17.5	Arbitration will take place where our headquarters is located (currently, Gun Barrel City, Texas) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).
w. Choice of law	§ 18.8	Texas (subject to applicable state law)

**Item 18
PUBLIC FIGURES**

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

**Item 19
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

Below is a chart that includes the average revenue of our affiliate-owned locations in Dallas/Fort Worth and Austin, Texas, and our franchisee in San Antonio, and additional information regarding the average invoice amounts for diagnostics, repairs, and those two service areas combined for the 2023 fiscal year. The following representations are based on historical data.

Location	Number of Territories	2023 Revenue	Average Invoice-Diagnostic			Average Invoice-Combined	
DFW	4	\$ 7,491,000	\$ 460			\$ 9,938	
Austin	2	\$ 4,652,000	\$ 322			\$ 5,313	
San Antonio	2	\$ 1,048,000	\$ 553			\$ 9,356	

Location	Number of Territories	2023 Revenue ¹	Average Invoice-Diagnostic ²	Median Invoice—Diagnostic	Highest/Lowest Invoice-Diagnostic	Average Invoice-Repair ³	Median Invoice—Repair	Highest/Lowest Invoice--Repair
DFW	4	\$7,491,000	\$460	\$300	\$3,750/ \$200	\$14,266	\$7,000	\$198,030/ \$300
Austin	2	\$4,652,000	\$322	\$300	\$1,800/ \$150	\$14,103	\$10,200	\$134,325/ \$700
San Antonio	2	\$1,048,000	\$553	\$350	\$2,025/ \$150	\$13,193	\$8,950	\$50,700/ \$450

1. “Revenue” means all sales and other income (recognized on an accrual basis), whether cash or credit or barter for exchange (regardless of the collection in the case of credit), arising from the operation of the Franchised Business, less (i) all refunds and discounts made to customers in good faith and in accordance with Franchisor’s policies, and (ii) any sales or excise taxes that are separately stated and that owners may be required to and does collect from customers and pays to any federal, state, or local taxing authority.

2. “Diagnostic” refers to services whereby franchisee will identify issues and propose solutions.

3. “Repair” refers to services whereby franchisee rectifies issues identified.

Our affiliate-owned location in Austin operates in a territory equivalent to two (2) standard territories, with seven (7) vehicles, and opened in 2002. and

Our affiliate-owned location in Dallas/Fort Worth operates in a territory equivalent to four (4) standard territories, with thirteen (13) vehicles, and opened in 2002.

Our affiliate-owned locations did not pay royalties or Brand Fund contributions in 2023, which differs from what franchisees’ requirements.

Our franchisee in San Antonio operates two (2) franchise Businesses, with three (3) vehicles, and opened in April 2023. Thus, the results reported above for the San Antonio franchisee were achieved from April 2023 to December 2023.

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.

Other than the preceding financial performance representation, Accurate Leak and Line, LLC does not make any financial performance representations. Written substantiation for the

financial performance representation will be made available to the prospective franchisee upon reasonable request. 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 Steve Scott Montgomery III and Chad Wilson Montgomery, 439 N. Gun Barrel Lane, Gun Barrel City, TX 75156, and 214-340-5325, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
For Years 2021 to 2023

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	2	+2
Affiliate-Owned	2021	6	6	0
	2022	6	6	0
	2023	6	6	0
Total Outlets	2021	6	6	0
	2022	6	6	0
	2023	6	8	+2

* [All company-owned outlets are owned and operated by our affiliate, and are designated as such in these charts.](#) Our affiliate operates two (2) physical locations, that have territories that amount to six (6) total territories. Austin operates in a territory equivalent to two (2) standard territories, and Dallas/Fort Worth operates in a territory equivalent to four (4) standard territories.

*[The franchised locations are two \(2\) territories operated by one \(1\) franchisee.](#)

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2021 to 2023

Column 1 State	Column 2 Year	Column 3 Number of Transfers
N/A	2021	0
	2022	0

EXHIBIT A

STATE ADDENDA TO DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

California limited liability companies Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, 14 days prior to the execution of an agreement or the solicitation of a proposed material modification of an existing agreement.

California's Franchise Investment Law (Corporations Code section 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.

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 offering circular.

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.

These franchises have been registered under the franchise investment law of the state of California. Such registration does not constitute approval, recommendation or endorsement by the commissioner of financial protection and innovation nor a finding by the commissioner that the information provided herein is true, complete and not misleading.

All the owners of the franchise will be required to execute personal guarantees. This requirement places the marital assets of the spouses domiciled in community property states – Aarizona, California, Iidaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin at risk if your franchise fails.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

Neither franchisor 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 such persons from membership in that association or exchange.

2. The following paragraph is added to the end of Item 6 of the Disclosure Document:

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

3. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

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.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

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.

The Franchise Agreement may contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires mediation. The mediation will occur in Gun Barrel City, Texas, with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Mediation Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

4. The following paragraph is added at the end of Item 19 of the Disclosure Document:

The ~~financial performance representation~~~~earnings-claims figures~~ do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Accurate Leak and Line business. Franchisees or former franchisees, listed in the Franchise Disclosure Document~~offering circular~~, may be one source of this information.

5. The proposed registration of these franchises has not been withdrawn in any state.

ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the “Act”), this Disclosure Document is amended as follows:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

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

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Act.

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.

In accordance with Section 200.508 of the Illinois Administrative Rules, Franchisor is required to defer payment of the initial franchise fee and other initial payments owed by franchisees until Franchisor has completed its pre-opening obligations under the Franchise Agreement. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT

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

In the State of Maryland only, this Disclosure Document is amended as follows:

Item 5 is amended to include the following language:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required 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.

The following is added to Item 17:

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.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

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

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection 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

provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General
G. Mennen Williams Building, 7th Floor
525 W. Ottawa Street
Lansing, Michigan 48909
Telephone Number: (517) 373 7117

MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

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

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 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 agreement(s) 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 Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) 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 (2) 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, Section 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, Section 80C.17, Subd. 5, which states “No action may be commenced pursuant to this Section more than three years after the cause of action accrues.”
- NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of North Dakota only, this Disclosure Document is amended as follows:

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 SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary and Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.

9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

11. Deferral of Initial Fees. Based on our financial statements the State of North Dakota is requiring a financial assurance. Therefore, all initial fees payable to us will be deferred until our initial obligations under the franchise agreement have been performed and you have opened for business.

RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

The following statements are added to Item 17(h):

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

The Virginia State Corporation Commission's Division of Securities and Retail Financing 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.

WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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

The Washington Securities Division has required that we provide a financial assurance. Therefore, we will defer collection of the initial fees until we have fulfilled our pre-opening obligations to you and you are open for business.

Use of Franchise Brokers. The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Carefully evaluate any information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

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.

Dated this _____ day of _____ 20_____.

FRANCHISOR

FRANCHISEE

~~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.~~

ITEM 17 of the Disclosure Document is amended to add the following:

- In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

- ~~A general release or waiver of rights signed by Franchisee will not include rights under the Washington Franchise Investment Protection Act.~~
- ~~Provisions that unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act, including the right to a jury trial may not be enforceable.~~
- ~~Transfer fees are collectable if they reflect Franchisor's reasonable estimated or actual costs in effecting a transfer.~~
- ~~The Franchise Agreement requires any litigation to be conducted in a state other than Washington; the requirement shall not limit any rights Franchisee may have under the Washington Franchise Investment Protection Act to bring suit in the State of Washington.~~

appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing; and

- (iv) cease doing business under any of the Marks.

14.4 Remove Identification. If Franchisee operates from a Location other than Franchisee's home, then within 30 days after termination or expiration, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of an Accurate Leak and Line business, to the reasonable satisfaction of Franchisor. Franchisee shall comply with any reasonable instructions and procedures of Franchisor for de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, Franchisor may enter the Location to remove the Marks and de-identify the Location. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by Franchisor.

14.5 Liquidated Damages. If Franchisor terminates this Agreement based upon Franchisee's default (or if Franchisee purports to terminate this Agreement except as permitted under Section 14.1), then within 10 days thereafter Franchisee shall pay to Franchisor a lump sum (as liquidated damages and not as a penalty) calculated as follows: (x) the average Royalty Fees and Brand Fund Contributions that Franchisee owed to Franchisor under this Agreement for the 12-month period preceding the date on which Franchisee ceased operating the Business; multiplied by (y) the lesser of (1) 24 or (2) the number of months remaining in the then-current term of this Agreement. If Franchisee had not operated the Business for at least 12 months, then (x) will equal the average Royalty Fees and Brand Fund Contributions that Franchisee owed to Franchisor during the period that Franchisee operated the Business. The "average Royalty Fees and Brand Fund Contributions that Franchisee owed to Franchisor" shall not be discounted or adjusted due to any deferred or reduced Royalty Fees and Brand Fund Contributions set forth in an addendum to this Agreement, unless this Section 14.5 is specifically amended in such addendum. ~~Franchisee acknowledges that a precise calculation of the full extent of Franchisor's damages under these circumstances is difficult to determine and the method of calculation of such damages as set forth in this Section is reasonable.~~ Franchisee's payment to Franchisor under this Section will be in lieu of any direct monetary damages that Franchisor may incur as a result of Franchisor's loss of Royalty Fees and Brand Fund Contributions that would have been owed to Franchisor after the date of termination; however, such payment shall be in addition to all damages and other amounts arising under Section 14.3 and Section 14.4, Franchisor's right to injunctive relief for enforcement of Article 13, and any attorneys' fees and other costs and expenses to which Franchisor is entitled under this Agreement. Except as provided in this Section, Franchisee's payment of this lump sum shall be in addition to any other right or remedy that Franchisor may have under this Agreement or otherwise.

14.6 Purchase Option. When this Agreement expires or is terminated, Franchisor will have the right (but not the obligation) to purchase any or all of the assets related to the Business. To exercise this option, Franchisor must notify Franchisee no later than 30 days after this Agreement expires or is terminated. The purchase price for all assets that Franchisor elects to purchase will be the lower of (i) the book value of such assets as declared on Franchisee's last filed tax returns or (ii) the fair market value of the assets. If the parties cannot agree on fair market value within 30 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both parties. The parties will equally share the cost of the appraisal.

Attachment 1 to Franchise Agreement

STATE ADDENDA TO AGREEMENTS

CALIFORNIA RIDER TO THE FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement _____ (the “Agreement”),
between Accurate Leak and Line, LLC, a limited liability company (“Franchisor”) and
_____, a _____ (“Franchisee”).

1. 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.

2. This Rider is effective as of the date of the Agreement.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

ACCURATE LEAK AND LINE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

ILLINOIS RIDER TO THE FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement _____ (the “Agreement”), between Accurate Leak and Line, LLC, a limited liability company (“Franchisor”) and _____, a _____ (“Franchisee”).

- 1. **Governing Law.** Illinois law governs the Agreement.

- 2. **Waivers Void.** In conformance with Section 41 of the Illinois Franchise Disclosure Act, notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

- 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.

- 3. **Jurisdiction.** 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 occur outside of Illinois.

- 4. **Effective Date.** This Rider is effective as of the date of the Agreement.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

ACCURATE LEAK AND LINE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

MARYLAND RIDER TO THE FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement _____ (the "Agreement"), between Accurate Leak and Line, LLC, a limited liability company ("Franchisor") and _____, a _____ ("Franchisee").

1. **Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The "Maryland Franchise Registration and Disclosure Law" means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.

2. **Releases, Estoppels and Waivers of Liability.** 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. The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. **Statute of Limitations.** Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. **Jurisdiction.** Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law in any court of competent jurisdiction in the State of Maryland.

5. **Initial Fees.** Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required 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.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

ACCURATE LEAK AND LINE

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

MINNESOTA RIDER TO THE FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between Accurate Leak and Line, LLC, a limited liability company (“Franchisor”) and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Minnesota Act” means Minnesota Statutes, Sections 80C.01 to 80C.22.

2. Amendments. The Agreement is amended to comply with the following:

Minnesota Statutes, Section 80C.21 and Minnesota Rules 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 agreement(s) 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 Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) 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 (2) 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, Section 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, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state “No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues.”

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

person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

3. Effective Date. This Rider is effective as of the Effective Date.

NORTH DAKOTA RIDER TO THE FRANCHISE AGREEMENT

This Rider amends the Franchise Agreement dated _____ (the “Agreement”), between Accurate Leak and Line, LLC, a limited liability company (“Franchisor”) and _____, a _____ (“Franchisee”).

1. Definitions. Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

2. Amendments. The Agreement (and any Guaranty Agreement) is amended to comply with the following:

- (1) Restrictive Covenants: Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind is subject to NDCC Section 9-08-06.
- (2) Situs of Arbitration Proceedings: Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee’s business.
- (3) Restrictions on Forum: Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.
- (4) Liquidated Damages and Termination Penalties: Franchisee is not required to consent to liquidated damages or termination penalties.
- (5) Applicable Laws: The Agreement (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.
- (6) Waiver of Trial by Jury: Franchisee and any Guarantor do not waive a trial by jury.
- (7) Waiver of Exemplary and Punitive Damages: The parties do not waive exemplary and punitive damages.
- (8) General Release: Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.
- (9) Limitation of Claims: Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- (10) Enforcement of Agreement: The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.
- (11) Deferral of Initial Fees. Based on our financial statements the State of North Dakota is requiring a financial assurance. Therefore, all initial fees payable to us will be deferred until our initial obligations under the franchise agreement have been performed and you have opened for 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.

3. Effective Date. This Rider is effective as of the Effective Date.

WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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

[The Washington Securities Division has required that we provide a financial assurance. Therefore, we will defer collection of the initial fees until we have fulfilled our pre-opening obligations to you and you are open for business.](#)

The franchisee's obligations to indemnify, defend, reimburse, and hold harmless referenced in Section 16.1 of the Franchise Agreement do not extend to liabilities caused by the Indemnitees' negligence, willful misconduct, strict liability, or fraud.

Pursuant to RCW 19.100.180(2)(g) and RCW 19.100.190(3), a Franchisor may not limit the ability of franchisees to challenge whether the Franchisor imposed a reasonable standard of conduct and acted in good faith. As a result, the following language in Liquidated Damages Section 14.5 of the Franchise Agreement is void and unenforceable against Washington franchisees: "Franchisee acknowledges that a precise calculation of the full extent of Franchisor's damages under these circumstances is difficult to determine and the method of calculation of such damages as set forth in this Section is reasonable."

Pursuant to RCW 19.100.180(2)(g) and RCW 19.100.190(3), a Franchisor may not limit the ability of franchisees to challenge whether the Franchisor imposed a reasonable standard of conduct and acted in good faith. Accordingly Sections 17.2 and 17.4 of the franchise agreement is void and unenforceable against Washington franchisees.

Pursuant to RCW 19.100.220, the General Release included as Attachment 4 to the Franchise Agreement will not apply to claims arising under the Franchise Investment Protection Act, Chapter 19.100 RCW, or the rules adopted thereunder.

Pursuant to RCW 19.100.180(2)(g) and RCW 19.100.190(3), a Franchisor may not limit the ability of franchisees to challenge whether the Franchisor imposed a reasonable standard of conduct and acted in good faith. Accordingly, the Representations and Acknowledgments language contained in Paragraph three of the Form of General Release is void and unenforceable against Washington franchisees.

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.

South Dakota

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

Virginia

State Corporation Commissioner
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) ~~786-7751~~ 371-9051

Washington

Department of Financial Institutions
Securities Division
P.O. Box ~~412009033~~
Olympia, Washington 98501 ~~4~~
(360) ~~902-8760~~

Wisconsin

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

South Dakota

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

Virginia

Clerk, State Corporation Commission
1300 East Main Street, First Floor
Richmond, Virginia 23219

Washington

Director Department of Financial Institutions
Securities Division
150 Israel Road SW
Turnwater, Washington 98501

Wisconsin

Administrator, Division of Securities
Department of Financial Institutions
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705