FRANCHISE DISCLOSURE DOCUMENT

Mister Sparky Franchising SPE LLC
a Delaware limited liability company
7120 Samuel Morse Drive, Suite 300
Columbia, Maryland 21046
~~(~~410~~)~~ -740-1900
www.mistersparky.com/franchise

The franchised business offers residential and light commercial electrical services, including maintenance, repair, and equipment replacement services.

The total investment necessary to begin operation of a MISTER SPARKY franchise is $~~73,992~~71,000 to $~~188,476~~184,800 if you convert a pre-existing electrical business to a franchise under our conversion program. ~~This includes $2,992 to $4,676 that must be paid to the franchisor or its affiliates.~~ The total investment necessary to begin operation of a MISTER SPARKY franchise is $~~121,330~~119,100 to $~~264~~260,400 if you start the business from scratch. This includes $~~35,492 to $36,176~~33,000 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact your personal Franchise Development Manager at 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046 and (410) 740-1900.

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

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

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

Issued: April 25, 2024, as amended August 28, 2024

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The Franchise Agreement requires you to resolve disputes with us by arbitration and litigation only in the judicial district in which we have our principal place of business at the time the action is commenced, which is currently Columbia, Maryland. Out-of-state arbitration and litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate with us or sue us in Maryland than in your own state.

2. **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.

3. **Minimum Performance**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" pages for your state in Exhibit K.

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

This disclosure document describes MISTER SPARKY franchises. In this disclosure document:

"**Mister Sparky SPE**", "**Franchisor,**" "**we**", "**us**" and "**our**" mean Mister Sparky Franchising SPE LLC, the franchisor.

"**You**," "**your**," or "**Franchisee**" refers to the individual or company that enters into a franchise agreement with us for a Franchised Business (a "**Franchise Agreement**").

"**Owners**" means the person(s) identified in the Franchise Agreement as owners of the Franchisee and all other persons whom we may subsequently approve to acquire an interest in the franchise.

The Franchisor

We are a Delaware limited liability company organized on March 24, 2021. We do business under our company name and the MISTER SPARKY name. Our principal place of business is 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046. To the extent we have appointed agents for service of process in other states, they are listed in Exhibit J.

Our Parent, Predecessors, and Affiliates

Our direct parent company is AB Assetco LLC ("**AB Assetco**"), a Delaware limited liability company. AB Issuer LLC ("**AB Issuer**"), a Delaware limited liability company, is the direct parent company of AB Assetco. AB SPE Guarantor LLC ("**AB Guarantor**"), a Delaware limited liability company, is the direct parent company of AB Issuer. We, AB Assetco, AB Issuer, and AB Guarantor were organized as part of the Securitization Transaction, which is described below. Authority Brands, Inc. ("**AB Inc.**"), a Delaware corporation, is the direct parent company of AB Guarantor and our indirect parent. Authority Brands, Inc. was known as "Villa BidCo, Inc." until changing its name to Authority Brands, Inc. effective May 17, 2021. AB Assetco, AB Issuer, AB Guarantor and AB, Inc. all share our principal business address. Our ultimate majority owner are Funds advised by Apax Partners, LLP, a private equity firm based in London, United Kingdom ("**Apax**").

We became the franchisor of the MISTER SPARKY system on May 14, 2021 as part of the Securitization Transaction (defined below). We began offering MISTER SPARKY franchises on May 17, 2021.

Our predecessor, Mister Sparky Franchising, L.L.C. ("**MSE**"), a Florida limited liability company, offered MISTER SPARKY franchises from July 2006 to May 14, 2021. We do not have any other predecessors as franchisor of the MISTER SPARKY brand.

Securitization Transaction

Under a secured financing transaction which closed on May 14, 2021 (the "**Securitization Transaction**"), Villa BidCo, Inc. and its affiliates were restructured. As part of the Securitization Transaction, all existing U.S. Franchise Agreements and related agreements for MISTER SPARKY businesses were transferred to us, and we became the franchisor of all existing franchise agreements and related agreements. Ownership and control of all U.S. trademarks and certain intellectual property relating to the operation of MISTER SPARKY businesses were also transferred to us.

At the time of the closing of the Securitization Transaction, we entered into a management agreement with Villa BidCo, Inc. (now AB Inc.) to obtain the required support and services to MISTER SPARKY franchisees under their franchise and related agreements. AB Inc. also acts as our franchise sales agent. We pay management fees to AB Inc. for these services. However, as the franchisor, we will be responsible and accountable to you to make sure that all support and services we are obligated to perform under your Franchise Agreement or other agreement you sign with us are performed in compliance with all applicable agreements.

We do not operate any MISTER SPARKY businesses. However, we have affiliates that operate businesses of the type offered in this disclosure document. We refer to the MISTER SPARKY businesses operated by our affiliates as "**Company-Owned Outlets**" for purposes of this disclosure document.

Neither we nor our predecessor has offered franchises in any other line of business. However, as summarized in the table below, we have affiliates that offer franchises in other lines of business. Most of these affiliates were also formed either as part of the Securitization Transaction or when our parent added a newly-acquired brand to the securitization pool, and each has a predecessor that offered franchises of the same brand before the Securitization Transaction closed or the newly-acquired brand was added. Except as otherwise noted, all listed affiliates have the same address as us:

Affiliate	**Franchise Offered**	**Month and Year Affiliate or its Predecessor Began Offering Franchises**	**Number of Franchises as of December 31, 2023**
ASP Franchising SPE LLC Delaware limited liability company	ASP – AMERICA'S SWIMMING POOL COMPANY Swimming pool cleaning, swimming pool maintenance, swimming pool renovation services, and related services and products	January 2006	133
Benjamin Franklin Franchising SPE LLC Delaware limited liability company	BENJAMIN FRANKLIN PLUMBING Plumbing repair and services	September 2001	324

~~[*Continues on following page*]~~

Affiliate	Franchise Offered	Month and Year Affiliate or its Predecessor Began Offering Franchises	Number of Franchises as of December 31, 2023
Color World New Franchise Systems, LLC Delaware limited liability company	COLOR WORLD PAINTING Residential and commercial painting; deck painting, staining, or repair; fence painting or staining; power washing; minor carpentry, cleaning or repair services; drywall repair; gutter installation or removal; and holiday lighting services and other related services.	January 2022	45
DoodyCalls Franchising SPE LLC Delaware limited liability company	DOODYCALLS Exterior pet waste removal service and odor control service	July 2016	86
STOP Franchising SPE LLC Delaware limited liability company	DRYMEDIC Residential and commercial restoration services, including cleaning, deodorizing and reconstruction of buildings and contents due to fire, smoke, water, mold, normal wear, or other causes of damage, and other related services	April 2017	43

~~[*Continues on following page*]~~

Affiliate	Franchise Offered	Month and Year Affiliate or its Predecessor Began Offering Franchises	Number of Franchises as of December 31, 2023
Homewatch CareGivers Franchising SPE LLC Delaware limited liability company	HOMEWATCH CAREGIVERS Companionship, personal care, complex personal care and nursing services provided by home health aides, personal care providers, certified nurse assistants, licensed practical nurses and registered nurses	January 1996	213
Homewatch CareGivers International, Inc. Delaware corporation	HOMEWATCH CAREGIVERS Companionship, personal care, complex personal care and nursing services provided by home health aides, personal care providers, certified nurse assistants, licensed practical nurses and registered nurses	September 2017	9
Junkluggers Franchising SPE LLC Delaware limited liability company	THE JUNKLUGGERS Residential and commercial junk removal services, second-hand furniture procurement and retail services, and moving services	December 2012	135
Lawn Squad Franchising LLC Delaware limited liability company	LAWN SQUAD Residential and commercial weed control, lawn care, and related services	September 2023	0

~~[*Continues on following page*]~~

Affiliate	Franchise Offered	Month and Year Affiliate or its Predecessor Began Offering Franchises	Number of Franchises as of December 31, 2023
Monster Franchising SPE LLC Delaware limited liability company	MONSTER TREE SERVICE Residential and commercial tree services, including year-round performance of tree removal, pruning, land clearing, stump grinding, plant healthcare and other tree care services	September 2020	217
Mosquito Squad Franchising SPE LLC Delaware limited liability company	MOSQUITO SQUAD Residential and commercial outdoor pest control services and equipment	January 2005	217
One Hour Air Conditioning Franchising SPE LLC Delaware limited liability company	ONE HOUR HEATING & AIR CONDITIONING Residential and light commercial air conditioning and heating services	April 2003	385
Screenmobile Franchising SPE LLC Delaware limited liability company	SCREENMOBILE Residential and commercial window, patio, and door screen products and services	July 1984	145
The Cleaning Authority Franchising SPE LLC Delaware limited liability company	THE CLEANING AUTHORITY Residential cleaning services	September 2010	221
Authority Brands Canada, Inc. ("**TCA Canada**") New Brunswick, Canada corporation 1 Germain Street, Suite 1700 Saint John NB E2L 4V1 Canada	THE CLEANING AUTHORITY Residential cleaning services	August 2014	6

Affiliate	Franchise Offered	Month and Year Affiliate or its Predecessor Began Offering Franchises	Number of Franchises as of December 31, 2023
Woofie's Pet Ventures, LLC Virginia limited liability company	WOOFIE'S Pet sitting and dog walking services as well as pet grooming services and/or other ancillary services related to pet care	November 2018	39

We also have affiliates that offer goods and services to our franchisees. These affiliates are:

- BuyMax SPE LLC, a Delaware limited liability company ("**BuyMax**"). In addition to offering goods and services to our franchisees, BuyMax negotiates agreements with manufacturers, distributors, and service providers for the benefit of Company-Owned Outlets, our franchisees, franchisees of Benjamin Franklin Plumbing and One Hour Heating & Air Conditioning, and several of our affiliated brands. BuyMax also sells products to independent BuyMax® members who are not affiliated with us and may compete with our brand.

- Successware SPE LLC, a Delaware limited liability company ("**Successware**"). Successware provides ~~our required~~a proprietary software package, also called Successware, as well as data conversion, omni-channel communication systems, and training to contractors~~ (who may be our franchisees).~~. Our franchisees previously were required to use Successware, but new franchisees are required to ~~deploy~~use ServiceTitan (see Items 7, 8, and ~~use the Successware software.~~11). Successware also sells its products and services to independent businesspeople who are not affiliated with us and may compete with our brand.

- UWIN, LLC, a Florida limited liability company ("**UWIN**"). UWIN is a customer service resource dedicated to providing customers with information, assistance, and issue resolution in connection with any concerns they may have with home services contractors who display UWIN's distinctive seal of approval and associated Marks, logos and designs while such contractors are active UWIN® members. Our franchisees are required to be members of the UWIN® program, as are franchisees of Benjamin Franklin Plumbing and One Hour Heating & Air Conditioning.

- New Millennium Academy, L.L.C., a Missouri limited liability company ("**Success Academy**"). Success Academy provides training classes and skill development to Company-Owned Outlets, our franchisees, and franchisees of Benjamin Franklin Plumbing and One Hour Heating & Air Conditioning and their employees. Success Academy reserves the right to offer training classes and skill development to non-franchisees and non-affiliates in its sole and absolute discretion.

- Authority Brands Payments SPE, LLC, a Delaware limited liability company ("**ABP**"), provides or arranges payment processing services for our franchisees and franchisees of our affiliates.

A parent company, AB Assetco, guarantees our duties and obligations under the Franchise Agreements that we sign while the guarantee is in place, if we become unable to perform our duties and obligations. See Item 21.

BuyMax, Successware, UWIN, Success Academy, and ABP all have the same address as us. Except as described in this Item 1, none of our affiliates has conducted a business of the type you will operate or has offered franchises for that type of business.

The MISTER SPARKY Franchise

Our franchises offer residential and light commercial electrical maintenance, repair, and replacement services ("**Electrical Services**"). "**Light commercial**" is defined as work performed in a single tenant building of under 10,000 sq. ft. or a connected office space of under 5,000 sq. ft. and is considered part of Electrical Services. Each franchise operates under the trademark MISTER SPARKY.

We offer franchises only to persons and business entities that meet our qualifications and are willing to undertake the investment and effort to own and operate a MISTER SPARKY business. Our current form of Franchise Agreement appears in Exhibit A to this disclosure document.

The Franchise Agreement authorizes you to use the trademarks, service marks, trade names, logos, and symbols we designate (the "**Marks**") to provide Electrical Services (the "**Franchised Business**"). The Franchised Business will operate according to the know-how and system of operation we have developed and continue to develop for the MISTER SPARKY brand (the "**System**"). The distinctive elements of the System include, but are not limited to: the products and services offered; our customer service standards; our warranty program, if applicable; our standards and specifications for equipment, technology, supplies, and operations; our advertising and promotional programs and marketing techniques; the exterior and interior design, décor, color scheme, fixtures, and furnishings of the business premises; and the accumulated experience reflected in our training program and instructional materials. We have described our mandatory and recommended standards and procedures in a confidential operations manual (the "**Operations Manual**" or also sometimes referred to as the "**Brand Standards Manual**") or in other writings designated by us as part of the standards for the System (collectively with the Operations Manual, "**System Standards**" or "**Brand Standards**"). If you become a franchisee, we will provide you with electronic access to the Operations Manual. We have the right to change the Operations Manual and the System Standards at any time.

Our franchisees operate the Franchised Business from a specific street address or site that we have approved for their business premises (the "**Approved Location**"). However, some of our franchisees have multiple franchises in contiguous or adjoining territories. In those circumstances, we may allow the franchisee to operate their franchises from an Approved Location in only one of the franchised territories.

If your franchise is a new Electrical Services business, we refer to it as a "**Start-Up Franchise**". If you are converting an existing Electrical Services business into a Franchised Business, we refer to it as a "**Conversion Franchise**." We may pursue opportunities to convert similar businesses operating under different trade names to a MISTER SPARKY Franchised Business.

Industry-Specific Regulations

Our franchisees are subject to electrical licensing laws, which vary by state and sometimes by county or municipality. You may need other specific types of licenses required by the jurisdictions in which you will operate. Some states, counties or municipalities may require that your business be owned by a master or journeyman electrician. Check with your local licensing board, as well as with an attorney, to

learn about specific industry and contractor laws and regulations applicable to your business. You are solely responsible for obtaining and maintaining all required licenses for the operation of your Franchised Business.

General Market for the Services/Competition

The market for Electrical Services is well established. Your competitors will include other national chains of Electrical Services as well as regional and local companies or individuals providing similar services. You will also compete with large national home centers and retailers, like Home Depot® and Lowe's®.

ITEM 2
BUSINESS EXPERIENCE

As noted in Item 1, AB Inc. manages our franchising activities and acts as our franchise sales agent. Listed below are the officers of Mister Sparky SPE, the officers of AB Inc., and the employees of AB Inc. who have management responsibility relating to the sale or operation of the franchises offered in this disclosure document.

Chief Executive Officer; Executive Vice President of Trade Brands for AB Inc.: Mark Dawson

Mr. Dawson has been our Chief Executive Officer since April 2022. Since April 2022, he has also served as Executive Vice President of Trade Brands for AB Inc. and Chief Executive Officer for several of our affiliates. Mr. Dawson was our President from April 2022 to February 2023 and held the same position for a number of our affiliates during that same time. Mr. Dawson was our Chief Operating Officer from May 2021 to April 2022 and held the same position with our predecessor, MSE, from July 2019 to May 2021. He held the position of Chief Operating Officer for our affiliate brands, Benjamin Franklin Plumbing ("**BFP**") and One Hour Heating & Air Conditioning ("**OHAC**"), from July 2019 to April 2022 and for DRYmedic from February 2022 to April 2022. Mr. Dawson also has been co-owner of DTRT, LLC from December 2015 to present, an entity that began operating four DRYmedic franchised businesses in December 2022 and previously operated two Hand & Stone Massage and Facial Spas located in Phoenix, Arizona. Mr. Dawson was the co-owner of DTRTCA, LLC from January 2017 to October 2022, which operated one Hand & Stone Facial Spa located in California.

President: Lance Sinclair

Mr. Sinclair has been our President since February 2023 and holds the same position for our affiliate brands, BFP and OHAC. He was our Chief Operating Officer from April 2022 to February 2023 and held the same position with BFP and OHAC during that same time. He was previously our Vice President of Franchise Operations from May 2021 to April 2022 and held the same position with our predecessor, MSE, from May 2019 to May 2021. During this time, he held the same position for BFP and OHAC.

Chief Operating Officer: Michael Green

Mr. Green has been our Chief Operating Officer since February 2023 and holds the same position with our affiliate brands, BFP and OHAC. He was the Vice President of Operations for BFP from November 2021 to February 2023. He was a Franchise Business Consultant for BFP from January 2021 to November 2021. From June 2019 to July 2021, he was Vice President of Lifetime Coat in Denver, Colorado.

Vice President of Operations: Daniel Mock

Mr. Mock has been our Vice President of Operations since November 2021. He was our Brand Manager from May 2021 to November 2021 and held the same position with our predecessor from November 2019 to May 2021. From November 2017 to October 2019, Mr. Mock was Operations Manager for Universal Glass, a commercial glazing contractor, in Dallas, Texas.

Senior Director of Marketing of AB Inc.: Adam Terranova

Mr. Terranova has been the Senior Director of Marketing of AB Inc. since January 2024. From October 2018 to January 2024, he was the Senior Director of Digital Strategy & Strategic Initiatives for Restaurant Co, LLC d/b/a WOWorks, the parent company of several food service franchises in St. Petersburg, Florida.

President and Chief Executive Officer of AB Inc.: Craig Donaldson

Mr. Donaldson has been the President and CEO of AB Inc. since August 2022 and holds the same position for a number of our affiliates. Since September 2018, he has been a member of the Board of Directors for AB Inc.'s parent company. Concurrently, from March 2019 to April 2020, he was an Executive Advisor for Money Mailer in Cypress, California. From February 2016 to April 2018, he was the Chief Executive Officer of VASA Fitness in Orem, Utah. From June 2012 to June 2015, Mr. Donaldson was CEO of Service Brands International, the franchisor of Molly Maid, Mr. Handyman, and Protect Painters. From November 1997 to September 2011, he was CEO of Harris Research Inc., the franchisor of Chem-Dry Carpet and Upholstery Care and N-Hance Wood Renewal.

Chief Financial Officer, Treasurer and Director: Somer Webb

Ms. Webb has been our Chief Financial Officer and Treasurer since December 2023 and holds the same positions with AB Inc. and a number of our other affiliates. From May 2022 to December 2023, she was the Chief Financial Officer of Solo Brands, the parent company of direct-to-consumer lifestyle brands in Dallas, Texas. Ms. Webb held the position of Chief Financial Officer from January 2019 to May 2022 for Worldwide Express, a shipping and logistics company in Dallas, Texas. Concurrently, from February 2022 to April 2022, Ms. Webb held the position of Chief Financial Officer for Kent Outdoors, the parent company of several outdoor equipment brands in New London, Connecticut.

Chief Growth Officer of AB Inc.: Heather McLeod

Ms. McLeod has been Chief Growth Officer of AB Inc. since November 2022. From December 2018 to November 2022, she was the Chief Marketing Officer of AB Inc. Since October 2023, Ms. McLeod has owned an interest in PowerPawsGirls, LLC, a Woofie's franchise in Columbia, Maryland.

Chief Marketing Officer of AB Inc.: Kenneth Schweighofer

Mr. Schweighofer has been the Chief Marketing Officer of AB Inc. since July 2024. From July 2022 to July 2024, he was a commercial property developer and investor including oversight with the development of Congregation Coffee in Germantown, Tennessee. From August 2021 to July 2022, he was Chief Marking Officer for ATI Restoration in Germantown, Tennessee. From January 2021 to August 2021, he provided individual consulting services for a variety of companies. Mr. Schweighofer was Vice President of Marketing for ServiceMaster Global Holdings, a franchisor of consumer services, in Memphis, Tennessee from August 2018 to December 2020.

Senior Vice President of Franchise Development of AB Inc.: Jordan Wilson

Mr. Wilson has been Senior Vice President of Franchise Development of AB Inc. since January 2023. From January 2015 to December 2022, he was the Senior Vice President, Franchise for Scorpion Marketing in Concord Township, Ohio.

Vice President of Franchise Development of AB Inc.: David Montanez

Mr. Montanez has been Vice President of Franchise Development of AB Inc. since May 2021. From June 2018 to April 2021, he was Senior Director, Franchise Sales of ServiceMaster Brands in Memphis, Tennessee.

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Vice President of Franchise Development of AB Inc.: Joshua Minturn

Mr. Minturn has been Vice President of Franchise Development of AB Inc. since January 2023. From November 2018 to March 2020, he was the Vice President of Franchise Development for The Maids International, a residential cleaning franchisor, in Omaha, Nebraska, and from March 2020 to November 2022, its Chief Development Officer. Concurrently, from March 2016 to April 2020, he was the Senior Director of Franchise Development for N-Hance Wood Renewal, a floor refinishing franchisor, in Logan, Utah.

Vice of President of Brand Marketing of AB Inc.: Margaret Brodeck

Ms. Brodeck has been Vice President of Brand Marketing of AB Inc. since January 2024. She was the Senior Director of Marketing of AB Inc. from January 2023 to December 2023. From October 2022 to January 2023, she was the Senior Vice President of Marketing & Growth for Arosa in Richmond, Virginia. From November 2021 to October 2022, she was the Vice President of Marketing of AB Inc. From January 2020 to November 2021, Ms. Brodeck was the Vice President of Marketing for our affiliate, The Cleaning Authority. From September 2019 to January 2020, she was the Director of Marketing of AB Inc. From June 2018 to August 2019, she was an Associate with Harris Williams & Co. in Richmond, Virginia.

Vice President, General Counsel and Secretary: Brian Balconi

Mr. Balconi has been our Vice President, General Counsel and Secretary since May 2021. He was Vice President and General Counsel and Secretary of our predecessor, MSE, from June 2019 to May 2021 and its Secretary from April 2020 to May 2021. Mr. Balconi has been the Chief Legal Officer of AB Inc. since May 2019 and was its General Counsel from November 2018 to May 2019. Mr. Balconi is also the Chief Legal Officer, General Counsel, Vice President, Secretary and/or Assistant Secretary of a number of our other affiliates and their predecessors.

President of BuyMax and ABP: Clare Perry

Ms. Perry has been the President of ABP since December 2023 and the President of BuyMax since December 2022. She was BuyMax's Vice President of Sourcing from February 2020 to November 2022. From June 2019 to February 2020, she was a self-employed Procurement Consultant in Phoenix, Arizona.

Unless otherwise provided in Item 2, each individual's employment described above is or was based in Columbia, Maryland.

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ITEM 3
LITIGATION

Pending Action

Benjamin Franklin Franchising SPE LLC; One Hour Air Conditioning Franchising SPE, LLC; and Mister Sparky Franchising SPE, LLC v. David Michael Plumbing, Inc.; David Michael; and Karla Michael, Case No.: 24-CV-10286-JJCG-APP, U.S. District Court for the Eastern District of Michigan. On February 2, 2024, we and our affiliates filed this suit against franchisee David Michael Plumbing, Inc. and guarantors David Michael and Karla Michael alleging breaches of 7 franchise agreements based on underreporting of sales, misuse of trademarks, and violations of the in-term non-competition provisions in the franchise agreements. We and our affiliates are seeking monetary damages. On March 12, 2024, the Defendants filed a counterclaim alleging that the termination of their franchise agreements was improper, that certain of the Defendants' breaches of the franchise agreement had been waived, and that we and our affiliates violated the Michigan Franchise Investment Law by not allowing the Defendants a 30 day cure period.

Concluded Actions

VenVest Ballard, Inc., et al. v. Clockwork, Inc., et al., Case No. 5:14-cv-00195-MWF-EX, U.S. District Court for the Central District of California. On January 31, 2014, our affiliates Clockwork, Inc. and Clockwork IP, LLC (collectively "**Defendants**") were sued in the United States District Court for the Central District of California by entities owned by George Donaldson, including several companies that had been franchisees (collectively "**Donaldson**"). These entities were: (1) VenVest Ballard, Inc. (a former franchisee in California of One Hour Air Conditioning Franchising, L.L.C. and Benjamin Franklin Franchising, LLC); (2) Candlelight Electric, Inc. (a former franchisee in California of Mister Sparky Franchising, L.L.C.); and (3) Powerplay Equipment, LLC (a former franchisee in Arizona of One Hour Air Conditioning Franchising, L.L.C.). Continental Heating and Air Conditioning, Inc., another entity owned by George Donaldson, was also a plaintiff. The original complaint sought or alleged: (1) declaratory judgment that a slogan used by Donaldson's re-branded business and purportedly owned by Continental Heating and Air Conditioning, Inc. did not infringe trademarks held by Defendants; (2) declaratory judgment that certain non-competition provisions in a contract (separate from the Franchise Agreements) between the parties were void under California law; and (3) unfair competition. Defendants denied the allegations and asserted various defenses and counter claims. Subsequent pleadings added On Time Plumbers, Inc. (a franchisee in Nevada of Benjamin Franklin Franchising, LLC) and On Time Electricians, Inc. (a franchisee in Nevada of Mister Sparky Franchising, L.L.C.) as plaintiffs and Benjamin Franklin Franchising, LLC, One Hour Heating and Air Conditioning, L.L.C. and Mister Sparky Franchising, L.L.C. as defendants. Donaldson subsequently added claims for monetary damages, alleging franchisor improperly provided, to a neighboring franchisee, data about customers in the neighboring franchisee's owned territory.

This matter was resolved by agreement between the parties entered into on May 8, 2015 in which (1) the slogan that Donaldson requested the court declare non-infringing would be removed from use and its registration canceled by Donaldson, (2) Donaldson agreed to refrain from using any Marks of the franchise system, or other intellectual property similar to those of the franchisor, including images of a clock, the phrase "on time", and any guarantees of payment or refund based on timeliness, (3) Defendants agreed not to use any of Donaldson's customer information, and (4) all other remaining claims between the parties were dismissed, and other customary terms common to such settlements were also agreed. On July 10, 2015, the court entered an order to close the case.

Mister Sparky Franchising, L.L.C. v. On Time Electricians, Inc., Case No. 8:15-cv-164-T- 33TGW, U.S. District Court for the Middle District of Florida. On January 26, 2015, our predecessor filed suit against one of its Nevada franchisees, On Time Electricians, Inc. ("**OTE**"). Our predecessor asserted a claim for ~~declaratory relief against OTE that our predecessor may properly terminate OTE's Franchise Agreement~~

declaratory relief against OTE that our predecessor may properly terminate OTE's Franchise Agreement for purported violation of the non-competition provisions of the Franchise Agreement by OTE's sole owner and president, George Donaldson. OTE counterclaimed that our predecessor had damaged OTE by failing to approve its transfer of franchise rights to another franchisee, and accused our predecessor of unfair business practices and other allegations related to disapproval of the requested transfer. This matter was resolved by agreement between the parties entered into on May 8, 2015 in which (1) the OTE Franchise Agreement was terminated; (2) OTE surrendered all customer information, phone numbers and domain names; (3) OTE and Donaldson agreed not to use any of Franchisor's Marks, or any Marks similar to those of Franchisor; (4) Donaldson agreed to restrictions on his future competitive activities related to contacts with our predecessor, its affiliates, and their franchisees; (5) our predecessor paid Donaldson $245,000 attributing $50,000 to a refund of OTE purchase of the franchise, with the remaining $195,000 to be donated to charity; and (6) all other remaining claims between the parties were dismissed, and other customary terms common to such settlements were also agreed. The parties filed a joint stipulation of dismissal on May 12, 2015.

One Hour Air Conditioning Franchising, L.L.C., Benjamin Franklin Franchising, LLC, and Mister Sparky Franchising, L.L.C. v. Bobby R. Wilkins, Cause No. 2018-08117, 11th Judicial District Court of Harris County, Texas. On February 6, 2018, One Hour Air Conditioning Franchising, L.L.C., Benjamin Franklin Franchising, LLC, and MSE (collectively "Plaintiffs"), filed suit ("Wilkins Action") against Bobby R. Wilkins ("Wilkins"), who was the owner of Wilkins Mechanical Services, Inc. ("Wilkins Mechanical"), a former New Hampshire franchisee that previously operated franchised businesses under Franchise Agreements with each of the Plaintiffs. All of the Franchise Agreements with Wilkins Mechanical were terminated prior to the Wilkins Action in connection with a corporate Chapter 7 bankruptcy matter initiated by Wilkins Mechanical. Plaintiffs in the Wilkins Action asserted breach of contract claims against Wilkins, based on personal guaranties Wilkins executed, to collect amounts owed in connection with each of the terminated Franchise Agreements. Specifically, Plaintiffs sought to recover the following: One Hour Air Conditioning Franchising, L.L.C. sought to recover $2,102,814 for unpaid continuing franchise fees and marketing fund contributions, and refund of the unearned portion of a conversion incentive fee paid to Wilkins Mechanical under the terminated Franchise Agreements; Benjamin Franklin Franchising, LLC sought to recover $247,696 for unpaid continuing franchise fees and marketing fund contributions; and MSE sought to recover $244,101 for unpaid continuing franchise fees and marketing fund contributions. Plaintiffs also sought interest on the past due amounts and attorney's fees. Before filing an answer in the Wilkins Action, Wilkins filed a petition for personal relief under Chapter 7 of the United States Bankruptcy Code on March 15, 2018. This automatically stayed the Wilkins Action. Upon the bankruptcy court's granting of discharge to Wilkins personally, Plaintiffs non-suited the Wilkins Action without prejudice on August 2, 2018.

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

ITEM 4
BANKRUPTCY

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

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ITEM 5
INITIAL FEES

Franchise Fee

The base initial franchise fee ("**Franchise Fee**") is $33,000 plus $0.165 for each person above 200,000 in the franchise territory ("**Additional Population Fee**").

As described below, we have discount and incentive programs for military veterans and active personnel; women and minority applicants; Conversion Franchises; our existing franchisees; existing franchisees of our affiliates; law enforcement officers and first responders; and existing AB Inc. employees. During the fiscal year 2023, we collected Franchise Fees (including any applicable Additional Population Fees) ranging from $5,000 to $42,796.05.

Except as noted below, discounts or other incentive programs cannot be combined. Additional restrictions may apply. We may discontinue particular discounts or variations at any time without notice.

You must pay the Franchise Fee and any applicable Additional Population Fee in a lump sum when you sign the Franchise Agreement, unless you finance the Franchise Fee and any applicable Additional Population Fee as described in Item 10 of this disclosure document. The Franchise Fee and any applicable Additional Population Fee is not refundable under any circumstance.

Conversion Program for an Existing Electrical Services Business

We offer special incentives to convert an existing Electrical Services business to a Franchised Business ("**Conversion Incentive Program**"). Under the terms of the Conversion Incentive Program, we defer payment of the Franchise Fee and any applicable Additional Population Fee for a period of five years, and you may be eligible for forgiveness of up to 100% of the Franchise Fee and any applicable Population Fee, depending on the performance of the Franchised Business in the fifth year of operation after conversion, as compared to performance of the business in the year before conversion to the MISTER SPARKY brand. To defer payment of the Franchise Fee and any applicable Additional Population Fee, you must sign the Promissory Note and Guaranty in Exhibit B to this disclosure document; please see Item 10 for details.

In addition to deferral and potential forgiveness of the Franchise Fee and any applicable Additional Population Fee, franchisees under the Conversion Incentive Program are eligible for the following benefits:

- Up to 4 vehicle wraps valued at up to $5,000 each, payable directly to a designated vendor;
- A $500 credit toward the purchase of marketing materials from a designated vendor;
- Up to a $500 credit toward the purchase of uniforms from a designated vendor;
- Reimbursement for the cost of installing exterior signs, subject to certain conditions and limitations; and
- Initial marketing services in an amount we determine, not to exceed $5,000.

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These incentives only apply to the initial conversion of your Electrical Services business. The incentives will not apply to any additional territories that you add by signing an additional Franchise Agreement after the initial conversion of the Electrical Services business. Any additional Franchise Agreements after the initial conversion will have Franchise Fees based on our standard Franchise Fee calculation as described in the first paragraph of this Item 5 and the Existing Franchisee Discount described below.

Existing Franchisee Discount

If you are an existing MISTER SPARKY franchisee or a franchisee of one of our affiliates, and you (i) meet our qualifications for expansion, and (ii) are licensing an additional Territory from us (for which you are signing a separate Franchise Agreement), we will reduce the Franchise Fee and any applicable Additional Population Fee for the additional Territory by 30%. This discount currently applies to the second and subsequent franchise licensed from us. This discount does not apply to any transaction involving brokers or any third-party referral sources. See Item 12 for the definition of "**Territory**".

Existing Employee Discount

If you are an employee of AB Inc. and meet our qualifications for licensing a Franchised Business, we will reduce the Franchise Fee and any applicable Additional Population Fee by 50% per Franchised Business you agree to open. To qualify for this discount, you must (i) own at least 51% of the Franchised Business, (ii) be designated as the Key Person in the Franchise Agreement and (iii) otherwise meet our requirements to license a Franchised Business. In the event you do not retain 51% ownership of the Franchised Business for a minimum of three (3) years, you will retroactively lose the benefit of this discount and be required to pay us the difference between (a) the standard Franchise Fee and any applicable Additional Population Fee prior to application of the Employee Discount and (b) the actual Franchise Fee and any applicable Additional Population Fee you paid applying the Employee Discount. This discount does not apply to any transaction involving brokers or any other third-party referral sources.

Military Discounts

We are a member of the International Franchise Association ("**IFA**"), and we participate in the IFA's VetFran® Program, which provides special financial incentives to qualified veterans. Pursuant to this program, we reduce the Franchise Fee and any applicable Additional Population Fee by 30% for all honorably discharged veterans of American and Canadian armed forces ("**Veterans Discount**").

If you are active personnel in the American or Canadian armed forces, we will reduce the Franchise Fee and any applicable Additional Population Fee by 30% ("**Active-Duty Discount**").

These discounts are for the first franchise only (first franchise of MISTER SPARKY or any of our affiliates). In determining whether an individual qualifies for the applicable discount, we may be guided by the definitions used by applicable United States or Canadian government offices, but the decision remains ours.

Diversity Discount

We reduce the Franchise Fee by $5,000 for all minority-owned and women-owned businesses. To qualify for the Diversity Discount, the Franchised Business must be at least partially owned by a woman, or minority who meets our requirements to license a Franchised Business. This discount is for the first franchise only (first franchise of MISTER SPARKY or any of our affiliates). In determining whether an individual qualifies for the discount, we may be guided by the definitions used by applicable United States

government offices, but the decision remains ours. As of the date of this disclosure document, we have adopted the definition of "minorities" to include the groups with the following ethnic origins: African, Asian Pacific, Asian Subcontinent, Hispanic, Native Alaskan, Native American and Native Hawaiian; and members of other groups designated from time to time by the Small Business Administration.

Local Hero/First Responder's Discount

We reduce the Franchise Fee by $5,000 for all law enforcement officer, firefighter, doctor, nurse, or emergency medical technician ("**EMT**")/paramedic-owned businesses. To qualify for this discount, the Franchised Business must be partially owned by an individual whose occupation is described above and who meets our requirements to license a Franchised Business. This discount is for the first franchise only and does not apply to any transaction involving brokers or any other third-party referral sources.

~~**Pre-Opening Purchases**~~

~~Before opening the Franchised Business, you must pay our affiliate, Successware, a $1,295 Initial Training Fee which includes ten hours online training in Successware's scheduled training sessions for you and one additional individual plus the first month's fee for use of the required proprietary software package called Successware (or its successor). After opening, you will pay ongoing fees for the proprietary software package as described in Item 6.~~

~~If you are converting an Electrical Services business to a Franchised Business and you do not currently use our required software package, Successware may have to provide technical support to convert the data of your Electrical Services business. Successware may charge you for technical support to convert your data. The fees and time it will take to convert your data will depend on the type, quality, amount of data that needs to be converted, as well as the total number of employees and/or technicians that will utilize the software but will typically range from $500 to $1,500. Payments to Successware are non-refundable.~~

Opening Deadline Extension Fee

You are required to open the Franchised Business to the public by the deadline specified in your Franchise Agreement (the "**Opening Deadline**"). If you request an extension of the Opening Deadline, we have complete discretion whether to give an extension. If we agree to an extension, we have the right to charge you an extension fee of up to $1,000 per month of extension. However, you will not be charged an extension fee if your request is accompanied by supporting documentation demonstrating to our satisfaction that, despite your best efforts, you are unable to obtain the necessary equipment to open and operate the Franchised Business by the Opening Deadline.

Pre-Opening Training Fees

Before the Franchised Business opens, the Key Person (see Item 15) and any Owners that we designate must attend and successfully complete the initial training program described in Item 11. There is no training fee for the Key Person and/or Owners we designate. However, if you request and we agree to accept extra trainees, we may charge you a fee of $300 per day per extra trainee. If applicable, the fee is due before the training session begins.

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Uniformity of Fees

Initial franchise fees paid may not be uniform. In addition to the discount and incentive programs described in this Item, we may vary, reduce, negotiate, or make an exception to our standard Franchise Fee structure and/or payment terms related to mergers or other transactions, as well as for our existing franchisees or franchisees of our affiliates. For example, we may offer opportunities to license a franchise at a reduced initial fee to our or our affiliates' qualified existing franchisees in good standing. We may discontinue, modify, withdraw or reinstate any such opportunities or variations to initial fees without notice to you at any time.

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ITEM 6
OTHER FEES

Type of Fee [1]	Amount	Date Due	Remarks
Royalty Fee	6% of Gross Revenue or $1,500 per month (the "**Minimum Royalty**"), whichever is greater [2][3]~~[4]~~	Semi-monthly, unless we designate a different period	See Note 2 for the definition of "**Gross Revenue**." See Note 3 for an explanation of the Minimum Royalty and the Royalty Fee payment schedule.
Brand Fund Contribution	Currently, the contribution is based on your Gross Revenue for the calendar year and is payable according to the following schedule: 1.5% of the first $5,000,000 of Gross Revenue in the then-current calendar year; *then* 1.25% of Gross Revenue in excess of $5,000,000 and up to $10,000,000 in the then-current calendar year; *then* 1% of Gross Revenue in excess of $10,000,000 and up to $15,000,000 in the then-current calendar year; *then* 0.75% of Gross Revenue in excess of $15,000,000 and up to $20,000,000 in the then-current calendar year; *then* 0% with respect to Gross Revenue in excess of $20,000,000 in the then-current calendar year. For purposes of calculating your contribution, our current policy is to combine your Gross Revenue in all contiguous territories. We may discontinue or modify this policy at any time.	Same as Royalty Fee	The purpose of the Brand Fund is to support general development and recognition of the MISTER SPARKY brand. Under the current methodology, your Brand Fund Contribution rate reverts to 1.5% of Gross Revenue at the start of each calendar year. We have the right to change the contribution, provided that it does not exceed 4% of Gross Revenue.

~~Type of Fee~~[1]	~~Amount~~	~~Date Due~~	~~Remarks~~
	~~to combine your Gross Revenue in all contiguous territories. We may discontinue or modify this policy at any time.~~		
Brand Fund Materials	Our costs	As invoiced	Payable only if we reproduce or customize Brand Fund materials for you.

Type of Fee [1]	Amount	Date Due	Remarks
Local Marketing ("**LM**") and/or Cooperative	We recommend, but do not require, that you spend at least 8% to 12% of Gross Revenue annually on LM. However, if you fail to achieve your Minimum Performance Requirements (see Item 12), we may require you to spend at least 8% of Gross Revenue on Local Marketing during each of the following 12 months.	Monthly	You will generally pay vendors, media outlets, etc. directly for LM. If you participate in a Cooperative, the amount we require you to spend or contribute to the Cooperative will, at our option, be credited to your LM and/or Brand Fund Contribution obligations.
Territory Infringement Fee	First Violation: Written Warning Second Violation: 15% of the Gross Revenue of the service provided as part of the infringement Third Violation: 50% of the Gross Revenue of the service provided as part of the infringement Fourth and Subsequent Violations: 100% of the Gross Revenue of the service provided as part of the infringement	Within 5 days after your receipt of notice of violation	Territory infringement occurs when you generate Gross Revenue from a customer for products and/or services rendered within the territory of another Franchised Business without first obtaining that franchisee's written permission. The total violations count is cumulative regardless of where and when the violations occur. See Note 4 for information on additional actions we may take for the fourth and subsequent violations. We have the right to change the Territory Infringement Fee from time to time.

Key Account Programs	Will vary under circumstances and may be determined based on number of participating franchisees or other factors.	As incurred	Payable to us or to vendor. See Note 5.
~~Type of Fee(1)~~	~~Amount~~	~~Date Due~~	~~Remarks~~
Technology ~~Fees~~Fee	~~The current technology fees are:~~ ~~Business Software Fee:~~ ~~Currently $545 - $1,535 per Franchised Business~~ ~~Technology Fee:~~ Up to $300 per month – currently $100 per month ~~This fee~~The Technology Fee covers 2 branded email addresses we provide for the Franchised Business, along with ongoing email and training support. If you ~~request and we agree to provide additional email addresses, we can charge up to $50 per month for each additional email address.~~	Monthly, unless we designate a different period	You will pay ongoing fees for various technology services and apps. ~~This is in addition to the Initial Training Fee described in Item 5.~~ The specific services and apps and the applicable fees will vary over time. ~~We anticipate that the monthly fee for the required business software package will increase in the second quarter of 2024 to approximately $1,197 to $1,881 (assuming 11 technicians utilizing Successware) per Franchised Business. If you have more than 11 technicians utilizing Successware, you will incur an additional fee of approximately $171 per month per additional technician. See Note 6 for further details.~~ ~~"**Business Software**" currently means the Successware software package (sometimes referred to in other documents as "**Successware**") for use in a cloud-hosted (internet-based) environment. However, we have the right to change to a different software package.~~ ~~Fees may be payable to us or directly to vendors.~~
Type of Fee (1)	**Amount**	**Date Due**	**Remarks**
	request and we agree to provide additional email addresses, we can charge up to $50 per month for each additional email address.		The fees may be payable to us, directly to vendors, or a combination.

Additional Opening Support Fee	A reasonable fee, up to $500 per day, plus the reasonable travel, meal, and lodging expenses of our opening support personnel	As invoiced	If you request opening support beyond what we customarily furnish to franchisees, and if we agree to furnish such additional support, then we will have the right to impose a fee, plus expenses, for providing the agreed additional support.
Training Fees – Remedial and Optional Training	$1,500 per trainee	Before training session begins	We can charge a training fee: (a) if we require remedial training as a result of your failure to comply with our ~~Brand Standards; (b) for re-~~ Brand Standards; (b) for re-training persons who are repeating a training program, or their substitutes; and (c) for training programs that we make optional for franchisees. If we conduct on-site training, you must also pay the travel, meals and lodging expenses for our trainer(s).
~~Type of Fee[1]~~	~~Amount~~	~~Date Due~~	~~Remarks~~
			~~training persons who are repeating a training program, or their substitutes; and (c) for training programs that we make optional for franchisees. If we conduct on-site training, you must also pay the travel, meals and lodging expenses for our trainer(s).~~
Annual Conference	Currently, one complimentary registration and a cost set by us thereafter	As invoiced	Applies only if we schedule an annual conference for franchisees. We reserve the right to change our attendance fee.
Non-attendance Fee	$500 for the first missed conference and then $2,000 for any conference missed consecutively thereafter.	As invoiced	If the individuals required to attend our annual conference fail to attend, you must pay the non-attendance fee.
Type of Fee [1]	Amount	Date Due	Remarks

Call Center Fee	None currently	Same as Royalty Fee	All telephone calls to the Franchised Business must be answered by a "live" voice. We have the right to require that you use a designated call center (a "**Call Center**") to provide "live" answering services for incoming calls. If we do so, you will have to pay a Call Center Fee in an amount that we designate. We can modify the Call Center Fee on 30 days' notice.
Service Deficiency	Our costs	As invoiced	Payable if we receive a customer complaint about services you performed and we determine that (i) there is merit to the complaint, (ii) the complaint is the result of a contract dispute between you and the customer, and/or (iii) there has been a violation of local, state, or federal law and we elect to either re-perform the services to the customer's satisfaction or reimburse the customer.

~~Type of Fee~~[1]	~~Amount~~	~~Date Due~~	~~Remarks~~
Renewal Fee	$5,000	When you sign successor Franchise Agreement	When your agreement term ends, you will have the option to continue the franchise relationship with us, subject to certain conditions.
Transfer Fee	Generally, $10,000. However, if the proposed transferee was referred to you or us by a third-party (e.g., a broker) with whom we have a referral arrangement, then you must pay us an additional fee equal to the amount owed under that referral arrangement. If we identify the prospective purchaser, then in addition to the Transfer Fee, we must receive~~ the greater of: (a) $15,000; (b) 3% of the total purchase price; or (c) our actual costs to identify the prospective purchaser.~~the greater of: (a) $15,000; (b) 3% of the total purchase price; or (c) our actual costs to identify the prospective purchaser.	With request for approval of transfer	Payable if you or an Owner proposes to sell the business assets of the Franchised Business or an ownership interest in the legal entity.
Change of Ownership Fee	Currently, (a) the greater of $500 or our external legal and administrative costs; plus (b) applicable training fee, currently $1,500 for each individual we require to attend training.	With request for approval of change of ownership	Payable if you or an Owner proposes to modify ownership of the legal entity in a way that would not result in a change of control of the legal entity. We may modify our change of ownership fee.
Procurement of Insurance	Cost of insurance, plus reasonable fee of up to 25% of total insurance premium cost.	Upon demand	Payable only if you fail to obtain required insurance and we elect to obtain it on your behalf.
Vendor Review	Our reasonable costs, plus the reasonable travel, meal, and lodging expenses of our vendor review personnel	Within 30 days after invoice	Payable only if you ask us to evaluate a potential vendor; payable whether or not we approve the vendor. Please see Item 8.

Management Fee	Up to $500 per day, plus our costs and overhead	Within 30 days after invoice	Payable only if: (a) the Key Person (see Item 15) dies or is incapacitated and we elect to manage the Franchised Business pending transfer of his or her interest; or (b) the Key Person is arrested for or formally charged with a serious criminal offense and we take over operation of the Franchised Business pending final disposition of the charges.
~~Type of Fee(1)~~	~~Amount~~	~~Date Due~~	~~Remarks~~
			~~criminal offense and we take over operation of the Franchised Business pending final disposition of the charges.~~
Step In Fee	Up to $500 per day, plus our costs and overhead	As invoiced	If you are in default under your Franchise Agreement, we have the right to step in and operate the Franchised Business until we determine the default has been cured. We may charge you a fee for these services.
Interest	12% per annum or the maximum rate permitted by applicable law, whichever is less	With payment of overdue amount	Applies only if you do not pay us on time. We calculate interest from the date the payment was due until paid in full.
Type of Fee (1)	Amount	Date Due	Remarks
Late Fee	$100 for second occurrence of payment more than 30 days past due; $200 for third occurrence; $300 for each subsequent occurrence	With payment of overdue amount	We can charge a late fee to compensate us for our administrative costs incurred in enforcing your obligations to pay us and submit required reports to us.
Insufficient Funds Fee	$50 or the amount the bank charges us due to the insufficient funds, whichever is greater.	Upon demand	Payable if an electronic funds transfer payment request is returned due to insufficient funds.
Indemnity for Tax Withholding	Amount of any penalties, interest, and expenses we incur	As invoiced	Payable only if you are obligated by law to withhold taxes on any payments to us, and you fail to do so.

Audit Costs	Our costs and expenses of conducting audit, including travel and lodging.	Upon demand	Payable only if: (a) you did not submit Gross Revenue statements; (b) you did not keep full books and records; or (c) the total Gross Revenue you reported for any three consecutive months is more than 2% below the audited Gross Revenue.
Enforcement Costs	Will vary under circumstances	As invoiced	You must reimburse us for expenses we reasonably incur (including reasonable attorneys' fees) to enforce your obligations.
~~Type of Fee(1)~~	~~Amount~~	~~Date Due~~	~~Remarks~~
Defense Costs	Our actual costs and expenses	As invoiced	Payable if you initiate a legal proceeding against us and you do not prevail in obtaining the relief you were seeking.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we incur any damages, losses or expenses, including reasonable attorneys' fees and other costs, as a result of claims arising from the operation of your Franchised Business.
Type of Fee (1)	Amount	Date Due	Remarks
Liquidated Damages	The greater of: (i) two years of Royalty Fees (calculated as your average Royalty Fees per payment period in the year preceding the termination of your Franchise Agreement, multiplied by the number of payment periods occurring in a two-year period); or (ii) $100,000.	Upon demand	Payable only if we terminate the Franchise Agreement based on your default.
De-identification Fee	Our costs	Upon demand	If you fail to de-identify your Franchised Business following the termination or expiration of the Franchise Agreement, we may do so on your behalf. You are required to reimburse us for any costs we incur.

Notes:

(1) Unless otherwise noted, all fees are non-refundable and payable to us. We intend for the fees

described in this Item to be uniformly imposed on all franchisees receiving this offering. However, from time to time, we may make an exception to our standard fee structure and/or payment terms. We have no obligation to deviate from our standard fee structure and/or payment terms to fees and/or terms that are more favorable to you. For all amounts payable to us and our affiliates, you must use the payment method(s) that we designate from time to time. We currently require payment by Automated Clearing House (ACH) or electronic funds transfer and you must designate an account at a commercial bank of your choice at the time of signing your Franchise Agreement and furnish the bank with authorizations at the time of signing your Franchise Agreement to permit us to make withdrawals from that account. Unless otherwise specified or agreed upon, all fees listed in this table are applicable to each Territory granted to you and the amount of each fee will be due and payable in the manner and at the times described in the table for each Territory independently, and not in the aggregate.

(2) "**Gross Revenue**" means all revenue from the sale of products and services and all other income of every kind related to the Franchised Business, whether for cash, credit, trade, barter or other value and regardless of collection in the case of credit and even if you have contracted with third parties to provide certain of the services, less any bona fide refunds given to customers in the ordinary course of business. Gross Revenue also includes amounts billed to insurance or government programs. Further, Gross Revenue includes all revenue related to the sale of any products and the performance of any services (whether or not the products or services are approved by us) that are provided using any portion of the Franchised Business in any manner, including the Marks (such as service vehicles, invoices, and uniforms bearing the Marks), the System, Confidential Information, any of the employees of the Franchised Business, or the telephone number of the Franchised Business. Your Gross Revenue will not be reduced on account of any fees or commissions you pay to third parties who refer customers.

Gross Revenue does not include any sales taxes or other taxes you collect from customers and pay directly to the appropriate taxing authority. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of

certain revenue from Gross Revenue as circumstances, business practices, and technology change.

(3) The Minimum Royalty commences one year following the earlier of the date the Franchised Business opens for business or the Opening Deadline specified in the Franchise Agreement. The Minimum Royalty may be implemented as $750 per semi-monthly period or pursuant to another royalty payment schedule that we designate. Currently, the Royalty Fee is due semi-monthly, as follows: (i) the first payment is due by the 25th day of each month based on Gross Revenue from the 1st day through the 15th day of the month, and (ii) the second payment is due by the 10th day of the next month for Gross Revenue from the 16th day through the last day of the immediately preceding month.

(4) On the fourth violation or any subsequent violation, we will have the right to terminate the Franchise Agreement, effective immediately upon delivery of written notice to you, whether or not you have paid the Territory Infringement Fee for any or all of the violations.

(5) We or our affiliates may from time to time enter into agreements to provide services to customers as part of a national, regional, or Key Account program (sometimes also referred to as "**National Accounts**"). If you are required to participate in a Key Account program or choose to participate in an optional program, you must pay the fees designated by us or the vendor as part of the program, which may be based on the number of franchisees participating or other factors and may include fees to support our administration of the program. The fees may be charged directly to you or may be paid to us in the form of a rebate from the vendor. We cannot estimate what the cost to you will be of participation in Key Account programs, as it will be dependent on the terms of future contracts with vendors.

~~(1) The new monthly charge for Successware will consolidate services that currently require franchisees to purchase through third party vendors. The consolidated billing is intended to increase predictability in pricing and reduce the number of invoices you receive in connection with using the software. Specifically, you will no longer be required to pay third party vendors for hosting or other services required to utilize the Successware platforms. The hosting function will be available through Successware and will be included in the overall monthly fee paid directly to Successware.~~

ITEM 7
ESTIMATED INITIAL INVESTMENT

This Item contains two separate tables estimating the initial investment for a Conversion Franchise and for a Start-Up Franchise.

TABLE 1
YOUR ESTIMATED INITIAL INVESTMENT
FOR A CONVERSION FRANCHISE ~~(1)~~ (1)

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low Estimate	High Estimate			
Franchise Fee (2)	$0	$0	Lump sum or financed	On signing of Franchise Agreement	Us

Rent/Lease of Real Estate (3)	$0	$9,000	As arranged	As incurred	Landlord
Leasehold Improvements (4)	$1,000	$4,000	As arranged	As incurred	Contractor or Landlord
Computer ~~and~~, Technology Systems, and Software (5)	$0	$~~3~~4,000	As arranged	As incurred	Vendors
~~Software (6)~~	~~$2,992~~	~~$4,676~~	~~As arranged~~	~~Monthly~~	~~Successware and Vendors~~
~~Office Furniture and Equipment (7)~~	~~$1,000~~	~~$4,000~~	~~As arranged~~	~~As incurred~~	~~Vendors~~
~~Machinery, Tools and Equipment (8)~~	~~$1,000~~	~~$5,000~~	~~As arranged~~	~~As incurred~~	~~Vendors~~
~~Vehicles (9)~~	~~$3,600~~	~~$7,200~~	~~Lump sum or installments~~	~~As incurred or periodically~~	~~Vendors~~
~~Vehicle Upfitting (10)~~	~~$0~~	~~$5,000~~	~~As arranged~~	~~As incurred~~	~~Vendors~~
~~Signage for Vehicles (11)~~	~~$0~~	~~$5,000~~	~~As arranged~~	~~As incurred~~	~~Vendors~~
~~Office Signage (12)~~	~~$1,000~~	~~$5,000~~	~~As arranged~~	~~As incurred~~	~~Vendors~~
~~Travel Expenses for Initial Training (13)~~	~~$2,500~~	~~$5,000~~	~~As arranged~~	~~As incurred~~	~~Hotels, restaurants and airlines~~

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low Estimate	High Estimate			
Office Furniture and Equipment (6)	$1,000	$4,000	As arranged	As incurred	Vendors
Machinery, Tools and Equipment (7)	$1,000	$5,000	As arranged	As incurred	Vendors

Vehicles [8]	$3,600	$7,200	Lump sum or installments	As incurred or periodically	Vendors
Vehicle Upfitting [9]	$0	$5,000	As arranged	As incurred	Vendors
Signage for Vehicles [10]	$0	$5,000	As arranged	As incurred	Vendors
Office Signage [11]	$1,000	$5,000	As arranged	As incurred	Vendors
Travel Expenses for Initial Training [12]	$2,500	$5,000	As arranged	As incurred	Hotels, restaurants and airlines
Initial Vehicle Inventory [13] ~~(14)~~	$2,500	$5,000	As arranged	As incurred	Vendors
Insurance (~~15~~14)	$2,000	$4,000	As arranged	As incurred	Vendors
Start-up Supplies [15] ~~(16)~~	$2,500	$5,000	Lump sum	As incurred	Vendors
Professional Fees and Licensing (~~17~~16)	$1,000	$5,000	As arranged	As incurred	Legal, Accounting, or Business Advisors
Vehicle Registration ~~(18)~~ Fees [17]	$0	$1,100	Lump sum	As incurred	State or local government
Decals for Consumer Units [18] ~~(19)~~	$300	$500	As arranged	As incurred	Vendors
~~Telephone Services (20)~~	~~$100~~	~~$500~~	~~As arranged~~	~~As incurred~~	~~Vendor~~
~~Personal Tools for Technicians (21)~~	~~$500~~	~~$1,500~~	~~As arranged~~	~~As incurred~~	~~Vendors~~

~~Full Time General Manager / Operations Manager (22)~~	~~$0~~	~~$25,000~~	~~As arranged~~	~~As incurred~~	~~Your manager, governmental withholdings~~
~~Initial Marketing Funds (23)~~	~~$12,000~~	~~$24,000~~	~~As arranged~~	~~As incurred~~	~~Vendors~~
~~Additional Funds (3 months) (24)~~	~~$40,000~~	~~$60,000~~	~~As arranged~~	~~As incurred~~	~~Employees, suppliers and utilities~~
~~**TOTALS**~~	~~**$73,992**~~	~~**$188,476**~~			

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low Estimate	High Estimate			
Telephone Services (19)	$100	$500	As arranged	As incurred	Vendor
Personal Tools for Technicians (20)	$500	$1,500	As arranged	As incurred	Vendors
Full Time General Manager / Operations Manager (21)	$0	$25,000	As arranged	As incurred	Your manager, governmental withholdings
Initial Marketing Funds (22)	$12,000	$24,000	As arranged	As incurred	Vendors
Additional Funds – (3 months) (23)	$40,000	$60,000	As arranged	As incurred	Employees, suppliers and utilities
TOTALS	**$71,000**	**$184,800**			

Notes:

(1) ~~The~~This table estimates the costs you will incur to convert an existing Electrical Services business into a Franchised Business (a "**Conversion Franchise**"). Actual costs can vary considerably depending on the number of vehicles, the number of employees, the physical size and location of your Territory, local signage codes, local advertising costs, the going rate for real estate rentals, utilities, market conditions, and other factors. You may have already incurred a number of our estimated initial investment costs in relation to the development of your existing Electrical Services business, and therefore the low end of the range in the table could be

$0 for those costs. None of the expenses in the table are refundable, except possibly certain deposits and pre-paid expenses paid to third parties.

(2) Calculation of the Franchise Fee is discussed in detail in Item 5. Under the terms of the Conversion Incentive Program, the Franchise Fee and any applicable Additional Population Fee is deferred for a period of five years, and you may be eligible for forgiveness of the Franchise Fee and any applicable Additional Population Fee up to 100%. In the event you are required to pay the entirety of the Franchise Fee, the low end of the range in the table will be $33,000 assuming you license a single Territory with a population of 200,000 and no Franchise Fee discounts apply, and the high end of the range will be $79,200 assuming you license three Territories with a population of 200,000 and no Franchise Fee discounts apply other than the 30% discount for additional Territories granted for an existing franchisee.

(3) The estimate is for a location with approximately 2,000 to 3,000 rentable square feet. The cost per square foot of commercial space varies considerably depending on the location, type of property, and market conditions affecting commercial property. The estimate in the table includes ~~3~~three months of rent; however, your landlord may also require you to provide a security deposit

of one month's or two months' rent. This cost may not apply if you already lease a space which meets our standards for Franchised Businesses. If you decide to purchase rather than lease the real estate, your initial investment cost may be substantially higher. If you already own the real estate to be used, the cost would be $0, although there may be property taxes payable.

(4) You will need to install wiring for communications systems that comply with our specifications. Paint, inside and out, and flooring must be new or like new when the Franchised Business opens. The cost will vary depending on the condition of the premises when you start work on them.

~~(1)~~ The high end of the range in the table assumes you will need to purchase ~~new~~ all of the computer and related devices you will need to meet our technology requirements~~.~~ and install the ServiceTitan Platform (as defined in Item 8). The low end of the range assumes that you already have all of the necessary equipment~~.~~ and are already using the ServiceTitan Platform. Please see Item ~~11 for further details on our technology requirements.~~

(5) ~~You will have to install Successware software (and all other software we designate) before your Franchised Business opens. The estimates in the tables are based on the information in Item 5 regarding the costs you will incur for use of the Successware software before opening, including the fee for the first month, the Initial Training Fee and a data conversion fee. The high end of the range in the table assumes that in addition to the Initial Training Fee, you will incur a $1,500 data conversion fee~~8 and ~~will have 11 technicians utilizing Successware. If you have more than 11 technicians utilizing Successware, you will incur an additional cost of approximately $171 per technician. The low end of the range assumes that in addition to the Initial Training Fee, you will incur a $500 data conversion fee and pay the minimum monthly fee for Successware of $1,197. Please see~~ Item 11 for further details on our technology and software requirements.

(6) You may need to obtain desks, shelving, seating, copy machines and other office furniture and equipment. The low end of the range assumes that you already have most of the necessary equipment.

(7) You will need to equip your vehicles with machinery, tools and other equipment. The estimate is based on the list of recommended machinery, tools, and other equipment in our Operations Manual. The low end of the range in the table assumes that you have most of the necessary equipment.

(8) You must own, lease or buy at least two vehicles (one service vehicle and one installation vehicle) that are operable, meet the requirements in the Operations Manual, and are less than seven years old. The low end of the range in the table assumes that you already own two suitable vehicles; the high end of the range in the table assumes you have one vehicle but that you have to lease an additional vehicle. The vehicles must be able to accommodate the basic inventory list, including shelving. Only specific vehicle designs will be allowed, and we must approve your vehicle design. We have approved vendors who can lease approved vehicles and signs at competitive prices. Franchisees with a larger territory or multiple territories may require additional vehicles.

(9) You are required to conform your vehicles to our specifications, including shelving, bins, storage drawers, and other items we may specify from time to time to support the machinery, tools and other equipment needs that you will ~~you~~ need in the operation of your Franchised Business.

(10) You must paint or wrap your vehicles and add signage. We will cover the cost of wrapping your vehicle up to $5,000 on a maximum of four vehicles at the time of signing a Franchise Agreement. You must purchase artwork for vehicle signage bearing the Marks from an approved vendor before opening your business. Once you approve your artwork proofs, the cost is no longer refundable.

(11) You must identify your office by the Marks with approved signage. You must purchase artwork for office signage bearing the Marks from an approved vendor before opening your business. We

will reimburse up to a maximum of $1,000 for the cost of installing approved signs. You are required to submit a signed itemized invoice from the vendor of your choosing no more than six months from the date that you sign a Franchise Agreement.

(12) Your Owners and the management personnel we designate must complete our ~~initial training program~~Training Program in Phoenix, Arizona. The estimate is for the travel expenses, lodging, and meals of three persons for up to five days. Your travel expenses and living costs will vary depending on your point of origin, method of travel, class of accommodation, and choice of restaurants, local transportation, etc. Please see Item 11 for further details on training.

(13) You must purchase an opening inventory of supplies for your vehicles before opening your

Franchised Business. Costs will vary according to your market area. We may describe the inventory of supplies you will need in the Operations Manual. We also have arrangements with vendors that you may use who provide consignment inventory to lower initial costs.

(14) Before you open your Franchised Business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. Insurance cost will vary based on where your Franchised Business will be located, your prior experience with the insurance carrier, the loss experience of the carrier, and other factors. You should check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our stated minimums. As a Conversion Franchisee, you may already carry insurance that meets our requirements. See Item 8 for more information regarding our insurance requirements.

(15) You will need to purchase business cards, stationery, invoices, uniforms and patches from approved suppliers. Also, you will need to purchase basic office supplies. You must purchase artwork for start-up supplies bearing the Marks from an approved vendor before opening your business. We will provide you with a one-time credit up to $500 towards the purchase of two uniformed shirts bearing the Marks for each of your existing employees and a $500 credit towards the purchase of certain advertising, marketing, and promotional materials through us or a vendor that we designate.

(16) We recommend that you hire or consult with accountants and/or legal counsel to assist you in the conversion of your existing Electrical Services business to a Franchised Business.

(17) If not already done before you convert, you will need to register your vehicles with the state and local motor vehicle authorities. These registration fees will vary from state to state. The estimate is for two vehicles.

(18) You will need to purchase and maintain a supply of decals with our logo and phone number to attach to consumer units you service or install. You must purchase artwork for decals bearing the Marks from an approved vendor before opening your business.

(19) The telephone numbers and electronic identities you use in connection with the Franchised Business will be owned and controlled by us or an approved supplier. We require you to "port" or transfer all phone numbers to an approved call routing and tracking supplier (see Item 8). The cost for this service and the new telephone number will vary, but we estimate it will cost you $100 per month depending on the number of telephone lines you require. The estimate for telephone services covers the first month only and assumes one telephone line on the low end of the range and five telephone lines on the high end of the range. All telephone calls to the Franchised Business must be answered by a "live" voice. We recommend, but do not require, that you use a Call Center to provide "live" voice answering services. In order to obtain Call Center services, you will likely need to pay a one-time set up fee plus your first month's subscription fee.

(20) Your technicians should have their own tools. However, we recommend that you keep a set of tools on hand to loan to a technician.

(21) The low estimate assumes that the principal Owner of the Franchised Business will devote full working time to the supervision and management of the Franchised Business. The high estimate assumes that the supervision and management of the Franchised Business will be by a non-Owner Key Person whom you hire and who successfully completes all training we require. The high estimate is for three ~~months'~~months of salary for this individual.

(22) We recommend but do not require that you conduct initial local marketing as part of your pre-opening/grand opening of your Franchised Business. The low end of the range assumes that you will spend an average of $4,000 per month for the first 3 months just before opening your

Franchised Business and continuing after you open. The high end of the range assumes that you will spend an average of $6,000 per month for the first four months of operations commencing just before you open and continuing until after you open your Franchised Business.

(23) This is an estimate of additional funds you may need during the initial period of operation of the Franchised Business, which we define as three months from opening. Our estimates are based on both our experience and our predecessor's years of experience in the Electrical Services and other home services industries and as a franchisor. You will need to have sufficient additional capital to cover ongoing expenses, such as salaries for approximately two employees and yourself, and the expense of uniforms and drug testing for your employees. This estimate depends upon many factors including the timing in which you staff your operation and hire additional employees, anticipated salaries of those employees and funds required to service any debt you may have incurred. These estimates will vary based on your individual circumstances.

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TABLE 2
YOUR ESTIMATED INITIAL INVESTMENT
FOR A START-UP FRANCHISE (1)

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low Estimate	High Estimate			
Franchise Fee (2)	$33,000	$33,000	Lump sum or financed	On signing of Franchise Agreement	Us
Rent/Lease of Real Estate (3)	$3,000	$9,000	As arranged	As incurred	Landlord
Leasehold Improvements (4)	$1,000	$4,000	As arranged	As incurred	Contractor or Landlord
Computer, Technology Systems, and Software (5)	$1,800	$34,000	As arranged	As incurred	Vendors
Office Furniture Software and Equipment (6)	$3,2301,500	$54,000	As arranged	MonthlyAs incurred	Successware and Vendors
Office Furniture Machinery, Tools and Equipment (7)	$1,5003,000	$410,000	As arranged	As incurred	Vendors
Machinery, Tools and Equipment (8) Vehicles	$38,000	$1015,000	As arranged	As incurred or periodically	Vendors
Vehicle Uplitting (9) Vehicles	$8000$0	$15$5,000	As arranged	As incurred or periodically	Vendors
Vehicle Upfitting (10) Signage for Vehicles	$0	$58,000	As arranged	As incurred	Vendors
Office Signage for (11) Vehicles	$0$1,000	$8$5,000	As arranged	As incurred	Vendors

Travel Expenses ~~Office Signage~~for Initial Training (12)	~~$1,000~~ $2,500	$5,000	As arranged	As incurred	~~Vendors~~Hotels, restaurants and airlines
~~Travel Expenses for~~ Initial ~~Training~~ Vehicle Inventory (13)	$2,500	$~~5~~8,000	As arranged	As incurred	~~Hotels, restaurants and airlines~~ Vendors

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low Estimate	High Estimate			
~~Initial Vehicle Inventory~~ (14)	~~$2,500~~	~~$8,000~~	~~As arranged~~	~~As incurred~~	~~Vendors~~
Insurance (~~15~~14)	$4,000	$8,000	As arranged	As incurred	Vendors
Start-up Supplies (15) ~~(16)~~	$2,500	$5,000	Lump sum	As purchased	Vendors
Professional Fees and Licensing (~~17~~16)	$4,500	$20,000	As arranged	As incurred	Employees, vendors, state and local government
Vehicle ~~(18)~~ Registration Fees (17)	$2,200	$4,400	Lump sum	As incurred	State or local government
Decals for Consumer Units (~~19~~18)	$300	$500	As arranged	As incurred	Vendors
Telephone Services (19) ~~(20)~~	$300	$500	As arranged	As incurred	Vendor
Personal Tools for Technicians (20) ~~(21)~~	$1,000	$3,000	As arranged	As incurred	Vendors

Full Time General Manager / Operations Manager (21) (22)	$0	$25,000	As arranged	As incurred	Your manager, governmental withholdings
Initial Marketing Funds (22) (23)	$12,000	$24,000	As arranged	As incurred	Vendors
Additional Funds – (3 months) (23) (24)	$35,000	$60,000	As arranged	As incurred	Employees, vendors and utilities
TOTALS	**$121,330119,100**	**$264260,400**			

Notes:

(1) This table estimates the costs you will incur to develop and open a brand-new Franchised Business (a "**Start-Up Franchise**"). Actual costs can vary considerably depending on the number of vehicles, the number of employees, the physical size and location of your Territory, local signage codes, local advertising costs, the going rate for real estate rentals, utilities, market conditions, and other factors. Our estimates assume that you will be licensing one Territory with a population of 200,000. If you license a Territory with a population greater than 200,000 or if you license more than one Territory, you will incur greater pre-opening expenses due to the additional Franchise Fees you will have to pay and additional expenses involved in servicing a larger population (which may include expenses for additional employees, equipment, and vehicles). None of the expenses in the table are refundable, except possibly certain deposits and pre-paid expenses paid to third parties.

(2) Calculation of the Franchise Fee is discussed in detail in Item 5. The table assumes that you license a single Territory with a population of 200,000 and that no Franchise Fee discounts apply.

(3) The estimate is for a location with approximately 2,000 to 3,000 rentable square feet. The cost per square foot of commercial space varies considerably depending on the location, type of property, and market conditions affecting commercial property. The estimate in the table includes three months of rent; however, your landlord may also require you to provide a security deposit of one month's or two months' rent. If you decide to purchase rather than lease the real estate, your initial investment cost may be substantially higher. If you already own the real estate to be used, the cost would be $0, although there may be property taxes payable.

(4) You will need to install wiring for communications systems that comply with our specifications. Paint, inside and out, and flooring must be new or like new when the Franchised Business opens. The cost will vary depending on the condition of the premises when you start work on them.

~~(1)~~ The ~~high end of the range~~table assumes you will need to purchase ~~new~~ all of the computer and related devices you will need to meet our technology requirements~~.~~ and install the ServiceTitan Platform (as defined in Item 8). Please see Item ~~11 for further details on our technology requirements.~~

(5) ~~You will have to install Successware software (and all other software we designate) before your Franchised Business opens. The estimates in the tables are based on the information in Item 5 regarding the costs you will incur before opening, including the fee for the first month~~8 and ~~the Initial Training Fee. The high end of the range in the table assumes that in addition to the Initial Training Fee, you will have 11 technicians utilizing Successware. If you have more than 11 technicians utilizing Successware, you will incur an additional cost of approximately $171 per technician. The low end of the range assumes that in addition to the Initial Training Fee, you will pay the minimum monthly fee for Successware of $1,197. Please see~~ Item 11 for further details on our technology and software requirements.

(6) You may need to obtain desks, shelving, seating, copy machines and other office furniture and equipment.

(7) You will need to equip your vehicles with machinery, tools and other equipment. The estimate is based on the list of recommended machinery, tools, and other equipment in our Operations Manual.

~~[*Remainder of page intentionally left blank*]~~

(8) You must own, lease or buy at least two vehicles (one service vehicle and one installation vehicle) that are operable and meet the requirements in the Operations Manual and are less than seven years old. The estimate in the table assumes that you lease two vehicles and covers the up-front lease costs and the first month's lease payment. If you choose to purchase, truck costs may range from $30,000 to $60,000 each, and van costs may range from $20,000 to $45,000 each. The vehicles must be able to accommodate the basic inventory list, including shelving. Only specific vehicle designs will be allowed and we must approve your vehicle design. We have approved vendors who can lease approved vehicles and signs at competitive prices. Franchisees with a larger territory or multiple territories may require additional vehicles.

(9) You are required to conform your vehicles to our specifications, including shelving, bins, storage drawers, and other items we may specify from time to time to support the machinery, tools and other equipment needs that you will need in the operation of your business. If you lease your vehicles from one of our approved vendors, you will have the option of having your vehicle upfitted through those vendors.

(10) You must paint or wrap your vehicles and add signage. We estimate this cost to be approximately $5,000 per vehicle. You must purchase artwork for vehicle signage bearing the Marks from an approved vendor before opening your business. Once you approve your artwork proofs, the cost is no longer refundable.

(11) You must identify your office by the Marks with approved signage. You must purchase artwork for office signage bearing the Marks from an approved vendor before opening your business.

(12) Your Owners and the management personnel we designate must complete our ~~initial training program~~Training Program in Phoenix, Arizona. The estimate is for the travel expenses, lodging, and meals of three persons for up to five days. Your travel expenses and living costs will vary depending on your point of origin, method of travel, class of accommodation, and choice of restaurants, local transportation, etc. Please see Item 11 for further details on training.

(13) You must purchase an opening inventory of supplies for your vehicles before opening your Franchised Business. Costs will vary according to your market area. We may describe the inventory of supplies you will need in the Operations Manual. We also have arrangements with vendors that you may use who provide consignment inventory to lower initial costs.

(14) Before you open your Franchised Business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. Insurance cost will vary based on where your Franchised Business will be located, your prior experience with the insurance carrier, the loss experience of the carrier, and other factors. You should check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our stated minimums. See Item 8 for more information regarding our insurance requirements.

(15) You will need to purchase business cards, stationery, invoices, uniforms and patches from approved suppliers. Also, you will need to purchase basic office supplies. You must purchase artwork for start-up supplies bearing the Marks from an approved vendor before opening your business.

(16) You and/or your employees may be required to obtain certain licenses and permits to operate your Franchised Business. The cost of obtaining the required licenses and permits will vary based on your jurisdiction. You are advised to examine these laws before purchasing a franchise from us. You may need to hire accountants and/or legal counsel to assist you in obtaining required licenses and permits and other legal compliance, which is included in the estimate above.

(17) You will need to register your two vehicles with the state and local motor vehicle authorities. These registration fees will vary from state to state.

(18) You will need to purchase and maintain a supply of decals with our logo and phone number to attach to consumer units you service or install. You must purchase artwork for decals bearing the Marks from an approved vendor before opening your business.

(19) The telephone numbers and electronic identities you use in connection with the Franchised Business will be owned and controlled by us or an approved supplier. We require you to "port" or transfer all phone numbers to an approved call routing and tracking supplier (see Item 8). The cost for this service and the new telephone number will vary, but we estimate it will cost you $100 per month depending on the number of telephone lines you require. The estimate for telephone services covers the first month only and assumes one telephone line on the low end of the range and five telephone lines on the high end of the range. All telephone calls to the Franchised Business must be answered by a "live" voice. We recommend, but do not require, that you use a Call Center to provide "live" voice answering services. In order to obtain Call Center services, you will likely need to pay a one-time set up fee plus your first month's subscription fee.

(20) Your technicians should have their own tools. However, we recommend that you keep a set of tools on hand to loan to a technician.

(21) The low estimate assumes that the principal Owner of the Franchised Business will devote full working time to the supervision and management of the Franchised Business. The high estimate assumes that the supervision and management of the Franchised Business will be by a non-Owner Key Person whom you hire and who successfully completes all training we require. The high estimate is for three ~~months'~~months of salary for this individual.

(22) We recommend but do not require that you conduct initial local marketing as part of your pre-opening/grand opening of your Franchised Business. The low end of the range assumes that you will spend an average of $4,000 per month for the first 3 months just before opening your Franchised Business and continuing after you open. The high end of the range assumes that you will spend an average of $6,000 per month for the first four months of operations commencing just before you open and continuing until after you open your Franchised Business.

(23) This is an estimate of additional funds you may need during the initial period of operation of the Franchised Business, which we define as three months from opening. Our estimates are based on both our experience and our predecessor's years of experience in the Electrical Services and other home services industries and as a franchisor. You will need to have sufficient additional capital to cover ongoing expenses, such as salaries for approximately two employees and yourself and the expense of uniforms and drug testing for your employees. ~~The estimate given is the amount of additional funds we estimate you will need to cover these expenses during the initial three months.~~ This estimate depends upon many factors including the timing in which you staff your operation and hire additional employees, anticipated salaries of those employees and funds required to service any debt you may have incurred. These estimates will vary based on your individual circumstances.

As used in this Item 7, "As arranged" means as agreed between you and the supplier or vendor, and "As incurred" means as you incur the applicable expense.

You should review these estimates carefully with an accountant or other business advisor before making any decisions to license a Franchised Business or convert an existing Electrical Services business into a Franchised Business. The figures shown in this Item 7 are only estimates. Factors unique to your location can affect your actual costs.

Except as described in Item 10 for the Franchise Fee and any applicable Additional Population Fee, we do not provide financing to franchisees in connection with their initial investment. The availability and terms of financing from third parties will depend on several factors, including the availability of financing generally, your creditworthiness, collateral you may have, and lending policies of financial institutions.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We have the right to require that all equipment, technology, inventory, supplies, vehicles, signs, furnishings, fixtures, décor items, retail merchandise, payment systems, and other products and services that you purchase for use or resale in the Franchised Business: (a) meet specifications that we establish from time to time; and/or (b) be purchased only from vendors that we have expressly approved; and/or (c) be purchased only from a single source (which may include us or our affiliates) at the then-current price. To the extent that we establish specifications, require approval of vendors, or designate specific vendors for particular items, we will notify franchisees via the Operations Manual or otherwise.

We and our affiliates earn a profit on products and services we sell to you directly, and we and our affiliates receive rebates, administrative fees, commissions, licensing fees or other benefits from unaffiliated vendors and distributors with respect to their sales of products or services to you or other MISTER SPARKY franchisees whether or not the product or service is presently mentioned in this Item. Except as limited by applicable law, we and our affiliates have the right to retain any payments received from vendors.

We, or our affiliate, BuyMax, negotiate purchasing arrangements under which vendors agree to make goods or services available to Franchised Businesses on specific terms. You agree to participate in and abide by the terms of any vendor purchase program we establish.

The following specific restrictions on your purchasing are in effect as of the issuance date of this disclosure document, but we can impose other restrictions at any time:

Items you must purchase from us or affiliates**:**

Branded Products. All products that carry the Marks must be purchased only from us or suppliers approved or designated by us. This includes all stationery, forms, marketing pieces, signage, uniforms, patches, and other private labeled materials.

BuyMax Purchases. BuyMax sells miscellaneous non-branded products, such as general materials and supplies for business use, and maintenance and repair items. ~~Although none are required purchases as of the date of this disclosure document, we~~We reserve the right in our sole discretion to require you to purchase products, equipment, materials or other items related to the Franchised Business directly from BuyMax or through purchasing programs arranged by BuyMax or any other of our affiliates. As of the date of this disclosure document, you are required to use BuyMax's, BuyFin customer financing services, if you choose to offer customer financing in your Franchised Business.

~~*Successware*. You must obtain the Successware (or its successor) software package from our affiliate, Successware. The software package provides various functions on cloud-based and mobile application platforms, including call taking and dispatching, procurement, inventory management, accounting processes, and reporting, including operational excellence reporting ("**OE Reporting**"). This software is available to all contractors in the service industry, not only our Franchised Businesses. However, OE Reporting is only available to our Franchised Business. Please see Item 11 for further details.~~

Customer Complaint Resolution Program. All franchisees must participate in our affiliate UWIN's customer complaint resolution program. You must sign the Participation Agreement attached to the Franchise Agreement in Exhibit A to this disclosure document. Neither we nor UWIN charges a fee or imposes a cost to participate in the customer complaint resolution program (although you may occasionally incur costs related to the 100% customer satisfaction guarantee and other guarantees we may require that you offer, such as customer guarantees related to timeliness of service, or to reimburse UWIN for any costs incurred in resolving customer complaints).

Payment Processing. We reserve the right to require you to process some or all payments by your customers through us, our affiliate(s), including ABP, or through designated service providers and using processes we designate, including automatic payment, credit and debit card payment, electronic funds transfer and other forms of direct or internet payment.

Technology Support Services. As noted in Item 6, you are required to pay us a continuing Technology ~~Fees~~Fee which ~~cover~~covers services we provide to franchisees. Currently these services include branded email accounts, email and operational support, website management services, and other systems, including the Franchisee Portal (see Item 11).

Items you must purchase from designated or approved third parties:

We have designated approved vendors (manufacturers and distributors) for certain items. BuyMax negotiates purchasing arrangements with many of these vendors. As of the date of this disclosure document, they include:

Software. As of the date of this disclosure document, we have designated ServiceTitan as our exclusive approved supplier of (a) the field management services system, including payment processing services, (b) automated marketing management software service, and (c) online customer scheduling software service (collectively, the "ServiceTitan Platform"). The initial onboarding fee and ongoing monthly charge for the ServiceTitan Platform will be paid directly to ServiceTitan. Specifically, you will use the systems and modules comprising the ServiceTitan platform, including: (a) the field management services system, which includes payment processing services ("ServiceTitan FMS"), (b) automated marketing management software service ("Marketing Pro"), and (c) online customer scheduling software service ("Scheduling Pro"). Please see Item 11 for further details.

Equipment Package. We provide a list of equipment and accessories that you must obtain for the Franchised Business when you are preparing to open (the "**Equipment Package**"). As applicable, you must order components of the Equipment Package and all other technology equipment, signs, fixtures, furnishings, inventory, and supplies from approved vendors.

Throughout the Franchise Agreement term, you are required to acquire, use and install all equipment, vehicles, technology, audio/visual equipment, security features, décor, furnishings, promotional materials, and signs that we require from time to time. You may not install or use any equipment, vehicles, technology, furnishings, signs, vehicle graphics, or other items that we have not approved.

Telephone Services. The telephone numbers and electronic identities you use in connection with the Franchised Business must be owned and controlled by us or a designated approved supplier. We require you to "port" or transfer to an approved call routing and tracking supplier all phone numbers associated with the Franchised Business. We reserve the right to require you to use our branded toll-free number. We recommend that you also retain and utilize a caller analytics and recording system.

~~*Data Hosting*. Successware data related to your Franchised Business is currently hosted by an unrelated third-party data hosting provider designated by Successware. As of the date of this disclosure document, the designated provider is Advance2000. You will be responsible for the provider's monthly per-user fee. We anticipate that sometime in the second quarter of 2024, the Successware platform will no longer require the need for hosting through Advance2000. The hosting function will be available through Successware and will be included in the overall monthly fee paid directly to Successware.~~

Electronic Money Programs and Loyalty Programs. If we set up programs relating to gift cards, gift certificates, stored value cards, online or mobile coupons or credits, online or mobile ordering systems, or other electronic money programs, we will designate the vendors that you must use for these programs. As of the date of this disclosure document, we do not have any such programs.

Items that must meet our specifications:

For some products and services, we have not designated a specific source or vendor that you must

use, but you must follow our specifications and/or obtain our approval of the vendor. As of the date of this disclosure document, they include:

Insurance. You must maintain the types and minimum amounts of insurance coverage and bonds we specify for Franchised Businesses. The tables below set out our required and recommended insurance coverage as of the date of this disclosure document:

REQUIRED INSURANCE COVERAGE	
Type	**Minimum Coverage**
Comprehensive General Liability	$1 million per incident / $2 million aggregate
Automobile Liability for owned, leased, hired and non-owned vehicles	$1 million combined single limit per state for Medical/Personal Injury Protection and $1 million Uninsured/Underinsured Motorist
Employer Liability	$1 million per incident $1 million per employee $1 million policy limit
Workers Compensation	As required by law in your area. If your state does not have specific requirements, then: $1,000,000 per employee $1,000,000 per accident $1,000,000 policy limit

~~[*continued on following page*]~~

RECOMMENDED BUT NOT CURRENTLY REQUIRED INSURANCE COVERAGE	
Type	**Minimum Coverage**
Commercial Umbrella Policy	$1 million excess over all underlying liability coverages per occurrence and $1 million in the aggregate
Business Interruption	12 months loss of income, including coverage for our Royalty Fees with no co-insurance clause
Employment Practices	$25,000 policy limit
Cyber Liability/Data Compromise	$25,000 policy limit

Your insurance policies must be written by a carrier with an industry rating acceptable to us, must name us, AB Inc. (in its capacity as Manager under the management agreement with us) and their parents, subsidiaries, and affiliates; and their respective officers, directors, members, shareholders and employees as additional insureds, and must not have deductibles, exclusions or co-insurance that are unacceptable to us. All public liability and property damage policies must contain a waiver by the insurance company of subrogation rights against us and our affiliates, successors and assigns.

We can increase the coverage requirements and/or require different or additional kinds of insurance as we deem necessary.

Prior to opening your Franchised Business, you must provide us with certificates of insurance demonstrating that you have obtained all insurance policies and certificates required. At least 30 days before expiration of a policy, you must furnish evidence of renewal or replacement insurance. If you do not obtain the required coverage, we have the right (but no obligation) to obtain insurance on your behalf. If we do so, you must reimburse us for the cost of insurance, plus a reasonable fee for our services.

Vehicles. You must own, lease or buy at least two vehicles (one service vehicle and one installation vehicle) that are operable, less than seven years old, and meet the other requirements we specify in the Operations Manual. Franchisees with a larger territory or multiple territories may require additional vehicles. Only specific vehicle designs will be allowed and we must approve your vehicle design. We have approved vendors who can lease approved vehicles at competitive prices.

You must paint or wrap your vehicles and add signage. You must purchase artwork for vehicle signage bearing the Marks from an approved vendor before opening your business.

You must purchase an opening inventory of supplies for your vehicles before opening your Franchised Business. We may specify the inventory of supplies you will need in the Operations Manual. We have arrangements with vendors that provide inventory on a consignment basis. Depending on the location of your Franchised Business, you may have the option to take advantage of these vendor arrangements.

Vendor Approval Process

If we require you to use an approved vendor for a particular item, but you wish to purchase the item from a source that we have not approved, you may submit a written request for approval of the vendor, unless it is an item for which we have designated a specific vendor. To obtain approval, proposed vendors must demonstrate the ability to meet our standards and must possess adequate quality controls and capacity to supply your needs promptly and reliably. We will provide the relevant standards and specifications to vendors that wish to become approved vendors, provided that the proposed vendor signs a confidentiality agreement; however, we may refuse to disclose product formulations or specifications that we deem to be extremely sensitive. At our request, you must submit samples and other information we require to examine, test and determine whether the proposed vendor meets our specifications and quality standards. We may also require that the proposed vendor allow our representatives to inspect its facilities. We may charge vendors a license fee to use our trademarks or other proprietary property. We may also charge vendors a rebate for participation in our purchasing program.

We have no obligation to approve any specific vendor or any minimum number of vendors for any item, and any proposed vendor relationship must not jeopardize the availability of any special pricing or other benefits offered by existing vendors based on system-wide purchases. We may require you to pay a fee to cover our costs of reviewing a proposed vendor, which you must pay whether or not we approve the vendor. We generally will give you written notice of approval or disapproval of the proposed vendor within 30 days after receiving your request and completion of evaluation and testing, if required. You may not sell or offer for sale any products or services of the proposed vendor until you receive our written approval.

We have the right to revoke approval of particular vendors if we determine that their products or services no longer meet our standards. Upon receipt of written notice of revocation, you must stop buying from the disapproved vendor. In addition, if we revoke our approval of the products because they fail to meet our standards, you may be required not to use your remaining inventory of those products.

* * *

Your purchases from us or our affiliates will be at the prices and on the terms in effect at the time of your purchase.

We, or our affiliate, BuyMax, negotiates contracts with providers of goods and services, including but not limited to insurance, financing, fuel cards, and fleet programs for ~~MISTER SPARKY, Benjamin Franklin Plumbing, and One Hour Heating & Air Conditioning franchisees; for MISTER SPARKY, Benjamin Franklin Plumbing, One Hour Heating & Air Conditioning~~our franchisees, our affiliates' company-owned outlets; several of our affiliates' franchisees; and for independent BuyMax members who participate in the program for a fee. BuyMax does not negotiate purchase agreements on behalf of individual members. Terms of purchase agreements may vary based on any number of factors and prices may change from time-to-time.

Other than as noted above, we do not currently negotiate purchasing arrangements with vendors on behalf of our franchisees, but we reserve the right to do so, including pricing terms. Our ability to negotiate and maintain arrangements with vendors may depend on the participation of as many MISTER SPARKY franchisees as possible. Accordingly, if we name a specific vendor for a product or service, you must obtain the product or service from that designated vendor. You must comply with the terms and conditions included in the contract with a specific vendor and, if applicable, through the purchasing arrangements and/or programs that we require.

~~[*Remainder of page intentionally left blank*]~~

As noted above in this Item, vendors make payments to us or our affiliates based on franchisees' use of the vendors. As of the date of this disclosure document, BuyMax receives rebates, administrative fees, commissions or other compensation from some vendors ranging from 1% - 15%. Certain approved or designated vendors share with BuyMax a portion of their net proceeds derived from products or services provided to franchisees ("**Net Revenue Share**"). The Net Revenue Share with these vendors currently ranges from 0% to 45%. Vendor payments to us and our affiliates include participation fees per franchise, rebates based on actual purchases, marketing contributions for joint promotion of the vendor's products with our brand, and/or sponsorship fees for conferences and other events. We will use any restricted funds in the manner agreed with the vendor. Except as limited by applicable law or by agreement with the vendor, we have the right to pass through, share or retain all or a portion of any rebates, commissions, discounts or beneficial pricing that we obtain from vendors. We may use these monies to, among other things, recapture costs related to maintaining the vendor program, negotiating designated vendor arrangements, facilitating orders and making a profit. In some cases, you may also receive rebates from BuyMax vendors.

For the fiscal year ended December 31, 2023, our affiliates, BuyMax and Successware, had revenue of $4,747,594, and $468,960, respectively, from purchases by MISTER SPARKY franchisees. These figures include revenue from direct sales as well as any rebates or discounts our affiliates received from approved vendors based on their sales to our franchisees.

As of the date of this disclosure document, none of our officers own an interest in any unaffiliated vendors that sell products or services to our franchisees.

We estimate that the proportion of your required purchases and leases from approved suppliers to all purchases and leases in establishing the Franchised Business is 20% to 25% for Conversion Franchisees and 50% to 60% for Start-Up Franchisees. We estimate that the current proportion of your required purchases and leases from approved suppliers to all purchases and leases in operating the Franchised Business is approximately 40%, but this amount is subject to change.

There are no purchasing cooperatives or distribution cooperatives in our franchise system as of the date of this disclosure document. We do not provide material benefits to franchisees based on their purchase of particular products or services or use of particular vendors.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Sections 1.2 and 6.24	Items 7, 8, and 11
b. Pre-opening purchases/ leases	Sections 1.11, 4, 5.4, 10.3, Data Sheet (Appendix A), and Brand Appendix (Appendix B)	Items 5, 7, and 8
c. Site development and other pre-opening requirements	Section 4	Items 5, 7, 8, and 11
d. Initial and ongoing training	Section 5	Items 5, 6, 7, and 11

~~Obligation~~	~~Section in Agreement~~	~~Disclosure Document Item~~
e. Opening	Sections 4.4, 4.5, and 4.6	Item 11
f. Fees	Sections 4.1, 4.5, 4.6, 5.4, 5.8, 6.6, 7, 8.6, 8.10, 9.2, 10.3, 10.4, 10.5, 15.2, 15.3, 15.4 15.9, 16.1, 16.7, 16.8, 19.1, Data Sheet (Appendix A), and Brand Appendix (Appendix B)	Items 5, 6, and 7
g. Compliance with standards and policies/Operations Manual	Sections 6.1 and 12	Items 11 and 14
h. Trademarks and proprietary information	Sections 11, 12, 13, 18 and Brand Appendix (Appendix B)	Items 13 and 14
i. Restrictions on products/ services offered	Sections 6.3 and 6.13	Items 8 and 16
j. Warranty and customer service requirements	Sections 6.1, 6.6, 6.9, 6.16, 6.17, 6.19, 6.20, and 7.5.	Items 7 and 8
k. Territorial development and sales quotas	Section 6.18 and Brand Appendix (Appendix B)	Item 12
l. Ongoing product/service purchases	Sections 6.1, 6.9, 6.10, 6.11, 6.14 and 8.8	Items 6, 7, and 8
Obligation	**Section in Agreement**	**Disclosure Document Item**
m. Maintenance, appearance and remodeling requirements	Sections 6.15, 6.23, and 19.1.10	Items 11 and 17
n. Insurance	Section 9	Items 7 and 8
o. Advertising	Sections 4.3, 7.3, 10, Data Sheet (Appendix A) and Brand Appendix (Appendix B)	Items 6 and 11
p. Indemnification	Section 20	Item 6
q. Owner's participation/ management/staffing	Sections 1.15, 5.8, 6.2, 6.14, 6.22, and 18	Item 15
r. Records and reports	Sections 6.20, 8, and 22.1	Item 6

s. Inspections and audits	Sections 6.15, 6.19, 11.3, and 16.6	Item 6
~~**Obligation**~~	~~**Section in Agreement**~~	~~**Disclosure Document Item**~~
t. Transfer	Section 15	Item 17
u. Renewal	Section 19	Item 17
v. Post-termination obligations	Section 17	Item 17
w. Non-competition covenants	Section 14	Item 17
x. Dispute resolution	Section 23	Item 17
y. Other – Personal Guarantee	Attached to Franchise Agreement	Item 15

ITEM 10
FINANCING

In our discretion, we may permit you to finance up to 75% of the Franchise Fee and any applicable Additional Population Fee rather than paying the entire amount in a lump sum when you sign the Franchise Agreement. However, we do not offer financing for any transaction involving brokers, referrals under the Standard Referral Program or Conversion Referral Program, or any other third-party referral sources.

If financed, the balance of the Franchise Fee and any applicable Additional Population Fee can be paid in up to 36 monthly installments of principal and interest at an interest rate of 12% per annum beginning on the first of the month following the first full month after you sign your Franchise Agreement. You can prepay the balance at any time without penalty.

If you sign a Franchise Agreement under the Conversion Incentive Program, we permit you to finance 100% of the Franchise Fee and any applicable Additional Population Fee. The Promissory Note is payable in 48 monthly installments of principal and interest, but payment does not start until 5 years after the effective date of the Franchise Agreement, and you may be eligible for forgiveness of up to 100% of the Promissory Note balance, depending on the performance of the Franchised Business in the fifth year of operation after conversion to the MISTER SPARKY brand, as compared to performance of the business in the year before conversion. We will determine pre-conversion Gross Revenue from the financial statements or tax return of the converting Electrical Services business for the pre-conversion year. If Gross Revenue of the Franchised Business in the fifth year of operation exceeds the pre-conversion Gross Revenue by set thresholds, we will waive part or all of the Promissory Note balance, as shown below:

30% Gross Revenue Increase:	50% of Promissory Note Amount Forgiven
40% Gross Revenue Increase:	75% of Promissory Note Amount Forgiven
50% Gross Revenue Increase:	100% of Promissory Note Amount Forgiven

In the event your pre-conversion Gross Revenue is below $200,000 for the pre-conversion year, we apply specific Gross Revenue thresholds in the fifth year of operation to determine whether you qualify for Promissory Note forgiveness. The specific thresholds are Gross Revenue of $300,000 for 50% forgiveness, Gross Revenue of $375,000 for 75% forgiveness, and Gross Revenue of $450,000 for 100% forgiveness).

Any portion not forgiven will be paid in 48 monthly installments of principal and interest at an interest rate of 12% per annum. You can prepay the balance at any time without penalty.

A franchisee that finances the Franchise Fee and any applicable Additional Population Fee must sign the applicable form of Promissory Note and Guaranty in Exhibit B to this disclosure document. If the franchisee is a corporation or other business entity, its owners must also sign as guarantors.

To secure payment of the Promissory Note, we require a security interest in the assets of the Franchised Business. You must sign the applicable Security Agreement included in Exhibit B, and we may file a UCC financing statement with the appropriate governmental authority to perfect our security interest. You agree to waive demand for payment, presentment for payment, protest, notice of nonpayment or dishonor, and any and all other notices and demands whatsoever.

Under the Franchise Agreement, you must make all payments to us by the payment method(s) we designate from time to time, and this requirement applies to the Promissory Note. We currently require payment by Automated Clearing House (ACH) or electronic funds transfer and you are required to designate an account at a commercial bank of your choice at the time of signing your Franchise Agreement from which we are able to make withdrawals. You agree to complete and submit to us an authorization for ACH or other electronic funds transfer in the form we or your financial institution may require at the time of signing the Promissory Note. You agree to maintain sufficient funds in the account to cover the amounts payable to us. If funds in the account are insufficient to cover the amounts payable at the time we make our periodic electronic funds transfer, the amount of the shortfall will be deemed overdue. Additionally, if the electronic funds transfer payment request is returned due to insufficient funds, you are required to pay us a fee equal to the greater of: (a) $50 or (b) the amount the bank charges us due to the insufficient funds.

If you are in default of the Promissory Note or the Franchise Agreement, we can declare the outstanding principal balance of the Promissory Note and all unpaid accrued interest immediately due and payable. If you default, you must pay our reasonable attorney's fees and other legal costs we incur in enforcing payment and collection of the balance due. In addition, under the cross-default provision of the

Franchise Agreement, we have the right to treat a default under the Promissory Note and Guaranty or under the Security Agreement as a default under the Franchise Agreement, and we can terminate the Franchise Agreement if you do not cure the default.

We may sell, assign or discount the Promissory Note to a third party. If we sell or assign the Promissory Note, it will not affect our obligation to provide the services to you that are described in the Franchise Agreement, but the third party may be immune under the law to any defenses to payment you may have against us.

Except as described above, we do not offer direct or indirect financing to franchisees. We will not guarantee your Promissory Note, lease, or other obligation.

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

We will provide the services described in this Item 11 through our affiliate, AB, Inc., and its employees.

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

Pre-Opening Obligations. Before you open the Franchised Business:

A. We will provide the Training Program described in this Item to you and your senior management level employees. You must pay for your travel and related expenses. (Franchise Agreement, Section 5.1)

B. We will assist you with ordering the Equipment Package and required technology, signs, fixtures, furnishings, inventory, and supplies from designated vendors. (Franchise Agreement, Section 4.1)

C. We will provide you with a copy of, or electronic access to, the Operations Manual. (Franchise Agreement, Section 12)

D. We will set you up with access to one or more websites and/or mobile applications that are open only to franchisees (the "**Franchisee Portal**"), if applicable. We may use the Franchisee Portal for communications, training, or other purposes and may require you to use it for reporting or other purposes. (Franchise Agreement, Section 6.8)

E. We will help you set ~~you~~ up an account with the designated Call Center, if applicable. (Franchise Agreement, Section 6.6)

F. We will provide you with information on how to acquire ~~a Successware~~the required software package or other comparable software packages we designate. ~~The initial activation fee for Successware is waived for our franchisees.~~ (Franchise Agreement, Section 6.7)

G. We will work with you on creating a pre-opening and grand opening marketing plan for the Franchised Business. (Franchise Agreement, Section 10.3)

H. We will provide opening support and assistance as we deem appropriate, at the time(s) and in the manner we determine. If you request opening support beyond what we customarily furnish to Franchised Businesses, and if we agree to furnish the additional support, then we will have the right to impose a fee, plus expenses, for providing the agreed additional support. (Franchise Agreement, Section 4.6)

Continuing Obligations. During the operation of the Franchised Business, we will:

A. Make available additional required and optional training programs as we deem appropriate. (Franchise Agreement, Section 5.2)

B. Develop and maintain the Brand Standards. (Franchise Agreement, Section 6.1)

C. Manage the operation of the Franchisee Portal, if applicable. (Franchise Agreement, Section 6.8)

D. Notify you, via the Operations Manual or otherwise, when we establish specifications, require approval of vendors, or designate specific vendors for particular items. (Franchise Agreement, Section 6.10)

E. Manage our Brand Standards assessment program. (Franchise Agreement, Section 6.20)

F. Manage the Brand Fund, as described below in this Item, and make available to you any creative materials financed by the Brand Fund. You agree to pay or to reimburse us for any costs to reproduce the materials and/or to customize the materials for your use. (Franchise Agreement, Section 10.2)

G. Review your proposed advertising and promotional plans and materials. (Franchise Agreement, Section 10.6)

H. Manage social media accounts, profiles, pages, and registrations that promote the Marks or the Franchised Business, if we require them to be registered in our name. (Franchise Agreement, Section 10.10)

I. If we offer a customer warranty and/or satisfaction guarantee to your customers, monitor and manage compliance with the warranty/satisfaction guarantee program. (Franchise Agreement, ~~Section6~~Section 6.17)

J. Manage contracts and relationships with Key Accounts, as defined in Item 12 below. (Franchise Agreement, Section 2.5)

Site Selection

You select your business site within your Territory, subject to our approval. Although we are not obligated to provide site selection assistance, our current policy is to provide you with our general criteria for site selection and with site selection counseling and assistance as we deem appropriate. We recommend that the site be at least 2,000 square feet and have a dispatching area, reception/talking area, technician/training/break area, restroom, and warehouse space. The site must also comply with local zoning and business requirements, and it is your responsibility to ensure that it meets these and any other applicable requirements. There must be parking to accommodate trucks, vans, and employees. A suggested layout of the site is covered in the Operations Manual.

We reserve the right to approve your site before you sign the Franchise Agreement. If we exercise our right to approve the proposed site, we will endeavor to approve or disapprove it within 30 days after visual inspection or review of photographs. If the site is not approved, we will not sign the Franchise Agreement and we will encourage you to submit alternative site(s). Our approval of the proposed business site only indicates that we believe it falls within our criteria for the Franchised Business.

Typical Time to Opening

If you are either a Start-Up Franchise or a Conversion Franchise, we estimate that you will open your Franchised Business approximately three months after you sign your Franchise Agreement. The factors that affect the timing of your opening may include, among other things, licensing laws, zoning laws, advertising, Yellow Pages or comparable telephone directory advertising, internet-based directory advertising, distribution dates, truck and van procurement and painting, remodeling efforts, hiring issues, the speed at which you operate, your completion of the Training Program, and implementation of your marketing plan. If you do not open the Franchised Business to the public by the opening deadline specified in your Franchise Agreement, we will have the right to terminate the Franchise Agreement. (Franchise Agreement, Sections 4.5 and 16.1.3)

If you request an extension of the opening deadline, we have complete discretion whether to give an extension. If we agree to an extension, we have the right to charge you an extension fee of up to $1,000 per month of extension. However, you will not be charged an extension fee if your request is accompanied by supporting documentation demonstrating to our satisfaction that, despite your best efforts, you are unable to obtain the necessary equipment to open and operate the Franchised Business by the Opening Deadline.

Training Program

Before the Franchised Business opens, the Key Person (see Item 15) and any Owners that we designate must attend and successfully complete an initial training program at least three weeks prior to opening the Franchised Business. The Training Program consists of two phases: phase one, which is conducted online (currently called "**Initial Training**"), and phase two, which is a proprietary franchise performance and development training program conducted in a classroom setting (currently called Branded Operations Orientation Training or "**BOOT**") (collectively, Initial Training and BOOT are referred to in this disclosure document as the "**Training Program**"). The Training Program is provided at no cost to you, but you will have to pay for travel, accommodations, meals and salaries for yourself and any senior management level employees who attend. Franchisees generally complete training 3 to 9 weeks prior to opening the Franchised Business.

[*Remainder of page intentionally left blank*]

The following tables summarize our Training Program:

TRAINING PROGRAM

INITIAL TRAINING			
Subject	**Hours of Training**	**Hours of On the Job Training**	**Location**
Overview of our Learning Management System called Success Academy Online (SAO), including how to self-register in the system, how to locate classes, webinars and online courses, how to run reports on completions, how to register team members for classes, how to bulk enroll in classes, how to locate and use Dashboard feature, as well as information and a catalog of Success Academy offerings.	1.0	0	Instructor-led online webinar
BRANDED OPERATIONS ORIENTATION TRAINING			
Subject	**Hours of Training**	**Hours of On-the-Job Training**	**Location**
The Franchise Experience; Orientation; Safety; Brand Integrity/Compliance; Price Right; Hire Right; Managing Personnel; Finance; The DMR; Buy Right; ~~Successware;~~ Marketing; Media Relations; Pre-Service Steps; Guarantees; UWIN; Train for Success; Servicing the Client; Call Center/Phone Power; Dispatching/Asset Management.	35.0	0	Phoenix, Arizona

[*Remainder of page intentionally left blank*]

Initial Training must be completed before opening your Franchised Business. We schedule BOOT training as needed for new franchisees. Training materials include the Success Academy catalog, the Operations Manual, printed materials and printed workbooks. Our instructors have an average of ~~15~~approximately 16 years of experience in the trades industry and over 9 years with our brand. Our current trainers are below:

Name	Industry Years of Experience	Years with Our Brand
Dan Mock	17	5
Michael Green	12	4
~~Traci Fournier~~Richard "Richie" Drew, Jr.	~~19~~11	~~12~~11
Mark Dawson	23	5
Lance Sinclair	20	20
Matthew Brewer	10	10

The individuals that we designate are required to successfully complete the pre-opening training. We alone have the right to judge whether a person has successfully completed the Training Program. Successful completion may require passing tests to establish proficiency in the delivery of services, use of technology and software applications, and other areas we designate. We will have the right to terminate the Franchise Agreement if, at any time during the Training Program, we conclude in our sole judgment that any person required to attend the Training Program does not possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or this Agreement. We have the right to vary the duration and content of the Training Program based on the trainee's prior experience in similar businesses.

After the Franchised Business opens, we will make available, at the time(s) and location(s) we designate, such other required and optional training programs as we deem necessary and appropriate. For training that we designate as required, the individuals that we designate are required to successfully complete the training. We have the right to provide the Training ~~Programs~~Program in person, by video, via the internet, or by other means, as we determine, and the training may be performed by us, our affiliates, or third parties.

Other learning opportunities based on job role are available but not required by the Franchise Agreement. Voluntary learning opportunities include: (i) instructor led courses available through Success Academy and third-party vendors; (ii) webinars; and (iii) computer-based courses through Success Academy. No tuition is charged for these courses (except for certain third-party vendor courses as discussed below); however, you are responsible for other expenses incurred. If you choose to take advantage of voluntary learning opportunities available through third-party vendors, you may have to pay the third-party vendor its then current rate for such courses.

Advertising Programs

Local Marketing. As described in Item 6, as of the date of this disclosure document, we recommend that you spend at least 8% to 12% of Gross Revenue annually for local advertising and promotion of the Franchised Business ("**Local Marketing**"), but we do not require Local Marketing unless you fail to achieve your Minimum Performance Requirements (see Item 12) for any 12-month period. In that case, you may be required to spend at least 8% of Gross Revenue on Local Marketing during each of the following 12 months. This is in addition to your obligations to the Brand Fund and our recommended expenditures for pre-opening/grand opening marketing, if applicable. We recommend that a portion of your spending be directed to internet-based advertising, including pay-per-click methods to promote internet

traffic to your Franchised Business. You must be listed in the local internet-based directories and in the Yellow Pages or comparable telephone directory if available, as we designate. We have the right to specify that you pay Local Marketing funds to us, our affiliate, or a third-party vendor. With respect to all Local Marketing funds you pay to a third party, you are required to provide us with monthly Local Marketing expense statements (including receipts supporting the reported expenditures) evidencing compliance with the Local Marketing spend requirements.

With respect to funds you pay directly to us, we will provide local advertising and marketing materials and related services to promote the Franchised Business in your Territory. The materials and services will include the creation, production and placement of marketing and may include commercial advertising, internet advertising, email, direct mail and other media advertising, and local promotion. You will be required to order sales and marketing materials and services from us. If you desire to use your own advertising materials or services, you must obtain our prior approval. It is a material breach of the Franchise Agreement to use other marketing materials or services without our prior written approval (see "**Approval Requirement**" below). You may not advertise outside of your Territory without our approval, which approval may be withheld in our sole discretion (see Item 12).

We and our affiliates may earn revenue and profits on products or services we provide and may receive rebates, administrative fees, commissions, or other payments on products and services that third party vendors provide.

Brand Fund. Franchisees must contribute to a marketing fund for the MISTER SPARKY system (the "**Brand Fund**"). New franchisees are required to contribute to the Brand Fund an amount that we determine, not to exceed 4% of Gross Revenue. As of the date of this disclosure document, the required contribution is a declining percentage of annual Gross Revenue starting at 1.5% of the first $5,000,000 of Gross Revenue in the then-current calendar year (see Item 6). The rate reverts to 1.5% at the start of the next calendar year. Franchisees under previous forms of Franchise Agreement may contribute at other rates. Company-Owned Outlets will contribute to the Brand Fund on the same basis as new franchisees.

The purpose of the Brand Fund is to support general development and recognition of the MISTER SPARKY brand. We will have the right to direct all advertising, marketing, public relations, and other activities to promote, develop and enhance the brand, with final discretion over strategic direction, creative concepts, materials, endorsements, geographic market, and media allocation. We or our affiliate administer the Brand Fund. We may use the Brand Fund to pay costs and expenses as we determine in our sole discretion, including but not limited to: production of video, audio, written, online and mobile marketing materials; purchasing promotional items; sponsorship of sporting, charitable, or similar events; design, establishment, and maintenance of websites, social media, mobile applications and other electronic marketing; implementation of advertising programs, in-store promotions, direct mail, and media advertising; marketing and sales training; employing advertising agencies; conducting public relations, consumer research, product development, product testing, and test marketing programs; developing and implementing trade dress and design prototypes; fulfillment charges; salaries and expenses of our and our affiliates' employees working for or on behalf of the Brand Fund; fees of accounting firms, design firms, public relations firms, consultants and ad agencies; legal fees for advertising pre-clearance, defense of false advertising claims, and defense of any claims made regarding our administration of the Brand Fund; other administrative costs and overhead incurred in activities related to the administration and activities of the Brand Fund; and interest on any monies borrowed by the Brand Fund.

Our marketing and advertising department will prepare advertising, marketing, and related materials and programs. We will make available to you any creative materials financed by the Brand Fund. If you request specific materials to be produced or customized for you, then once you approve the requested materials, you must pay or reimburse us for any costs to reproduce the materials and/or to customize the materials for your use.

We may develop advertising and promotional materials and displays for the solicitation of franchisees for the Brand. You must display such materials and displays as we require from time to time. Our consumer website and other online activities supported by the Brand Fund may also include information about our franchise opportunity.

We have no obligation to make expenditures for you from the Brand Fund that are equivalent or proportional to your contributions, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Brand Fund. You have no right to reduce or withhold contributions based on any alleged lack of benefits to your Franchised Business or based on failure by any other franchisee (with or without our permission) to make its contributions to the Brand Fund.

We have no obligation to have the Brand Fund independently audited. We will, however, prepare an annual unaudited statement of contributions to and expenditures of the Brand Fund. You can obtain a copy by making a written request. Any expenditures for independent accounting services in connection with the annual statement will be charged to the Brand Fund.

For the calendar year ended December 31, 2023, 68% of Brand Fund expenditures were spent on National Advertising & Programs, 25% of expenditures were for Marketing Support, 5% of expenditures were for Public Relations, 1% of expenditures were for Creative Production and 1% of expenditures were for Other. None of the amounts in the Brand Fund are used for marketing that is principally a solicitation for the sale of franchises.

The Brand Fund is not a trust and does not give us a fiduciary obligation. Other than our express obligations in the Franchise Agreement, we assume no liability with respect to maintenance, direction, or administration of the Brand Fund. We have the right to incorporate, replace, change or dissolve the Brand Fund. If we decide to dissolve the Brand Fund, contributions to the Brand Fund will stop, but the Brand Fund will continue in existence until remaining funds have been spent.

Other than administering the Brand Fund as described above, we do not have an obligation to conduct advertising on your behalf.

Referral Programs. As of the date of this disclosure document, we offer two referral incentive programs:

A. Standard Referral

Our affiliate, AB Inc., is sponsoring a referral incentive program that began on November 5, 2023. The referral incentive program pays $15,000 to an existing franchisee of ours or any of our affiliated brands who first directly refers a candidate who: (a) has not previously been referred to us by another source or otherwise been in contact with and/or engaged with us, our affiliates or third party consultants or agents; (b) has not previously signed a Franchise Agreement with us or any of our affiliated brands; (c) who meets our qualifications for becoming a franchisee; (d) signs a Franchise Agreement in a new location on or before September 1, 2024 (the "**2024 Referral Period**"); and (e) pays the Franchise Fee and any applicable Additional Population Fee in full at the time of signing the Franchise Agreement. The incentive payment is only paid with respect to the first Territory licensed from us by the candidate, regardless of the total number

of franchises licensed in a single transaction. In addition, all existing franchisees who receive a referral incentive payment as described above may be eligible to win a sweepstakes prize equivalent to $5,000 per referral we and any of our affiliated brands received during the 2024 Referral Period. We anticipate that the referral sweepstakes will be scheduled to end at 11:59 PM ET on October 31, ~~2023~~2024, but this may change at our sole discretion. An "**Existing Franchisee**" is the person or entity defined as "Franchisee" in the Franchise Agreement governing the referring Franchised Business. We reserve the right to apply incentive payments to any outstanding balances or past due amounts due to us by an Existing Franchisee. Additional terms and conditions may apply.

B. Conversion Referral Program

We offer a referral incentive program that pays ongoing incentive payments for up to three years ("**Incentive Period**") to an Existing Franchisee (as defined above) of ours or any of our affiliated brands, subject to certain conditions, who first directly refers a candidate who: (a) has not previously been referred to us by another source or otherwise been in contact with and/or engaged with us, our affiliates or third party consultants or agents; (b) has not previously signed a Franchise Agreement with us or any of our affiliated brands; (c) who meets our qualifications for becoming a franchisee under the Conversion Incentive Program; (d) signs a Franchise Agreement with our standard terms in a new location on or before March 31, 2025; and (e) pays the Franchise Fee and any applicable Additional Population Fee in full at the time of signing the Franchise Agreement ("**Conversion Referral**"). The incentive payment is only paid with respect to the Franchised Business(es) first signed with us in a single transaction, regardless if additional Territories are acquired by the Conversion Referral during the Incentive Period. The incentive payments are paid by check to the Existing Franchisee within forty-five (45) days of the end of the quarter of the current calendar year, according to the Conversion Referral's Royalty Fee payments made to us ("**Royalties Paid**"). The incentive payments will be calculated and paid according to the following schedule: (a) During the first twelve months following the Original Opening Date: 30% of Royalties Paid; (b) Months 13 through 36 following the Original Opening Date: 15% of Royalties Paid. "**Original Opening Date**" means the date on which you or any prior owner or predecessor operator of the Franchised Business first opened the Franchised Business. We may require the Conversion Referral and the Existing Franchisee to sign a separate agreement acknowledging and agreeing to the terms of this program for eligibility purposes. We reserve the right to apply incentive payments to any outstanding balances or past due amounts due to us by an Existing Franchisee. Additional terms and conditions may apply.

We may change or eliminate the referral incentive programs at any time without notice. Franchisees participating in the referral programs are not our sales agents and are not authorized to make any statements on our behalf, including any statements related to the financial performance or prospect for success of any franchise.

Joint Marketing Programs and Cooperatives. We have the right to establish: (1) co-marketing programs in which Franchised Businesses and vendors (or other third parties) cross-promote each other's goods and services; (2) joint marketing efforts in which multiple Franchised Businesses contribute to a specific ad or event; and/or (3) local or regional marketing co-operatives ("**Cooperatives**") that pool funds of Franchised Businesses in a geographic area or with common characteristics on an ongoing basis to jointly promote the Marks and the Franchised Businesses. The amount we require you to spend or contribute to joint marketing programs and/or a Cooperative may be credited to your obligation for Local Marketing or, at our option, to your Brand Fund obligation, or any combination of the two. You are required to participate in each applicable joint marketing program and comply with the rules of the program. As of the date of this disclosure document, we do not require you to participate in or to contribute to an advertising cooperative. If a Cooperative applicable to the Franchised Business is established during the term of this Agreement, you are required to become a member no later than 30 days after the date we approve for the Cooperative ~~to begin operation. We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative.~~

to begin operation. We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative.

Approval Requirement. All proposed advertising and promotional materials that you intend to use must be submitted to us for approval at least 30 days before their intended use. You do not have to submit samples of materials that were prepared by us or that we have approved within the last twelve months. Proposed advertising materials are deemed to be disapproved unless we have approved them in writing within 15 days after your submission of the samples. All advertising and promotion must be in the media and of the type and format that we approve, must be conducted in a dignified manner, and must conform to our standards. You may not make any television or radio appearance or any statement to any public media in connection with the Franchised Business or the Brand unless you obtain our prior written approval.

You may not solicit or advertise to customers outside of your Territory without our permission. "Solicit" includes, but is not limited to, solicitation in person, by telephone, by mail, through the internet, social media, email or other electronic means, and by distribution of brochures, business cards or other materials or any other advertising. If any solicitation of customers within the Territory is in media that will or may reach persons outside of the Territory, you are required to notify us in advance and obtain our consent. If you receive a request for services or products from outside the Territory, you are required to refer that request to the Franchised Business located in the applicable territory (or to us, if we have not assigned the applicable territory to a Franchised Business). Notwithstanding the foregoing, under certain limited circumstances, you may process a request from outside of the Territory if the requested service is permitted under our policies. If we permit you to advertise, solicit, service or sell in areas outside of the Territory that are not serviced by another Franchised Business or by us or an affiliate, you must comply with all of the conditions and other requirements that we specify in the Operations Manual or otherwise with respect to such activities. All franchisees that operate in the same marketing area may be required to use a common toll-free telephone number in their advertising media. All advertising, including internet-based advertising, must be designed to route customers to the franchisee serving that customer's location.

Electronic Marketing and Electronic Communications. The use of any digital or electronic medium constitutes advertising and promotion subject to our approval. Unless we have agreed to it in writing, you may not use, register, maintain, or sponsor any website, URL, social media, blog, messaging system, email account, ~~user name~~username, text address, mobile application, or other digital, electronic, mobile or internet presence that uses or displays any of our trademarks (or any derivative thereof) or that promotes any products or services of the Franchised Business. You may not, directly or indirectly, post or transmit advertisements or solicitations by telephone, e-mail, text message, instant message, website, social media, mobile apps, VoIP, streaming media, or other electronic media that are inconsistent with our brand advertising guidelines and standards. The brand advertising standards may include the use of disclaimers, warnings, and other statements that we prescribe. You are responsible for ensuring that your employees understand the policies relating to the use of social media and you are responsible for your employees' use of social media in accordance with such policies. We have the right to require that social media accounts, profiles, pages, and registrations that primarily promote the Marks or your Franchised Business be registered in our name. For any such accounts that we permit to be registered in your name, you agree to provide us with the current login credentials within five days after opening the account or changing the credentials. We have the rights to: (i) access any social media accounts to take corrective action if the account or any postings are in violation of our policies; and (ii) take ownership of the accounts on expiration or termination of the Franchise Agreement and operate them thereafter as we see fit. We may offer to provide, or may require that you have, a website for your Franchised Business (which may be structured as a separate page of a website supported by the Brand Fund).

Pricing and Promotional Activities. To the extent permitted by applicable law where your Franchised Business is located, we have the right to establish maximum and/or minimum prices that you must follow for goods and services sold by the Franchised Business. You must participate in and comply with the terms of special promotional activities that we prescribe for Franchised Businesses generally or in specific geographic areas or for specific types of venues. These activities may include special offers, limited time offers, and pricing promotions. You must bear your own costs of participating in these activities and must display promotional signs and materials and otherwise participate in the manner we request.

~~[*Remainder of page intentionally left blank*]~~

Franchisee Leadership Team. As of the date of this disclosure document, we have a Franchisee Leadership Team ("**FLT**") that provides us with input on advertising policies, plans, programs, strategies, and other matters that impact the MISTER SPARKY, Benjamin Franklin Plumbing, and One Hour Heating & Air Conditioning franchise systems. The FLT serves in an advisory capacity only; we retain final authority on all decisions. The FLT is composed of a total of ten members (franchisees) from MISTER SPARKY, Benjamin Franklin Plumbing, and One Hour Heating & Air Conditioning. Currently, eight franchisees on the FLT are selected based on a vote by then-current franchisees of the three brands, and the other two franchisee members are appointed by our President. Each member serves a four-year term. Under the current FLT bylaws, only franchisees in good standing may serve on the FLT. We reserve the right to alter the bylaws and the FLT program at any time at our discretion. The address for the FLT is our principal office at 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046. The FLT does not maintain a separate telephone number, email address, or website. The FLT usually meets four times each year, twice in-person and twice through teleconference. We pay the FLT's expenses for approved meetings. We have the power to form, change or dissolve the FLT at any time.

Technology Requirements

We have the right to specify the point-of-sale (POS) system, customer relationship management (CRM) system, back-office system, software applications, audio/visual equipment, security systems, electronic payment devices, and other hardware, software, and network connectivity for the Franchised Business. You must sign any standard license agreement or user agreement that may be required to use a system that we specify. You must use the required systems for service calls, managing inventory, reporting Gross Revenue and other information, training personnel, and other functions as we specify from time to time. You must ensure that your employees are adequately trained to use the systems and that they follow applicable policies.

As of the date of this disclosure document, we require the following:

- You must have or purchase a personal computer, smart phone, and/or tablet capable of running the latest version of Microsoft Windows or iOS operating system. Your computer must be equipped to support Microsoft Office Professional suite and latest version of Microsoft's web browser or Safari browser software. We estimate the cost for these items will range from $800 to $3,000.

- You must have access to the internet, communication networks and telephone system with adequate speeds to connect to our systems and conduct daily business activities. We estimate this cost to be in the range of $300 to $1,500 per year, depending on your providers and the number of services you choose to purchase.

- ~~As noted in Items 5, 6, 7 and 8, you must install the Successware software (and any other software we designate) before your Franchised Business opens. We currently require you to run Successware in a cloud-hosted (internet-based) environment using a vendor Successware designates, which is currently Advance2000. We anticipate that, sometime in the second quarter of 2024, we will require you to run Successware in a new cloud-hosted environment and switch away from Advance2000. At that time, the monthly charge for Successware will increase; the new monthly charge will consolidate services that currently require franchisees to purchase through third party vendors. The consolidated billing is intended to increase predictability in pricing and reduce the number of invoices you receive in connection with using the software.~~

~~[*Remainder of page intentionally left blank*]~~

- As noted in Items 7 and 8, we have designated ServiceTitan as our exclusive approved supplier of the ServiceTitan Platform.

- We may also require that you purchase third party software or license software as a service (SaaS) (this could be email, QuickBooks, or other software) from us or our approved vendor list to support business activities and information/data integration to our systems. ~~You must pay to our designated vendor the then-current fee. The current Technology Fee is described in Item 6.~~

- You will be required to use in your Franchised Business a CRM platform that we designate. We may make materials and information related to the System Standards available to you through the CRM platform.

- You are required to implement industry-standard administrative, physical, and technical security measures and devices, including firewalls and anti-virus systems, to protect your systems and data from unauthorized access, acquisition, loss, destruction, disclosure or transfer. You are solely responsible for protecting the Franchised Business from viruses, computer hackers and other communications and computer-related problems. You must update and patch your systems, at your expense, as the software and technology vendors release them to ensure your computer system is adequately protected from cyber threats. You may buy the firewall protection system, the virus protection and the content management software programs from any company that sells them. You will be solely responsible for data and data breaches and the associated risks and liability, even if we recommend a vendor. If you refuse to purchase any required security products, we may purchase them for you and you must reimburse us. You are also required to use best efforts to verify that your suppliers, lenders, landlords, customers, and governmental agencies are reasonably protected. In the event of a known or suspected security breach, you agree to notify us promptly and comply with applicable laws and any instructions from us regarding response to the breach.

- You are required to maintain your technology systems in good working order at all times. The vendors of the required systems, including ~~Successware~~ServiceTitan, generally provide maintenance and upgrades as part of your ongoing ~~support fees (see Item 6). Except for Successware's support of the Successware software, neither~~fees. Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades, or updates. You will bear all costs of maintenance, repairs, upgrades, or updates. We estimate the total annual cost of optional or required maintenance, updates, upgrades, and support will be approximately $290 to $1,000 per year.

We anticipate the cost to purchase or lease a computer system and software meeting the above requirements will range from approximately ~~$3,587 to $7,381 (assuming 11 technicians utilizing the Successware software)~~$2,100 to $5,500 if you do not already have the necessary system and software.

Our system requirements and specifications may evolve over time. You must promptly update and upgrade your systems as we require, at your own expense. There is no contractual limitation on the frequency and cost of this obligation. We have the right to change to a different vendor for all of these systems and, in some cases, required items may only be available through us and/or designated vendors.

Data Access. We have the right to independently access (i) the systems that we require you to use in the operation of your Franchised Business from time to time, and/or (ii) any other systems that you use to store or process Confidential Information or to display the Marks and/or Proprietary Products to others. We also have the right to require you to deliver business data to us. We can use (and may authorize others to access and use) franchisees' business data to, among other uses: (i) verify sales; (ii) monitor progress of Franchised Businesses, including compliance with Minimum Performance Requirements; (iii) prepare a financial performance representation for our disclosure document; and (iv) share vendor and supplier pricing data with our affiliates. There is no contractual limitation on our right to receive or use this information.

We own and have the right to access all Customer Data (defined in Item 14), in whatever form existing, and wherever stored. Because we own the Customer Data, we can (subject to applicable law) share

it with our affiliates, service providers, contracted third parties, or any other person, for any purpose, without notifying or compensating you, both during and after the term of the Franchise Agreement, including marketing and cross-selling products and services. Whenever we request, and without request upon termination or expiration of your Franchise Agreement, you must promptly deliver all Customer Data in your possession or control, without retaining any of it in any media. You may not sell or disclose to anyone else any personal information or aggregated or non-aggregated Customer Data without first obtaining our written consent. In the event of an approved sale of the Franchised Business to a new owner who will continue to operate the Franchised Business under an agreement with us, you are required to transfer the Customer Data to us and we will transfer the Customer Data to the new owner, or we may require you, in our sole discretion, to transfer the Customer Data directly to the new owner.

If permitted by applicable law, we may monitor your e-mail, or other electronic communications and may disclose this information if we have a good faith reason to believe it is necessary for the purposes of ensuring your compliance with the Franchise Agreement or protecting our rights, property and interests (or those of our affiliates and franchisees and customers of our franchisees). As you use the MISTER SPARKY website, you may receive, access or use information, materials, graphics, software, data and content originated by us or other parties. We may terminate or suspend your access to, and listing or related information on, the MISTER SPARKY website at any time. Upon termination or suspension, your right to use the MISTER SPARKY website will immediately cease and any information you may have stored on the MISTER SPARKY website may no longer be accessible or available for retrieval. You are required to provide us with any information or material we deem necessary to comply with applicable law to promote your Franchised Business on the MISTER SPARKY website.

Operations Manual

The Table of Contents of the Operations Manual is in Exhibit H to this disclosure document. The Operations Manual has 691 pages.

ITEM 12
TERRITORY

Your franchise is granted for the Approved Location only. You may not relocate your business premises without our prior written approval. Relocation must be to a location within your Territory (described below). If you ask to relocate, we will evaluate your request using the same standards that we apply to reviewing the proposed location of new Franchised Businesses. Unless otherwise agreed in writing, relocation does not change your Territory.

You will have a protected territory ("**Territory**") during the term of your Franchise Agreement, provided you are in full compliance with the terms of the Franchise Agreement, including certain Minimum Performance Requirements (described below) and your obligation to primarily service customers in your Territory. "**Protected**" means that we will not operate a business under the Marks and the System in the Territory or authorize others to operate Franchised Businesses within the Territory, except as described below. This does not prohibit us from advertising or soliciting in your Territory for the purpose of recruiting prospective employees or independent contractors.

You do 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.

Typically, your Territory is based on total population blocks of approximately 200,000 individuals and defined using postal zip codes present at the time your Territory is defined, although it can vary. 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 in Appendix A to your Franchise Agreement.

We and our affiliates retain all rights not expressly granted to you in the Franchise Agreement. Among other things, regardless of the proximity to or the effect on your Franchised Business, we and our affiliates can:

- establish, operate, franchise, and license others to operate businesses under the Marks at any location outside of the Territory;

- operate a business under the Marks inside the Territory if: (i) we (or our affiliate) ~~is~~are operating a business under the Marks in the Territory as of the date you sign the Franchise Agreement; or (ii) we have notified you before you sign the Franchise Agreement that we (or our affiliate) ~~intends~~intend to operate a business under the Marks in the Territory;

- use the Marks in other lines of business, anywhere in the world;

- operate and ~~to~~ grant to others the right to operate, similar businesses or any other businesses offering similar or dissimilar products and services through similar or dissimilar channels of distribution, at any locations inside or outside the Territory, under trademarks or service marks other than the Marks;

- develop, manufacture, have manufactured, advertise, market, sell and distribute, at retail or wholesale, and license others to manufacture, sell or distribute, goods or services that are identical or similar to and/or competitive with those provided at your Franchised Business, whether under the Marks or any other name or mark, through dissimilar channels of distribution, including but not limited to through the internet, mobile applications, telemarketing, retail stores, and wholesale clubs, or other distribution outlets (other than Franchised Businesses) both inside and outside the Territory;

- establish and operate, and to grant others the right to operate, businesses offering dissimilar products and services both inside and outside the Territory under the Marks; and

- acquire, be acquired by, or merge with other brands or outlets, even if the concepts or outlets are similar to the business operated under the System, and even if they have locations in the Territory. We will also have the right, in our sole discretion, to convert one or more outlets of the acquired, acquiring or merged brand to a Franchised Business within the Territory.

We have no obligation to compensate you in connection with any of these activities. ~~[*Remainder of page intentionally left blank*]~~

In addition, if you license a franchise territory that has an existing customer base due to out-of-territory sales by one or more existing franchisees, we may be obligated to allow the existing franchisee(s) the right to continue providing services to those customers for a period of time of up to twenty-four months (the "**Authorized Time Period**"). We will provide you with data provided to us by the existing franchisee(s) within forty-five (45) days after you sign your Franchise Agreement. After the expiration of the Authorized Time Period, any remaining customers in this group will be transitioned to you.

Activities Outside of the Territory. You may not perform services or sell products related to the Franchised Business outside of the Territory without our prior written consent, which we may give and withdraw as we deem appropriate, and which we may condition on you obtaining a separate phone number or other requirements. You may not solicit or advertise to customers outside of the Territory without our permission. "**Solicit**" includes, but is not limited to, solicitation in person, by telephone, by mail, through the internet, social media, email or other electronic means, and by distribution of brochures, business cards or other materials or any other advertising. If any solicitation of customers within the Territory is in media that will or may reach persons outside of the Territory, you are required to notify us in advance and obtain our consent. If you receive a request for services or products from outside the Territory, you are required to refer that request to the Franchised Business located in the applicable territory (or to us or our affiliate, if we have not assigned the applicable areas outside of your Territory to a Franchised Business). However, under certain limited circumstances, you may process a request from outside of the Territory if the requested service is permitted under our policies or otherwise approved by us. If we permit you to advertise, solicit, service or sell in areas outside of the Territory that are not serviced by another Franchised Business or by us (or our affiliate), you will be required to comply with all of the conditions and other requirements that we may from time to time specify in the Brand Standards Manuals or otherwise in writing with respect to such activities. We may at any time condition your continued out-of-Territory sales and services on your agreement to license the franchise rights for the territory in which the sales and services are being performed. At any time upon our demand or upon notice from us that the territory in question has been assigned to another Franchised Business, you must immediately cease all activities in that territory and comply with our procedures for the transition of customer accounts for that territory.

Any violation of our policies on out-of-Territory sales and services is a material breach of ~~this~~the Franchise Agreement. In addition, if the violation is infringement on a territory that has been assigned to another Franchised Business, we may charge you our then-current Territory Infringement Fee (see Item 6). On the fourth violation or any subsequent violation, we will have the right to terminate the Franchise Agreement, effective immediately upon delivery of written notice to you, whether or not you have paid the Territory Infringement Fee for any or all of the violations.

Under no circumstances will we be liable to you for violations by other Franchised Businesses of our policies on out-of-Territory sales and services.

Key Accounts. We may from time to time enter into agreements to provide services to customers as part of a national, regional or key account program ("**Key Accounts**") at locations which include locations within the Territory. To participate in the Key Accounts program, you must meet the following qualifications: (i) be in compliance with all agreements you have with us; (ii) submit all required documents to us, including but not limited to proof of insurance, a W-9 form, EIN notice, and any other documentation we may request and/or require from time to time; and (iii) satisfy any additional training requirements we designate as a condition of participation in the program. We may charge you a fee to participate in Key Accounts (see Item 6), and you must sign our then-current Key Accounts agreement (not applicable as of the date of this disclosure document).You must accept and perform the terms of such agreements (including, without limitation, special pricing, payment terms, timing of services, and central invoicing) with respect ~~of~~to locations within the Territory. Certain Key Accounts agreements may require you to pay rebates to the customer, which we will negotiate with the customer on a case-by-case basis. If you refuse to perform the

required services or we determine that your Franchised Business is not qualified, interested, able or available to perform the services, you are required to allow either our employee(s) or another franchisee to enter the Territory to perform the required services. In the case of an agreement under which the customer will pay a fixed amount for services at all locations listed in the agreement, we may allocate the fixed amount among the businesses performing the services.

Other Channels of Distribution. You may not offer products or services through any channel other than those we have expressly approved. If you request approval of any other distribution channel or type of outlet, we will consider the factors we deem appropriate, which may include the period of time you have been operating the Franchised Business, your sales volume, whether you have met quality standards and other benchmarks, and other standards that we may determine. You may not sell products to any vendor who would in turn sell to consumers.

Minimum Performance Requirements and Modifications to Your Territory. During the term of your Franchise Agreement, you will be required to meet certain minimum performance requirements (the "**Minimum Performance Requirements**"). Starting on the third anniversary of the Original Opening Date (defined in Item 11), the Franchised Business is required to achieve annual Gross Revenue of at least $300,000.

If you do not achieve the Minimum Performance Requirements, we will have the right to require you to implement a revenue improvement program, as we specify, which may include, among other things, engaging in specified marketing activities, by the conclusion of which you are required to achieve the Minimum Performance Requirements. If you still do not achieve the Minimum Performance Requirements after implementing a revenue improvement program, we will have the right to: (i) reduce the size of the Territory (with a corresponding adjustment in the Minimum Performance Requirements if the reduced Territory falls below our then-current standard territory size); or (ii) terminate your Franchise Agreement.

Although many of our franchisees have acquired MISTER SPARKY franchise rights for contiguous territories, we do not have an obligation to reserve contiguous territories for you. You do not receive an option, right of first refusal or similar rights to acquire additional franchises within your Territory or contiguous territories.

As noted in Item 1, we have several affiliates that offer franchises for other types of services under different trademarks. As of the date of this disclosure document, they do not sell goods or services similar to those of the MISTER SPARKY franchise, but some of their goods and services may be viewed as complementary to our brand's goods and services. You do not receive any rights with respect to the franchises offered by our affiliates. Neither we nor any of our affiliates have established any formal procedures to resolve conflicts that may develop among the affiliates concerning territory, customers, or franchisor support.

ITEM 13
TRADEMARKS

The principal trademarks we license you to use are the MISTER SPARKY mark and logo shown on the cover page of this disclosure document. The term "**principal trademarks**" means the primary trademarks, service marks, names, logos, and commercial symbols that you will use to identify the Franchised Business and does not include every trademark associated with the MISTER SPARKY brand. The term "**Marks**" is a broader term encompassing all of the marks we designate for the operation of MISTER SPARKY Franchised Businesses.

The following principal marks are registered on the Principal Register of the United States Patent and Trademark Office ("**USPTO**"):

Mark	Registration Number	Registration Date
MISTER SPARKY	2334568	March 28, 2000
MISTER SPARKY	5792073	July 2, 2019
MISTER SPARKY® AMERICA'S ON TIME ELECTRICIAN and Design	3534718	November 18, 2008
WE'RE ON TIME, YOU'LL SEE, OR THE REPAIR IS FREE!	3328568	November 6, 2007
COLOR RED (used over truck)	3518891	October 21, 2008
AMERICA'S ON TIME ELECTRICIANS	3214389	February 27, 2007
LOOK FOR THE BIG RED TRUCK	4003332	July 26, 2011
HOME OF THE BIG RED TRUCK	4003331	July 26, 2011
BIG RED TRUCK	4042749	October 18, 2011

All required affidavits and renewals have been filed for the Marks listed above.

We also claim common law rights to the Marks, and other terms and phrases used regularly in our System. We also claim common law rights to our designs, logos and trade dress items, including color schemes and appearance.

By participating in the customer complaint resolution program of our affiliate, UWIN, you also receive the right to use the Marks "UWIN", "U•WIN", "A GUARANTEE OF SERVICES YOU CAN TAKE TO THE BANK!", "UWIN and (SEAL) Design", and related Marks. These Marks are owned by AB Assetco.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or of any court, nor is there any pending infringement, opposition or cancellation proceedings or any pending material litigation involving the principal Marks. There are no agreements currently in effect that significantly limit our right to use, or to license the use of, the principal trademarks in a manner material to the franchise.

We do not know of any superior prior rights or infringing uses that could materially affect your use of the principal trademarks in your state.

You must follow our rules ~~and operating procedures~~ when ~~you use~~using our Marks. You may not use any of the Marks as part of your corporate or legal name, business organization or trade name, as part of an internet domain name or URL, or in connection with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified form as otherwise prohibited in the Brand Appendix. You must get our prior written approval of your company name before you file any registration documents. Guidelines regarding proper trademark use and notices are in the Operations Manual and will be updated periodically ~~in~~at our discretion. You may use the Marks to promote and to offer for sale only the products and services that we have approved, and not use any Marks in association with the products, materials or services of others or in any other manner that we have not expressly approved.

You must notify us promptly of any unauthorized use of the Marks that you suspect or of which you have knowledge. You also agree to inform us promptly of any challenge to the validity of, our ownership of, or our right to license others to use any of the Marks. We have the exclusive right (but no obligation) to initiate, direct and control any litigation or administrative proceeding relating to the Marks, including any settlement. The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Marks. However, if we request you to join in any action, we will bear all of your out-of-pocket costs for such participation.

You agree to sign documents and render any other assistance our counsel may deem necessary to protect our interests in the Marks. If we replace, add to, modify, or discontinue any of the Marks, you must make corresponding changes as we direct. If this happens, you are responsible for the costs of compliance (for example, changing letterhead and business cards).

You are required to operate, advertise, and promote the Franchised Business only under the Marks. In conjunction with any use of the Marks, you are required to conspicuously identify yourself in all dealings with customers, employees, contractors, landlords, vendors, suppliers, reporters, public officials, and others as an independent franchisee operating under authority of this Agreement. You are required to display a prominent notice, in a form that we may prescribe, in the premises of the Franchised Business and on all business cards, stationery, advertising, signs, vehicle wraps, invoices, and other public-facing materials, identifying us as the owner of the Marks and stating that you are a licensed user of the Marks. All legal documents, contracts, invoices, payroll forms, purchase orders, filings, permits, licenses, and other materials between you and customers, employees, contractors, landlords, vendors, suppliers, government agencies, and other third parties must identify you by your own company or legal name and, if the document requires a signature, be signed by you in your own company or legal name.

You must not directly or indirectly contest our rights to the Marks, copyrights, domain names, patents, trade secrets or business techniques that are part of our business, or instruct or assist any third party to do so, directly or indirectly.

All use of the Marks in electronic commerce, which includes all forms of electronic or computer communication, including your page on the MISTER SPARKY website, must comply with our requirements described in the Operations Manual. We have the right to designate one or more pages on our website to describe your Franchised Business. We may, in our sole and absolute discretion, provide links among our website and our franchisees' websites. We require that various types of marketing or advertising utilize a specific template or format. You must provide us with copies of all proposed applications for registration of any of the Marks or any variations for use in electronic commerce, including your internet or website address and domain name. You must obtain our prior written approval to file any such application, which approval we may withhold in our sole and absolute discretion. You may not, directly or indirectly, register, reserve, or use any domain names, metatags, key words, or social networking names, handles, usernames,

or designations that incorporate any of our Marks or any portions or variations of the same, or terms used in any of the same, without our prior written approval to use, register or reserve the same, which shall be owned by us whether or not you have sought or been granted such permission. The authorization and non-exclusive license granted to you to use the Marks imparts to you no ownership of the Marks and no rights whatsoever other than those expressly granted pursuant to the terms of the Franchise Agreement.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents. ~~We do not own any~~There are no patents or patent applications that are material to the franchise.

~~*Copyrights*. Our affiliate, Successware, claims common law copyright protection in the Successware software.~~*Copyrights.* We claim common law copyright protection in the Operations Manual, our advertising material, websites, mobile apps, promotional letters and forms, educational and training material, and other works used in operating the Franchised Business (the "**Works**"). We also own a copyright registration with the United States Copyright Office for the following Works:

Title	Copyright Reg. No./Date	Type of Work	Expiration Date
Mister Sparky Logo	VA0001951831 / 2015-03-04	Design/Visual Material	December 31, 2103
Mister Sparky OpX	TX0008241769 / 2016-02-01	Text	December 31, 2109

We intend to renew the copyright registrations referenced in the table above.

There are no current material determinations of the United States Patent and Trademark Office, the United States Copyright Office, or any court regarding the copyrights described in this Item. We know of no patent or copyright infringement that could materially affect your use of the copyrights in your state.

We have no contractual obligation to protect the copyrights, to defend you against claims arising from your use of copyrighted items, or to indemnify you for expenses or damages in a proceeding involving a copyright licensed to you. However, we may take any of these actions voluntarily.

You must notify us immediately when you learn about an infringement of, or challenge to, the copyrights. We will take the action we think is appropriate. We and our affiliates reserve the right to control any litigation involving our copyrights. You must cooperate fully in prosecuting, defending, or settling any litigation.

We may modify or discontinue use of a patent or copyright at any time. If we do so, you must also modify or discontinue use as directed by us, at your expense and within the specified time period. The Franchise Agreement does not give you specific rights in these circumstances.

Proprietary Information. We claim proprietary rights in all Confidential Information, as defined in the Franchise Agreement, including the financial, local marketing, operating and scheduling software systems (which we reserve the right to change from time to time) identified in the Operations Manual; the standards, methods, procedures and specifications of the System; and the contents of the Operations Manual. You must maintain the absolute confidentiality of the Confidential Information both during the term and after the termination or expiration of the Franchise Agreement and not disclose any of the Confidential Information for any reason except as permitted by the Franchise Agreement. You can disclose the Confidential Information to your owners, officers, directors, members, partners, manager and

employees only to the extent necessary for the operation of the Franchised Business in accordance with the Franchise Agreement. You further agree not to use any of the Confidential Information, directly or indirectly, in any other business or in any other manner or obtain any benefit from it not specifically approved in writing by us both during the term of the Franchise Agreement or afterwards. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Operations Manual.

You must notify us immediately if you learn about an unauthorized use of proprietary information. We are not obligated to take action, and we have the sole right to decide the appropriate response to any unauthorized use of proprietary information.

All data that you collect from customers and potential customers in connection with the Franchised Business during the term of the Franchise Agreement ("**Customer Data**") is our proprietary information and property, and you must provide the Customer Data to us at any time that we request. We reserve the right to require that you provide us with remote access to your computer systems and all data related to the Franchised Business stored therein, in a manner that meets our System Standards and specifications. You have the right to use Customer Data while the Franchise Agreement or a renewal Franchise Agreement is in effect, but only in connection with operating the Franchised Business and only in accordance with the policies that we establish from time to time. You may not sell, transfer, or use Customer Data for any purpose other than operating and marketing the Franchised Business. In the event of an approved sale of the Franchised Business, to a new owner who will continue to operate the Franchised Business under an agreement with us, you are required to transfer the Customer Data to us and we will transfer the Customer Data to the new ~~the~~ owner, or we may require you, in our sole discretion, to transfer the Customer Data directly to the new owner. At the expiration or termination of the Franchise Agreement for any reason, you will promptly turn over to us the Customer Data and make no further use of it for any purpose. Since your business relationship with customers is attributable solely to the Marks and the goodwill associated with the Marks, all such business relationships with all customers will revert to us and become our sole and exclusive property upon termination or expiration of the Franchise Agreement.

You may not introduce any "**Improvement**" (defined as any change, idea, innovation, concept (including any advertising slogan or idea), product, process, or improvement that may enhance or improve the System) into the Franchised Business without our prior written consent. Any Improvement developed by you or any owner, employee or agent is deemed to be our property. At our request, you must provide us with information about the Improvement and sign any documents necessary to verify assignment of the Improvement to us, without compensation. We will have the right to use, disclose, and/or license the Improvement for use by others.

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

You must designate an individual who will be responsible for the day-to-day operational performance of the Franchised Business and who has the authority to bind the Franchisee in all decisions regarding the Franchised Business (the "**Key Person**"). The Key Person (a) need not be an Owner of the Franchised Business, (b) must successfully complete our Training Program described in Item 11, and (c) must work on premises at your business office.

We have the right to rely on any statement, agreement, or representation made by the Key Person on your behalf. The Key Person must certify your financial statements as correct and complete to the best of the Key Person's knowledge. If the Key Person leaves your organization, you must nominate a replacement within 30 days, and if you have not obtained our approval of a replacement within 90 days, you will be in material default of the Franchise Agreement.

If the Franchisee is or will be a business entity, all of its Owners (whether or not they are involved in the operation of the Franchised Business) who own five percent or greater interest in the business entity must sign the Personal Guarantee attached to the Franchise Agreement, making each Owner individually liable for all obligations under the Franchise Agreement. If any of your Owners is also a business entity instead of an individual, we have the right to require that the Personal Guarantee be executed by individuals and any other business entities that have direct or indirect ownership in the Franchisee.

The spouse of an Owner is not required to sign a Personal Guarantee if the spouse has no ownership interest in the business entity. However, the spouse will be required to sign a Spouse Acknowledgement, by which the spouse acknowledges that we are relying on all assets of the guarantor, including jointly owned marital property, in accepting the guarantor's obligations. The Spouse Acknowledgment is attached to the Franchise Agreement. The spouse also agrees to be bound by the non-competition and non-disclosure restrictions, dispute resolution provisions, and governing law provision contained in the Franchise Agreement.

Some state, county or municipal Electrical Services regulations may require that the Owner of an Electrical Services company have applicable licenses.

At our request, the Owners, Key Person, officers, directors, limited liability company managers and/or members, and executives that we designate are required to sign a separate Confidentiality and Non-Compete Agreement (the form of which is attached to the Franchise Agreement). In addition, you and the Owners authorize us to run credit and background checks and to make inquiries of your bank, suppliers, and trade creditors concerning the Franchised Business.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You are required to offer and sell all products and services that we designate as required items for MISTER SPARKY businesses. You may also offer for sale any optional products and services that we have approved for sale in the Franchised Business. You are prohibited from offering any unapproved products or services without our prior written consent, and you must discontinue selling or offering for sale any products or services that we disapprove at any time. You primarily will be targeting homeowners as customers.

Approved or designated required products may include electrical maintenance, repair, and equipment replacement services, all of which must be performed in accordance with the specifications in the Operations Manual or the System Standards.

We have the right to add products or services that you must offer. There are no contractual limits on our right to do so. We will have the right to determine if services offered are appropriate for your Franchised Business.

Warranty and Service Plans. You are required to provide the MISTER SPARKY customer warranty and satisfaction guarantee to each customer and comply with the requirements of the warranty/guarantee program, as set forth in the Brand Appendix and/or the Operations Manual. You are also required to offer our Club Membership, a service plan for cleaning and general maintenance.

The home warranty and service plans are subject to various state and local regulatory requirements and approvals, and, as such, may not be available to all franchisees, or if available, may not be available to all franchisees on the same terms or in all locations.

We intend to expand the products available to your customers. We reserve the right to provide you with the materials needed to establish and maintain a service club for customers of your Franchised Business, to the extent service clubs are permitted by applicable law. Similarly, we reserve the right to provide you with the materials needed to offer your customers repair and replacement plans through our affiliates. The service club and the repair and replacement plans may be expanded to offer maintenance products delivered directly to customers of your Franchised Business via mail, electronic communications, courier service, or other methods.

You may not offer products or services through any channel other than those we have expressly approved. If you request approval of any other distribution channel or type of outlet, we will consider the factors we deem appropriate, which may include the period of time you have been operating the Franchised Business, your sales volume, whether you have met quality standards and other benchmarks, and other standards that we may determine. You do not receive the right to sell products to any vendor who would in turn sell to consumers.

In the marketing and operation of the Franchised Business, you must use only the customer contracts, waivers, and/or other forms we designate from time to time. We may provide templates or sample forms of such items, but it is your responsibility to have all items which are to be used with prospective and/or actual customers reviewed by an attorney licensed to practice law in the state(s) where the Franchised Business is operated, for compliance with all applicable state and local legal requirements. We do not represent that any contracts, waivers and/or other forms and/or materials we supply are in compliance with the laws of any particular state(s) or locality.

You must provide services for any Key Accounts with locations in your Territory (see Item 12). If you refuse to perform the required services, or if we determine that your Franchised Business is not qualified, interested, able or available to perform the services, you are required to allow us or another franchisee to service the Key Account.

You may not perform services or sell products related to the Franchised Business outside of your Territory without our prior written consent, which we may give and withdraw as we deem appropriate. We may condition approval on, among other things, you obtaining a separate phone number or other requirements. You may not solicit or advertise to customers outside of the Territory without our permission. "**Solicit**" includes, but is not limited to, solicitation in person, by telephone, by mail, through the internet, social media, email or other electronic means, and by distribution of brochures, business cards or other materials or any other advertising. Please see Item 12 for further details.

You may be required to participate in programs relating to gift cards, gift certificates, stored value cards, online or mobile coupons or credits, online or mobile ordering systems, and other electronic money programs we prescribe for Franchised Businesses. Participation includes both issuing program benefits or credits and accepting them for payment by customers and may require you to purchase additional equipment. We will have the right to coordinate the crediting and debiting of funds among Franchised Businesses based on customer purchases and redemption of stored value. You are also required to participate in any customer loyalty programs we prescribe. You may not offer your own gift card, electronic money, or loyalty program for the Franchised Business without our prior written approval.

~~[*Remainder of page intentionally left blank*]~~

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

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 3	10 years
b. Renewal or extension of the term	Section 19	You can renew the Franchise Agreement for one additional term of 10 years if you meet certain conditions.
c. Requirements for you to renew or extend	Section 19	Conditions include: Written notice of your desire to renew; no default; good record of customer service and compliance with Brand Standards; on good terms with us, including no litigation or other adversarial legal proceedings with us; at our option, sign our then-current form of Franchise Agreement; pay renewal fee; sign general release of claims against us (Exhibit D to this disclosure document); meet our training requirements; demonstrate right to remain in the Approved Location for the renewal term; remodel, refurbish, or renovate your vehicles and premises; and update computer systems and vehicles. The successor Franchise Agreement may contain terms that are materially different from your expiring Franchise Agreement, such as different fee requirements.
d. Termination by you	Not applicable.	No Franchise Agreement provision. However, if the law sets forth termination rights, you can terminate in accordance with such law.
e. Termination by us without cause	Not applicable.	
f. Termination by us with cause	Section 16	See g. and h. below. In addition, your default under any other agreement that you or an affiliate has with us or our affiliates will constitute a default, subject to any applicable provisions for notice and cure set forth in the other agreement.

Provision	Section in Franchise Agreement	Summary
g. "Cause" defined - defaults which can be cured	Sections 16.2, 16.3, 16.6 and 16.7	You have 15 days to cure non-payment and 30 days to cure other defaults, except for those described in h. below. We have a "step in" right if you fail to cure a default within the applicable cure period (if any). This clause gives us the right, but not the obligation, to assume temporary management of the Franchised Business using our own employees or contractors (which may include other franchisees) until we determine that the default has been cured. If we exercise the step-in right, you must pay us (or our designee) a fee of up to $500 per day and reimburse us (or our designee) for all costs and overhead incurred in connection with the temporary operation of your Franchised Business, including the costs of our personnel and their travel and lodging. In addition, you must indemnify us against any fines, claims, suits or proceedings which may arise out of our operation of the Franchised Business. The step-in right does not preclude our right to terminate the Franchise Agreement if your default is not cured. We also have certain other pre-termination options if you are in default. They include: removing the Franchised Business from listings of our locations, prohibiting you from attending brand meetings, suspending access to the Call Center and technology platforms, and suspending other services. These actions are in addition to our right to terminate and/or bring a claim for damages.

Provision	Section in Franchise Agreement	Summary
h. "Cause" defined – non-curable defaults	Section 16.1	Non-curable defaults include: failure to obtain an Approved Location or to open for business by deadline; failure to complete pre-opening training to our satisfaction; unauthorized closing; loss of premises or right to do business; refusing inspection or access to records; operating Competing Business (see q. below); unapproved transfer of ownership or business assets; knowing misuse or disclosure of our confidential information; maintaining false books, underreporting sales, engaging in fraud or embezzlement, or misappropriating employee funds; conviction of felony or certain other crimes; insolvency, receivership, or dissolution of your business entity or loss of business license; if Franchisee or any Owner appears on a list of "blocked" persons under any anti-terrorism or similar law; breach of essential provision; failure to maintain required insurance; failure to attempt to contact a complaining customer or to resolve customer complaint; Key Person, Owners of Franchisee, and/or your employees, as designated by us (collectively, "**Designated Franchisee Representatives**") or a Qualified Substitute's failure to attend our annual convention for three consecutive years; failure to conduct background checks; repeated defaults even if cured; unauthorized use of the Marks or engaging in conduct we reasonably believe threatens to impair the Marks or our reputation, and not curing within 24 hours after notice from us; violating health, safety, or sanitation law or operating the Franchised Business in a manner that presents a health or safety hazard to your employees, customers or the general public; four or more territory infringement violations even if Territory Infringement Fee is paid.
i. Your obligations on termination/non-renewal	Sections 16.8 and 17	We have the option to assume your lease (if any), buy the business assets, and take over your customer contracts. If we do not exercise these options, your obligations include ceasing to operate the Franchised Business, complete de-branding, deactivating or transferring domain name registrations and social media accounts for the Franchised Business, transferring your business telephone number and listings to us, paying all amounts due, returning all of our materials, and complying with confidentiality and non-compete restrictions, among others (also see o. and r. below). If termination was based on your default, you must also pay us liquidated damages (see Item 6).

Provision	Section in Franchise Agreement	Summary
j. Assignment of contract by us	Section 15.8	No restriction on our right to assign.
k. "Transfer" by you – definition	Section 15.1	Restrictions apply to transfers of any direct or indirect interest in the Franchise Agreement, in the assets of the Franchised Business, or in the equity ownership of Franchisee (if the Franchisee is a corporation or other entity).
l. Our approval of transfer by franchisee	Section 15.1	We have the right to approve all transfers.
m. Conditions for our approval of transfer	Sections 15.2 and 15.3	We can impose any reasonable conditions, including: no default exists; proposed transferee meets our qualifications, signs our then-current Franchise Agreement (and owners sign our personal guarantee), successfully completes training, makes arrangements to upgrade the business to our current standards, and, if a current franchisee at another location, is not in default and signs a general release; you pay transfer fee (plus any applicable third-party broker fee) and sign release of claims against us (Exhibit D to this disclosure document); price and terms do not harm viability of Franchised Business; and any financing is subordinated to obligations to us.
n. Our right of first refusal to acquire your business	Section 15.6	We have the right to match any offer that would result in a change of control of the Franchised Business, except in the case of transfer to a spouse and/or adult children.
o. Our option to purchase your business	Section 17.1	No option except upon expiration or termination of the franchise. See i. above.
p. Your death or disability	Section 15.4	Your executor or personal representative must apply to us within three months to transfer the interest of the deceased or incapacitated person to an approved party and must complete transfer within one year. If the deceased or incapacitated person is the Key Person, we have the right to manage the Franchised Business until the transfer is completed.

Provision	Section in Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise	Section 14.1	No involvement in "**Competing Business**," defined as a business that (i) offers electrical products or services or other products or services similar to those offered by the Franchised Businesses, or (ii) grants franchises or licenses to others to operate such businesses, or (iii) is the same or substantially similar in nature or purpose to the Franchised Businesses (other than a "MISTER SPARKY" business operated under a Franchise Agreement with us). This is subject to state law.
r. Non-competition covenants after the franchise is terminated or expires	Section 14.2	No involvement with Competing Business for two years after expiration, termination, or approved transfer of the franchise. Applies if the Competing Business is located or serves customers (i) within the Territory, (ii) within forty (40) miles of the Territory, (iii) within any zip code where the Franchised Business served customers during the term, (iv) within the territory of any other then-existing Franchised Businesses plus the area formed by extending the boundaries of that territory ten (10) miles in all directions, or (v) within the territory serviced by any business operated under the Marks by us or our affiliates, plus the area formed by extending the boundaries of that territory ten (10) miles in all directions. This is subject to state law.
s. Modification of the agreement	Section 22.12	Modifications must be in writing signed by both parties, except that we have the right to change the Brand Standards Manuals.
t. Integration/merger clause	Section 22.12	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). However, this clause will not be treated as a disclaimer of our representations in this disclosure document. Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.

~~u. Dispute resolution by arbitration or mediation~~	~~Sections 23.2, 23.3 and 23.4~~	~~With the exception of actions for provisional relief, to collect fees due under the Franchise Agreement, to seek an injunction, to protect our intellectual property, to terminate the Franchise Agreement for default, and to enforce post-term obligations, we, you, and the Owners must arbitrate all disputes in Columbia, Maryland.~~
Provision	**Section in Franchise Agreement**	**Summary**
u. Dispute resolution by arbitration or mediation	Sections 23.2, 23.3 and 23.4	With the exception of actions for provisional relief, to collect fees due under the Franchise Agreement, to seek an injunction, to protect our intellectual property, to terminate the Franchise Agreement for default, and to enforce post-term obligations, we, you, and the Owners must arbitrate all disputes in Columbia, Maryland. All of these provisions are subject to state law in your state.
v. Choice of forum	Section 23.6	Subject to the arbitration requirement, you and the Owners must file any suit against us in federal court in the district where our headquarters is located at the time the suit is filed (currently Columbia, Maryland). We can sue you in federal or state court in the district where our headquarters is located at the time the suit is filed or where the Franchised Business is located. You and we both waive the right to trial by jury and the right to seek punitive damages. All of these provisions are subject to state law in your state.
w. Choice of law	Section 23.1	Maryland law applies (subject to state law).

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote the sale of 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.

In this Item, we present historical information for MISTER SPARKY Franchised Businesses for the 2023 fiscal year. The explanatory notes following the tables are an important part of the information presented. As of December 31, 2023, we had 57 franchisees operating in 163 Territories.

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Tables 1 and 2 present information on 40 franchisees (representing 118 Territories) that were in operation for the entire 2023 fiscal year. Excluded from these Tables are 10 franchisees (representing 31 territories) that opened in 2023 and 4 franchisees (representing 6 Territories) that ceased operations during the 2023 fiscal year. None of these franchised outlets had been open for less than 12 months when they closed. The Tables also exclude 2 franchisees (representing 2 Territories) that did not report revenue in fiscal year 2023 and 5 franchisees (representing 12 Territories) that use a business software system other than Successware and thus did not follow the same reporting procedures as the included franchisees. We have no reason to believe the results for this excluded group are atypical, but for data integrity we cannot combine them with results reported via Successware. See Note 3 to Table 1 for the definition of Gross Revenue.

TABLE 1

Gross Revenue by Territory, by Quartile
for the Fiscal Year Ended December 31, 2023

Quartile	Number of Franchisees in Group (1)(2)	Number of Territories in Group (1) (2)	Aggregate Gross Revenue of Territories for Group (3)	Average Gross Revenue per Territory in Group (4)	Highest Gross Revenue of Territories in Group	Lowest Gross Revenue of Territories in Group	Median Gross Revenue of Territories in Group	Number of Territories Exceeding Group Average	Percent of Territories Exceeding Group Average
Top 25%	10	14	$51,737,801	$3,883,885	$5,223,563	$2,976,712	$3,686,415	5	36%
2nd Quartile	10	49	$96,851,349	$1,995,811	$2,884,548	$1,055,020	$2,006,207	11	22%
3rd Quartile	10	19	$12,110,853	$690,411	$1,016,067	$427,187	$654,985	7	37%
Bottom 25%	10	36	$8,119,588	$248,050	$363,051	$48,640	$246,331	14	39%
TOTALS	**40**	**118**	**$168,819,590**	**$1,430,674**	**$5,223,563**	**$48,640**	**$1,016,067**	**62**	**53%**

Notes:

(1) The table reports 40 franchisees, ranked in order of highest Average Gross Revenue Per Territory to lowest Average Gross Revenue per Territory.

(2) In some cases, a franchisee may have increased or decreased its number of Territories during the fiscal year. For purposes of the Table, we include all of the Territories operated by a franchisee that were operated during any time in the 2023 fiscal year.

(3) Total Gross Revenue of the Territories in the quartile, as reported by those franchisees. The term "**Gross Revenue**" is generally defined in the applicable forms of franchise agreement as all revenue from the sale of products and services and all other income of every kind related to the Franchised Business, whether for cash, credit, trade, barter or other value and regardless of collection in the case of credit and even if you have contracted with third parties to provide certain of the services, less any bona fide refunds given to customers in the ordinary course of business. Gross Revenue also includes amounts billed to insurance or government programs. Further, Gross Revenue includes all revenue related to the sale of any products and the performance of any services (whether or not the products or services are approved by us) that are provided using any portion of the Franchised Business in any manner, including the Marks (such as service vehicles, invoices, and uniforms bearing the Marks), the System, Confidential Information, any

of the employees of the Franchised Business, or the telephone number of the Franchised Business. Gross Revenue is not reduced on account of any fees or commissions you pay to third parties who refer customers. The Gross Revenue data for a franchisee may include sales in "open" Territory, that is, territory that had not been awarded to a franchisee.

(4) The averages reported in the table are calculated by adding the aggregate Gross Revenue and dividing by the number of the Territories in the respective quartile.

TABLE 2
Gross Revenue of Franchisees, by Quartile
for the Fiscal Year Ended December 31, 2023

Quartile	Number of Franchisees in Group [1]	Number of Territories in Group	Aggregate Gross Revenue for Group [2]	Average Gross Revenue for Franchisees in Group [3]	Highest Gross Revenue of Franchisees in Group	Lowest Gross Revenue of Franchisees in Group	Median Gross Revenue of Franchisees in Group [4]	Number of Franchisees Exceeding Group Average	Percent Exceeding Group Average
Top 25%	10	53	$123,441,179	$12,344,118	$64,680,101	$4,668,230	$6,622,489	1	10%
2nd Quartile	10	27	$27,994,988	$2,799,499	$4,448,845	$1,814,939	$2,820,872	5	50%
3rd Quartile	10	23	$12,513,765	$1,251,376	$1,809,046	$873,142	$1,158,120	5	50%
Bottom 25%	10	15	$4,869,659	$486,966	$854,375	$97,279	$507,464	5	50%
TOTALS	**40**	**118**	**$168,819,590**	**$4,220,490**	**$64,680,101**	**$97,279**	**$1,809,046**	**11**	**28%**

Notes:

(1) In some cases, a franchisee may have increased or decreased its number of Territories during the fiscal year. For purposes of the Table, we include all of the Territories operated by a franchisee that were operated during any time in the 2023 fiscal year.

(2) Total Gross Revenue of the franchisees in the quartile, as reported by those franchisees. See Note to Table 1 for definition of Gross Revenue.

(3) The averages reported in the Table are per franchisee, not per Territory. "Franchisee" refers to the business entity that signed the Franchise Agreement; some franchisees are under common ownership by the same individual or group of individuals.

(4) The medians reported in the Table are per franchisee, not per Territory.

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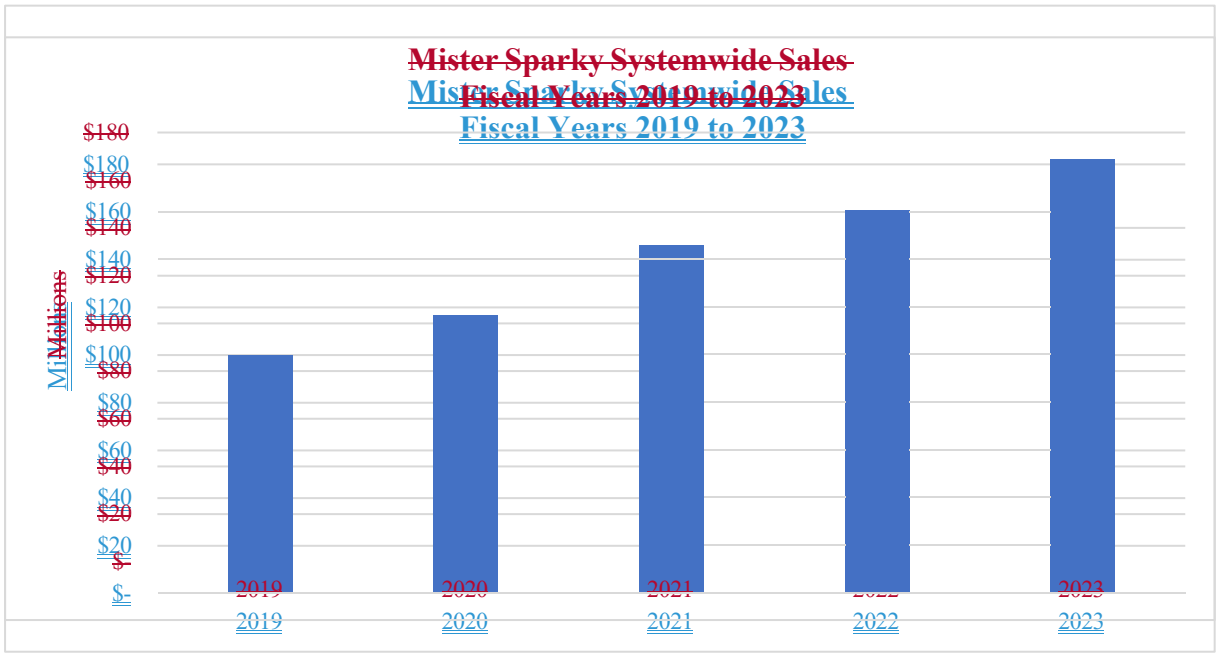
TABLE 3
Active Franchise Revenue Growth
(In Business and Reporting as of December 31, 2022 – December 31, 2023)

Table 3 below shows the total Gross Revenue growth between calendar years 2022 and 2023 for 43 franchisees that were in business and reporting revenue as of December 31, 2022 and as of December 31, 2023. These franchisees operated a total of 123 Territories during calendar year 2022 and during calendar year 2023. A franchisee was considered in business as of December 31, 2022 or December 31, 2023 if it reported Gross Revenue greater than $0 during the month of December 2022 or December 2023, respectively.

Year	Same Store Sales	Year-over-Year Growth	Same Store Sales Territory Count
2022	$156,312,352		123
2023	$165,252,888	5.7%	

TABLE 4

Table 4 sets forth the aggregate Gross Revenue ("**Systemwide Sales**") reported by all franchisees whose ~~businesses~~Franchised Businesses were operational for any part of the year (even as little as one month if the franchisee completed initial training in December of their initial year). See Note 3 to Table 1 for the definition of "Gross Revenue."



* * *

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

The financial information we utilized in preparing the preceding financial performance representations was based on information reported to us by franchisees.

Written substantiation for these financial performance representations will be made available to you upon reasonable request.

Other than the preceding financial performance representations, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Heather McLeod, Mister Sparky Franchising SPE LLC, 7120 Samuel Morse Drive, Suite 300, Columbia, MD 21046 and 410-740-1900, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
Systemwide Outlet Summary (1)(2)(3)(4)
For Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	97	115	+18
	2022	115	138	+23
	2023	138	163	+25
Company-Owned	2021	7	7	0
	2022	7	7	0
	2023	7	6	-1
TOTALS	**2021**	**104**	**122**	**+18**
	2022	**122**	**145**	**+23**
	2023	**145**	**169**	**+24**

Notes to all Item 20 Tables:

(1) Our fiscal year ends December 31. The figures in the tables are as of our fiscal year end each year.

(2) The figures are for the number of territories in operation at year-end. It is not uncommon for franchisees to own more than one Territory. Each franchise territory has a separate Franchise Agreement.

(3) As of December 31, 2023, there were 57 franchisees in operation; the number of territories in operation for each franchisee is shown in Exhibit F. See Table 5 below regarding territories that were not yet in operation under Franchise Agreements that had been signed as of year-end.

(4) As described in Item 1, we became the franchisor of the MISTER SPARKY system in May 2021. For each Table in this Item 20, the information relating to the period before May 2021 is from our predecessor.

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TABLE 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2021 to 2023[1]

State	Year	Number of Transfers
Alabama	2021	0
	2022	1
	2023	0
California	2021	1
	2022	0
	2023	0
Florida	2021	0
	2022	31
	2023	2
Kentucky	2021	0
	2022	0
	2023	6
Nebraska	2021	0
	2022	0
	2023	1
Oregon	2021	0
	2022	0
	2023	0
Texas	2021	0
	2022	1
	2023	0
Utah	2021	0
	2022	0
	2023	2
TOTALS	**2021**	**1**
	2022	**33**
	2023	**11**

Notes:

(1) States not listed had no transfers for years 2021, 2022, or 2023.

TABLE 3
Status of Franchised Outlets
For Years 2021 to 2023 (1) (2) (3)

State	Year	Outlets at Start of Year	Outlets Opened	Terminations (2)	Non-Renewals	Reacquired by Company	Ceased Operations For Other Reasons	Outlets at End of Year
Alabama	2021	2	0	0	0	0	0	2
	2022	2	3	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Arizona	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Arkansas	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
California	2021	3	2	2	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	6	0	0	0	0	9
Delaware	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Florida	2021	29	1	0	0	0	0	30
	2022	30	6	0	0	0	0	36
	2023	36	3	0	0	0	0	39
Georgia	2021	1	1	0	0	0	0	2
	2022	2	3	0	0	0	0	5
	2023	5	5	0	0	0	0	10
Illinois	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kentucky	2021	4	2	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations [2]	Non-Renewals	Reacquired by Company	Ceased Operations For Other Reasons	Outlets at End of Year
Louisiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
Maryland	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
Massachusetts	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Michigan	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Minnesota	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	1	0	3	0	0	1
Mississippi	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
Missouri	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nebraska	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
Nevada	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
New Jersey	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations [2]	Non-Renewals	Reacquired by Company	Ceased Operations For Other Reasons	Outlets at End of Year
New York	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	1	3
North Carolina	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	1	0	0	0	0	4
Ohio	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	2	0	0	0	0	3
Oklahoma	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Pennsylvania	2021	3	1	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Rhode Island	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
South Carolina	2021	3	0	0	0	0	0	3
	2022	3	2	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Tennessee	2021	2	0	0	0	0	0	2
	2022	2	2	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Texas	2021	17	9	0	0	0	0	26
	2022	26	0	0	0	0	0	26
	2023	26	1	0	0	0	0	27
Utah	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	7	0	0	0	0	9

State	Year	Outlets at Start of Year	Outlets Opened	Terminations [2]	Non-Renewals	Reacquired by Company	Ceased Operations For Other Reasons	Outlets at End of Year
Virginia	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
West Virginia	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TOTALS	**2021**	**97**	**20**	**2**	**0**	**0**	**0**	**115**
	2022	**115**	**23**	**0**	**0**	**0**	**0**	**138**
	2023	**138**	**31**	**0**	**3**	**0**	**3**	**163**

Notes:

(1) Multiple franchise territories operated from the same location are counted as separate outlets in this Table.

(2) States not listed had no franchisee-owned outlet activity for years 2021, 2022, or 2023.

(3) The "Outlets Opened" column in the table does not include outlets shown in the column headed "Franchise Agreements Signed But Outlet Not Opened" in Table 5 below. The latter are not included in Table 3 until the year the outlet opens.

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TABLE 4
Status of Company-Owned Outlets
For Years 2021 to 2023[1]

State	Year	Outlets at the Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Colorado	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	1	0	1
Georgia	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
Indiana	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Ohio	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
TOTALS	**2021**	**7**	**0**	**0**	**0**	**0**	**7**
	2022	**7**	**0**	**0**	**0**	**0**	**7**
	2023	**7**	**0**	**0**	**1**	**0**	**6**

Notes:

(1) States not listed had no Company-Owned Outlets for years 2021, 2022, or 2023.

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TABLE 5
Projected New Franchised Outlets as of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Open (1)	Projected New Franchised Outlet in the Next Fiscal Year (2)	Projected New Company-Owned Outlets in the Next Fiscal Year
California	2	2	0
Colorado	1	3	0
Illinois	2	0	0
Indiana	0	1	0
Kansas	0	3	0
Maryland	0	1	0
Minnesota	1	11	0
Missouri	0	1	0
Nebraska	0	5	0
New Hampshire	0	2	0
North Carolina	4	1	0
Ohio	5	3	0
Oregon	0	1	0
Pennsylvania	1	2	0
Rhode Island	0	0	0
Texas	3	1	0
Washington	0	1	0
Wisconsin	1	0	0
TOTALS	**20**	**38**	**0**

Notes:

(1) This column refers to the number of territories that franchisees committed to open, but had not yet opened, under Franchise Agreements signed on or before December 31, 2023.

(2) This column refers to the number of territories that we expect to be covered by new Franchise Agreements signed in 2024.

Exhibit F lists our franchisees as of December 31, 2023.

Exhibit G lists the franchisees that: (i) had a franchise terminated, canceled, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement in 2023; (ii) had a franchise not renewed during 2023; or (iii) transferred ownership of the Franchised Business during 2023. There are no franchisees who have not communicated with us within the ten weeks prior to the issuance date of this disclosure document.

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

During our last three fiscal years, some current or former franchisees signed confidentiality clauses. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the MISTER SPARKY franchise system. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

As noted in Item 11, we have created and sponsor the FLT, a franchisee advisory body that provides us with input on advertising policies, plans, programs, strategies, and other matters that impact the MISTER SPARKY, Benjamin Franklin Plumbing, and One Hour Heating & Air Conditioning franchise systems. The address for the FLT is our principal office at 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046. The FLT does not maintain a separate telephone number, email address, or website.

The following independent franchisee organization has asked to be included in this disclosure document: Home Services Franchise Owners Association. Contact information: Home Services Franchise Owners Association, Board of Directors, American Association of Franchisees & Dealers, Post Office Box 10158, Palm Desert, California 92255-1058.

ITEM 21
FINANCIAL STATEMENTS

Exhibit I to this disclosure document contains the following:

1. The audited consolidated financial statements of AB Assetco LLC ("**AB Assetco**"), our parent company, (i) as of December 31, 2023 and 2022, and (ii) for the years then ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021. Because AB Assetco was organized on March 24, 2021, it does not have available and cannot yet include the 3 full years of audited financial statements required by the franchise laws.

2. A Guarantee of Performance of our obligations by AB Assetco. Our separate financial statements are not included in this disclosure document. Should we fail to fulfill our duties and obligations to our franchisees under their Franchise Agreements, AB Assetco absolutely and unconditionally guarantees to assume those duties and obligations.

As described in Item 1, AB, Inc. provides support and services to MISTER SPARKY franchisees under a management agreement with us. AB, Inc. was formerly known as Villa BidCo, Inc. until the company changed its name on May 17, 2021. We have included in Exhibit I the audited consolidated financial statements of AB, Inc. and subsidiaries which comprise the consolidated balance sheets as of December 31, 2023 and December 31, 2022, and the related consolidated statements of comprehensive loss, of changes in stockholder's equity and of cash flows for the three years then ended December 31, 2023. These financial statements are included for disclosure purposes only; AB, Inc. is not a party to the Franchise Agreement we sign with franchisees, nor does it guarantee our obligations under the Franchise Agreement we sign with franchisees.

As part of the Securitization Transaction described in Item 1, certain subsidiaries of AB, Inc., including us, have guaranteed the indebtedness incurred in connection with the Securitization Transaction. Please see the footnotes and supplements to the financial statements in Exhibit I for more information about the Securitization Transaction.

ITEM 22
CONTRACTS

The following agreements are attached to this disclosure document:

Exhibit A	Franchise Agreement (including the following attachments: Data Sheet, Brand Appendix, Conversion Incentive Program Addendum, UWIN Agreement, Confidentiality and Non-Compete Agreement, Telephone Number and Internet Agreement, and EFT Agreement)
Exhibit B	Promissory Note, Guaranty and Security Agreement (including versions for Conversion Incentive Program)
Exhibit C	Renewal Addendum
Exhibit D	Sample of General Release
Exhibit K	State-Specific Disclosures and Contract Addenda

Except in certain states, we also require that you fill out a Questionnaire before signing an agreement with us. The Questionnaire is in Exhibit E.

ITEM 23
RECEIPTS

The last two pages of this disclosure document are receipt pages. Please sign, date, and detach the last two pages and return one signed copy to us.

EXHIBIT A ~~FRANCHISE AGREEMENT~~

FRANCHISE AGREEMENT AND RELATED AGREEMENTS

FRANCHISE AGREEMENT

[Franchise ID]

Franchisor:	Mister Sparky Franchising SPE LLC
Agreement Date:	
Full Legal Name of Franchisee:	
Individual Owner Name(s):	
Approved Location:	

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PERSONAL GUARANTEE AND SPOUSE ACKNOWLEDGMENT

APPENDIX A – DATA SHEET

APPENDIX B – BRAND APPENDIX

APPENDIX C – CONFIDENTIALITY AND NON-COMPETE AGREEMENT

APPENDIX D – TELEPHONE NUMBER AND INTERNET AGREEMENT

APPENDIX E – ELECTRONIC FUND TRANSFER AUTHORIZATION FORM

FRANCHISE AGREEMENT

This Agreement is between the company identified as "Franchisor" on the cover page ("**we**", "**us**" or "**Franchisor**"), and the individual or company identified as "Franchisee" on the cover page ("**you**" or "**Franchisee**"). If Franchisee is a company, the term "**Owners**" means the individual(s) identified on the Data Sheet as the owners of the Franchisee, plus any other individual(s) we may approve in the future to hold an interest in the Franchisee.

1. DEFINITIONS

The terms defined in this Section 1 have the meanings set forth below. Other capitalized terms used in this Agreement are defined where they first appear within the text.

1.1. "**Agreement Date**" means the Agreement Date shown on the cover page of this Agreement.

1.2. "**Approved Location**" means the street address or specific site that we have approved for your business premises, as shown on the cover page of this Agreement. If the Approved Location has not been determined when we sign this Agreement, you are required to obtain our approval of a location within three (3) months after signing this Agreement. Once we approve the location, we will insert the street address or specific site on the cover page of this Agreement or otherwise confirm the approved address to you in writing.

1.3. "**Brand**" means the brand identified on the cover page of this Agreement.

1.4. "**Brand Appendix**" means Appendix B to this Agreement, which sets out certain business terms specific to the Brand.

1.5. "**Brand Fund**" means the fund to which you will contribute to support development and recognition of the Brand, as more fully described in Section 10.2, and may be referred to by names other than the "Brand Fund."

1.6. "**Brand Standards**" means our required and recommended specifications, standards, policies and procedures for products, services, image, and operations of Franchised Businesses.

1.7. "**Brand Standards Manuals**" means, collectively, the materials and content we have developed relating to the establishment and operation of Franchised Businesses, consisting of one or more manuals, handbooks, and training materials regardless of format, including electronic files, video or audio recordings, and other media or otherwise communicated in writing to you, all of which we can modify, replace and supplement. The Brand Standards Manuals are sometimes referred to as the "Operations Manuals."

1.8. "**Confidential Information**" means all knowledge and data not generally known to the public, whether or not constituting trade secrets, that we disclose to you and/or the Owners or that you obtain by virtue of this Agreement or any activities under this Agreement, including but not limited to: (i) methods, techniques, specifications, standards, policies, procedures, and design and layout plans relating to the operation of Franchised Businesses; (ii) future marketing plans and promotional programs for the Brand; (iii) customer data and other information concerning consumer preferences; (iv) inventory requirements and specifications; (v) sales, operating results, financial performance and other financial data of Franchised Businesses; (vi) the contents of the Brand Standards Manuals and our training programs; (vii) vendor lists, terms of purchase, and other information concerning the selection and sourcing of products, services, technology, equipment and supplies; (viii) marketing studies, surveys, and cost studies; (ix) research and development, test results, and feasibility studies; and (x) business plans and non-public financial information of or about us and our affiliates.

1.9. "**Data Sheet**" means Appendix A to this Agreement, which collects certain details specific to Franchisee and this Agreement.

1.10. "**Designated Vendor**" means a particular manufacturer, wholesaler, distributor or other source that we designate for particular products or services, which may be a third party, us, or our affiliate.

1.11. "**Equipment Package**" means the list of equipment and accessories that we prescribe for Franchised Businesses as of the time you are preparing to open.

1.12. "**Franchised Business**" means the business that you operate under this Agreement at and from the Approved Location. "Franchised Businesses" means your Franchised Business plus all other businesses that we have authorized to operate under the Marks and System by means of a valid franchise agreement.

1.13. "**Gross Revenue**" means all revenue from the sale of products and services and all other income of every kind related to the Franchised Business, whether for cash, credit, trade, barter or other value and regardless of collection in the case of credit and even if you have contracted with third parties to provide certain of the services, less any bona fide refunds given to customers in the ordinary course of business. Gross Revenue also includes amounts billed to insurance or government programs. You agree that "Gross Revenue" includes all revenue related to the sale of any products and the performance of any services (whether or not the products or services are approved by Franchisor) that are provided using any portion of the Franchised Business in any manner, including the Marks (such as service vehicles, invoices, and uniforms bearing the Marks), the System, Confidential Information, any of the employees of the Franchised Business, or the telephone number of the Franchised Business. "Gross Revenue" shall not be reduced on account of any fees or commissions you pay to third parties who refer customers. "Gross Revenue" does not include any sales taxes or other taxes you collect from customers and pay directly to the appropriate taxing authority. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from "Gross Revenue" as circumstances, business practices, and technology change.

1.14. "**Improvement**" means any change, idea, innovation, concept (including any advertising slogan or idea), product, process, or improvement that may enhance or improve the System.

1.15. "**Key Person**" means the individual who is responsible for the day-to-day operational performance of the Franchised Business and who has the authority to bind Franchisee in all decisions regarding the Franchised Business. The initial Key Person is named in the Data Sheet.

1.16. "**Marks**" means the logo shown on the cover page of this Agreement and all other trademarks, service marks, logos, and commercial symbols that we expressly designate for use in connection with the System.

1.17. "**Opening Deadline**" means the date specified in the Data Sheet by which you are required to have the Franchised Business open and operating.

1.18. "**Proprietary Products**" means products bearing the Marks and/or prepared using formulations and/or methods of preparation developed by or for Franchisor. They may include apparel, accessories, and other products sold or used in the Franchised Business. We have the right to modify, discontinue, substitute, and/or add items to the Proprietary Products from time to time in our sole discretion.

1.19. "**System**" means the know-how and system of operation developed for the Brand and owned by Franchisor. The distinctive elements of the System include, but are not limited to: the products and services offered; customer service standards; the warranty program, if applicable; standards and specifications for equipment, technology, supplies, and operations; our advertising and promotional programs and marketing techniques; the exterior and interior design, décor, color scheme, fixtures, and furnishings of the business

premises; and the accumulated experience reflected in our Brand Standards Manuals, training program, and instructional materials.

1.20. "**Territory**" means the geographic area defined in the Data Sheet and/or in a map attached to the Data Sheet.

2. FRANCHISE GRANT AND TERRITORIAL PROTECTION

2.1. Right Granted. We grant you the right, and you undertake the obligation, on the terms and conditions of this Agreement, to establish and operate one (1) Franchised Business at the Approved Location only, and to use the Marks and the System only in connection with the Franchised Business, and only within the Territory. You agree to operate the Franchised Business for the full Agreement term specified in Section 3.

2.2. Territorial Protection. While this Agreement is in effect, and provided that you are not in default beyond any applicable cure period, we will not operate a business under the Marks and the System in the Territory or authorize others to operate Franchised Businesses within the Territory, except as permitted under Sections 2.3, 2.4 and 2.5 below. This does not prohibit us from advertising or soliciting in your Territory for the purpose of recruiting prospective employees or independent contractors.

2.3. Rights Reserved. We and our affiliates retain all rights not expressly granted to you, including the rights (despite anything to the contrary in Section 2.2 and regardless of the proximity to or effect on the Franchised Business):

2.3.1 To establish, operate, franchise, and license others to operate businesses under the Marks at any location outside of the Territory. In addition, if the Territory is one that has an existing customer base due to out-of-territory sales by one or more existing franchisees before the Agreement Date, we may be obligated by contract to allow the existing franchisee(s) to continue providing services to those customers in the Territory for a period of time of up to twenty-four months from the Agreement Date (the "**Authorized Time Period**"). We will provide you with data provided to us by the existing franchisee(s) within forty-five (45) days after the Agreement Date. After the expiration of the Authorized Time Period, any remaining customers in this group will be transitioned to you;

2.3.2 To operate a business under the Marks inside the Territory if: (i) Franchisor (or its affiliate) is operating a business under the Marks in the Territory as of the Agreement Date; or (ii) Franchisor has notified Franchisee before Franchisee signed this Agreement that Franchisor (or its affiliate) intends to operate a business under the Marks in the Territory;

2.3.3 To use the Marks in other lines of business, anywhere in the world;

2.3.4 To operate, and to grant others the right to operate, similar businesses or any other businesses offering similar or dissimilar products and services through similar or dissimilar channels of distribution, at any locations inside or outside the Territory, under trademarks or service marks other than the Marks.

2.3.5 To develop, manufacture, have manufactured, advertise, market, sell and distribute, at retail or wholesale, and license others to manufacture, sell or distribute, goods or services that are identical or similar to and/or competitive with those provided at the Franchised Business, whether under the Marks or any other name or mark, through dissimilar channels of distribution, including but not limited to through the Internet, mobile applications, telemarketing, retail stores, and wholesale clubs, or other distribution outlets (other than Franchised Businesses) both inside and outside the Territory;

2.3.6 To establish and operate, and to grant others the right to operate, businesses offering dissimilar products and services both inside and outside the Territory under the Marks; and

2.3.7 To acquire, be acquired by, or merge with other brands or outlets, even if the concepts or outlets are similar to the business operated under the System, and even if they have locations in the Territory. We will also have the right, in our sole discretion, to convert one or more outlets of the acquired, acquiring or merged brand to a Franchised Business within the Territory.

2.4. Activities Outside of the Territory. You may not perform services or sell products related to the Franchised Business outside of the Territory without our prior written consent, which we may give and withdraw as we deem appropriate, and which we may condition on obtaining a separate phone number or other requirements. You may not solicit or advertise to customers outside of the Territory without our permission. **"Solicit"** includes, but is not limited to, solicitation in person, by telephone, by mail, through the Internet, social media, email or other electronic means, and by distribution of brochures, business cards or other materials or any other advertising. If any solicitation of customers within the Territory is in media that will or may reach persons outside of the Territory, you are required to notify us in advance and obtain our consent. If you receive a request for services or products from outside the Territory, you are required to refer that request to the Franchised Business located in the applicable territory (or to Franchisor or its affiliate, if we have not assigned the applicable territory to a Franchised Business). Notwithstanding the foregoing, under certain limited circumstances, Franchisee may process a request from outside of the Territory if the requested service is permitted under our policies as set forth in the Brand Standards Manuals or otherwise designated by Franchisor. If Franchisor permits Franchisee to advertise, solicit, service or sell in areas outside of the Territory that are not serviced by another Franchised Business or by Franchisor or its affiliate, Franchisee is required to comply with all of the conditions and other requirements that we may from time to time specify in the Brand Standards Manuals or otherwise in writing with respect to such activities. We may at any time condition your continued out-of-Territory sales and services on your agreement to purchase the franchise rights for the territory in which the sales and services are being performed. At any time upon our demand or upon notice from us that the territory in question has been assigned to another Franchised Business, Franchisee agrees to immediately cease all activities in that territory and to comply with our procedures for the transition of customer accounts for that territory. Any violation of our policies on out-of-Territory sales and services is a material breach of this Agreement. In addition, if the violation is infringement on a territory that has been assigned to another Franchised Business, we may charge you our then-current Territory Infringement Fee, as described in the Brand Appendix. "**Territory infringement**" occurs when you generate Gross Revenue from a customer by receiving payment for products and/or services provided and/or rendered within the territory of another Franchised Business without first obtaining that franchisee's written permission. Under no circumstances will we be liable to you for violations by other Franchised Businesses of our policies on out-of-Territory sales and services.

2.5. Key Accounts. Franchisor may from time to time enter into agreements to provide services to customers as part of a national, regional or key account program ("**Key Accounts**", sometimes also referred to as "**National Accounts**") at locations which include locations within the Territory. You agree to accept and perform the terms of such agreements (including, without limitation, special pricing, payment terms, timing of services, central invoicing) in respect of locations within the Territory. If you refuse to perform the required services or we determine that the Franchised Business is not qualified, interested, able or available to perform the services, you are required to allow either Franchisor's employee or another franchisee to enter the Territory to perform the required services. In the case of an agreement under which the customer will pay a fixed amount for services at all locations listed in the agreement, we may allocate the fixed amount among the businesses performing the services.

2.6. No Other Sales Channels. You may not offer products or services through any channel other than those we have expressly approved. If you request approval of any other distribution channel or type of outlet, we will consider the factors we deem appropriate, which may include the period of time you have been operating the Franchised Business, your sales volume, whether you have met quality standards and other benchmarks, and other standards that we may determine. This Agreement does not license you to sell products to any vendor who would in turn sell to consumers. This Agreement does not restrict Franchisor or its affiliates

from engaging in, and does not grant you any rights to participate in, any other business concepts of Franchisor or its affiliates other than the Franchised Business.

2.7. Relocation. You may not relocate the Franchised Business without our prior written consent. Any relocation must be to a location within the Territory. Unless otherwise agreed in writing, relocation of the Franchised Business does not change the Territory.

3. AGREEMENT TERM

This Agreement will expire on the anniversary of the Agreement Date specified in the Brand Appendix (the "**Expiration Date**"). You will have an opportunity to renew the franchise rights when the term expires, subject to the terms of Section 19 and provided that you meet the conditions in that Section.

4. PRE-OPENING

4.1. Preparation for Opening. You are required to prepare your Franchised Business and business premises as necessary to conform to the Brand Standards. The Brand Standards may require expenditures for, among other things, structural changes and modification of the premises; new or modified service vehicles, equipment, signs, fixtures and furnishings; interior and exterior remodeling and redecoration; installation of new technology and/or additions and upgrades to existing technology; and resurfacing of parking areas. As applicable, and as may be designated by Franchisor, you are required to order the Equipment Package and all other technology equipment, signs, fixtures, furnishings, inventory, and supplies from a Designated Vendor. If required by the Brand Appendix, you are required to pay us specified fees for outfitting the Franchised Business. You are required to notify us of the anticipated completion date and provide updates as requested during the build-out process. During the pre-opening period, you are required to permit our representatives to inspect the premises at reasonable times. We may specify further details of the build-out process in the Brand Standards Manuals.

4.2. Permits. You are required to obtain all zoning classifications, permits, and clearances (including, as applicable, construction permits, certificates of occupancy, health permits, environmental permits, sign permits, and mall or strip center clearances) that may be required by federal, state, or local law or your landlord for the Franchised Business. You have sole responsibility for operating your Franchised Business in compliance with all permits and laws.

4.3. Pre-Opening Marketing. You are required to conduct pre-opening marketing, as specified in Section 10.3, to attract an initial customer base for the Franchised Business.

4.4. Approval to Open. You agree not to open the Franchised Business for business until we notify you that: (1) all of your pre-opening obligations have been fulfilled; (2) pre-opening training of your personnel has been completed as required by Section 5; and (3) we have been furnished with copies of all certificates of insurance required by Section 9.1.

4.5. Opening Deadline. You are required to open the Franchised Business to the public by the Opening Deadline. If you request an extension of the Opening Deadline, we have complete discretion whether to give an extension. If we agree to an extension, we have the right to charge you an extension fee of up to $1,000 per month of extension. However, you will not be charged an extension fee if your request is accompanied by supporting documentation demonstrating to our satisfaction that, despite your best efforts, you are unable to obtain the necessary equipment to open and operate the Franchised Business by the Opening Deadline.

[*Reminder of page intentionally left blank*]

4.6. Opening Support. We will provide such opening support and assistance for the Franchised Business as we deem appropriate, at the time(s) and in the manner we determine. If you request opening support beyond what we customarily furnish to Franchised Businesses, and if we agree to furnish such additional support, then we will have the right to impose a fee, plus expenses, for providing the agreed additional support.

5. TRAINING

5.1. Initial Training. Franchisor will offer, at the time(s) and location(s) selected by Franchisor, a pre-opening training program to Franchisee and to those employees of Franchisee whom Franchisor deems appropriate. The individuals that we designate are required to successfully complete the pre-opening training. We have the right to vary the duration and content of initial training based on the trainee's prior experience in similar businesses. We alone have the right to judge whether a person has successfully completed the training program. Successful completion may require passing tests to establish proficiency in the delivery of services, use of technology and software applications, and other areas we designate. We will have the right to terminate this Agreement under Section 16.1 if, at any time during the pre-opening training program, we conclude in our sole judgment that any person required to attend the pre-opening training program does not possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or this Agreement.

5.2. Additional Training. After the Franchised Business opens for business, we will make available, at the time(s) and location(s) we designate, such other required and optional training programs as we deem necessary and appropriate. For training that we designate as required, the individuals that we designate are required to successfully complete the training.

5.3. Training Methods. We have the right to provide training programs in person, by video, via the Internet, or by other means, as we determine, and the training may be performed by us, our affiliates, or third parties.

5.4. Training Fees. We may charge a training fee: (a) for additional trainees that you request in excess of the maximum number we designate for a training program; (b) if we require remedial training as a result of your failure to comply with our Brand Standards; (c) for re-training persons who are repeating a training program, or their substitutes; and (d) for training programs that we make optional for franchisees.

5.5. Travel Expenses. For all training, including initial training, you are responsible for all travel expenses, living expenses, wages, and other expenses incurred by your trainees. If we conduct training at any location other than our headquarters, you may be required to pay the reasonable travel, meal and lodging expenses of our trainer(s).

5.6. Training Assistance. After the Franchised Business opens, you agree to give us reasonable assistance in training or assisting other franchisees of the Brand. We will reimburse you for your reasonable costs and expenses in providing such assistance.

5.7. Employee Training. Except for the training in Sections 5.1 and 5.2, you are responsible for all employee training for the Franchised Business.

5.8. Brand Conferences and Conventions; Non-Attendance Fee. The Key Person, Owners of Franchisee, and/or employees of Franchisee, as designated by us (collectively, "**Designated Franchisee Representatives**"), are required to attend an annual convention and regional conferences of franchise owners, if called by us. Franchisee is responsible for the costs of travel and accommodations of its attendees. Franchisor reserves the right to charge a fee for each conference. If none of the Designated Franchisee Representatives attend the annual convention, we may charge Franchisee a non-attendance fee of $500 for the first convention the Designated Franchisee Representatives fail to attend and then a $2,000 non-attendance fee for any convention

that the Designated Franchisee Representatives fail to attend consecutively thereafter. If none of the Designated Franchisee Representatives attend the annual convention for three (3) consecutive years, unless the Designated Franchisee Representatives have an approved reason for not attending or Franchisee obtains our approval in advance to send a Qualified Substitute, you will be in default of this Agreement, and we will have the right to terminate this Agreement, as well as any other rights and remedies available to us at law or in equity. "**Qualified Substitute**" means an Owner who is active in the Franchised Business, as we determine, or other employee who actively works full time in the operation of the Franchised Business.

6. OPERATION OF THE FRANCHISED BUSINESS

6.1. Compliance with Brand Standards. In order to protect the reputation and goodwill of the Brand and to maintain high standards of operation under the System, you agree to comply strictly with all of our required Brand Standards. The Brand Standards may relate to any aspect of the appearance, operation, and marketing of the Franchised Business. Any material failure to comply with the required Brand Standards or to pass our inspection will constitute a material breach of this Agreement. However, we have the right to vary our standards and specifications to accommodate the individual circumstances of different franchisees. Franchisor's specifications do not constitute a warranty or representation, express or implied, as to quality, safety, suitability, fitness for a particular purpose or any matter. We will not be liable to you or others on account of the designation of Brand Standards for the operation of the Franchised Business under the System.

6.2. Management. The Franchised Business is required at all times to be under the day-to-day supervision of the Key Person. We have the right to rely on any statement, agreement, or representation made by the Key Person. If the Key Person leaves your organization, you are required to nominate a replacement within thirty (30) days thereafter. If you have not obtained our approval of a replacement within ninety (90) days, you will be in material default of this Agreement.

6.3. Approved Products and Services. You are required to offer for sale from the Franchised Business all products and services that we designate from time to time as required items. You may also offer for sale any optional products and services that we have approved for sale in the Franchised Business. You are prohibited from offering any unapproved products or services without our prior written consent. You are required to use our designated service system and processes (which are part of the Brand Standards) in providing all approved products and services to customers. You are required to discontinue selling or offering for sale any products or services that we disapprove at any time, in our sole discretion.

6.4. Pricing and Promotional Activities. To the extent permitted by applicable law where the Franchised Business is located, we have the right to establish maximum and/or minimum prices that you are required to follow for products and services sold in the Franchised Business. Subject to applicable law, you are required to participate in and comply with the terms of special promotional activities that we prescribe for Franchised Businesses generally or for Franchised Businesses in specific geographic areas or having particular characteristics. These activities may include special offers and other pricing promotions. Subject to the limitations in Section 10, you agree to bear your own costs of participating in these activities. You are required to display promotional signs and materials and otherwise participate in the manner we request.

6.5. Telephone Numbers. You are required to obtain one or more separate telephone numbers that are identified with the Franchised Business and no other business. At the termination or expiration of this Agreement, those telephone numbers and any online listings become our property. Simultaneous with signing this Agreement, you agree to sign the Telephone Number and Internet Agreement attached as Appendix D, duly appointing us as attorney-in-fact to effect a transfer to us of the telephone numbers and online listings for the Franchised Business upon expiration or termination of this Agreement. We may require that telephone numbers and electronic identities you use in connection with the Franchised Business be owned and controlled by us or an approved supplier, and that you transfer to an approved call routing and tracking supplier all telephone numbers associated with the Franchised Business.

6.6. Live Voice and Call Center. Telephone calls to the Franchised Business are required to be answered by "live" voices during the hours specified in the Brand Standards Manuals. You may not have calls answered by answering machines, voicemail, or digital assistants. We may require or prohibit forwarding calls to mobile phones. As provided in Section 6.10, we have the right to require you to use a designated call center for the Brand (the "**Call Center**") for incoming calls. You will pay us or a designated/approved vendor a fee for the use of the Call Center (the "**Call Center Fee**"), whether the service is required or optional. As of the Agreement Date, the Call Center Fee is the amount set forth in the Brand Appendix and is due at the same time as your royalty payments. We reserve the right to increase the Call Center Fee, to charge a minimum fee for this service, and to change the timing of payment of the fee. We also reserve the right to terminate your access to the Call Center or to cancel the Call Center program. We will provide you at least thirty (30) days' notice prior to terminating the Call Center, modifying the Call Center Fee, or changing the timing of payment.

6.7. Technology Requirements. We have the right to specify the point-of-sale (POS) system, customer relationship management (CRM) system, back-office system, software applications, audio/visual equipment, security systems, electronic payment devices, and other hardware, software, and network connectivity for the Franchised Business. Certain requirements as of the date of this Agreement are shown in the Brand Appendix. You agree to sign any standard license agreement or user agreement that may be required to use a system that we specify. You are required to use the required systems for service calls, managing inventory, reporting Gross Revenue and other information, training personnel, and other functions as we specify from time to time. You are required to ensure that your employees are adequately trained to use the systems and that they follow applicable policies. You are required to maintain your technology systems in good working order at all times and promptly install upgrades, additions, modifications, substitutions and/or replacements of hardware, software, connectivity, power, and other system components as necessary. You agree to bear all costs of acquisition, installation, use, maintenance and upgrade of your systems.

6.8. Franchisee Portal. We have the right (but no obligation) to establish one or more websites and/or mobile applications that are open only to franchisees (the "**Franchisee Portal**"). If applicable, you are required to use the Franchisee Portal for reporting, training, ordering merchandise and supplies, or other purposes as we direct.

6.9. Payment Systems and Customer Retention Programs. You are required to participate in programs relating to gift cards, gift certificates, stored value cards, online or mobile coupons or credits, online or mobile ordering systems, and other electronic money programs we prescribe from time to time for Franchised Businesses. Participation includes both issuing program benefits or credits and accepting them for payment by customers, and may require you to purchase additional equipment. We have the right to coordinate the crediting and debiting of funds among Franchised Businesses based on customer purchases and redemption of stored value. You are required to comply with our policies regarding acceptance of payment by credit and/or debit cards, mobile payment systems, and digital coupons, including, for example, minimum purchase requirements and/or surcharges for use of a card. You are required to also participate in any customer loyalty programs we prescribe from time to time. You may not offer your own gift card, electronic money, or loyalty program for the Franchised Business without our prior written approval. The payment systems and loyalty programs we designate may require you to obtain new hardware, software, equipment and training at your own expense.

6.10. Sourcing. We have the right to require that all equipment, technology, inventory, supplies, vehicles, signs, furnishings, fixtures, décor items, retail merchandise, payment systems, and other products and services that you purchase for use or resale in the Franchised Business: (a) meet specifications that we establish from time to time; and/or (b) be purchased only from vendors that we have expressly approved; and/or (c) be purchased only from a single source (which may include us or our affiliates) at the then-current price. To the extent that we establish specifications, require approval of vendors, or designate specific vendors for particular items, we will notify franchisees via the Brand Standards Manuals or otherwise. We and our affiliates will earn revenue and profits on sales that we make directly to you. We may negotiate purchasing arrangements under which vendors agree to make goods or services available to Franchised Businesses on specific terms. You agree

to participate in and abide by the terms of any vendor purchase program established by Franchisor. To protect the reputation of the Brand, you agree to pay vendors on time. Subject to applicable law, we may earn money in the form of rebates, licensing fees, administrative fees, commissions, or other payments from vendors based on your purchases. Subject to applicable laws and our arrangements with the vendors, we have no obligation to remit the funds to you.

6.11. Inventory. You are required to keep a sufficient inventory of products, merchandise, and supplies in the Franchised Business to meet the Brand Standards (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

6.12. No Liability for Others' Products. We disclaim all express and implied warranties and all other liability concerning any defects, malfunctions, or other deficiencies in equipment or other products manufactured by anyone other than us or our affiliates. You agree not to make any claims against us or our affiliates with respect to products that we and our affiliates did not manufacture, even if we or our affiliate sold you the product or designated or approved its source. You are required to assert any claims only against the manufacturer of the product, even if you obtained it through us or our affiliate.

6.13. Use of Approved Location; Hours of Operation. You are required to use the Approved Location only for the operation of the Franchised Business, to keep the Franchised Business open and in normal operation for the minimum hours and days specified in the Brand Standards Manuals (subject to applicable laws), and to not use or permit others to use the Approved Location or the Franchised Business for any other purpose or activity without first obtaining our written consent. We have the right to vary the minimum hours and days of operation by market, type of facility, or other basis.

6.14. Required Equipment, Vehicles, Signs, Furnishings and Other Items. Throughout the Agreement term, you are required to acquire, use and install, as we may require, at your expense, all equipment, vehicles, technology, audio/visual equipment, security features, décor, furnishings, promotional materials, and signs that we require from time to time. You must not install or use in the Approved Location or Franchised Business any equipment, vehicles, technology, furnishings, signs, vehicle graphics, or other items that we have not approved.

6.15. Condition of Business Assets. You are required to keep the equipment, vehicles, signs, and other tangible assets of the Franchised Business in a clean, orderly condition and in excellent repair and condition, at your own expense. At our request, you are required to provide us with copies of any report of inspection of the Franchised Business conducted by a vendor or government agency.

6.16. Customer Contracts. In the marketing and operation of the Franchised Business, Franchisee is required to use only the customer contracts, waivers, and/or other forms designated by Franchisor from time to time, except where Franchisor does not designate such items. Franchisor may provide Franchisee with templates or sample forms of such items, but it is Franchisee's responsibility to have all items which are to be used with prospective and/or actual customers reviewed, at Franchisee's expense, by an attorney licensed to practice law in the state(s) where the Franchised Business is operated, for compliance with all applicable state and local legal requirements. Franchisor makes no warranty or representation that any contracts, waivers and/or other forms and/or materials, whether supplied by Franchisor or otherwise, are in compliance with the laws of any particular state(s) or locality.

6.17. Customer Warranty or Guarantee. If the Brand Standards include a customer warranty or a satisfaction guarantee, you are required to provide the warranty or satisfaction guarantee to each customer and comply with the requirements of the warranty/guarantee program, as set forth in the Brand Appendix and/or the Brand Standards Manuals.

6.18. Performance Requirements. You agree to continuously exert best efforts to promote and enhance the performance of the Franchised Business and the goodwill of the Marks. If minimum performance requirements are set forth in the Brand Appendix (the "**Minimum Performance Requirements**"), you are required to achieve those Minimum Performance Requirements. If you do not achieve the Minimum Performance Requirements, we will have the right to require you to implement a revenue improvement program, as we specify, which may include, among other things, engaging in specified marketing activities, by the conclusion of which you are required to achieve the Minimum Performance Requirements. If you still do not achieve the Minimum Performance Requirements after implementing a revenue improvement program, we will have the right to: (i) reduce the size of the Territory (with a corresponding adjustment in the Minimum Performance Requirements if the reduced Territory falls below our then-current standard territory size); or (ii) terminate this Agreement. The Minimum Performance Requirements are not a representation or guarantee of any financial results to Franchisee from the exercise of the rights granted in this Agreement.

6.19. Territory Visits and Inspections. You are required to permit our representatives to inspect the operations of the Franchised Business and to enter your business premises during normal business hours to review records, to observe, photograph and record operations, to remove samples of goods, materials and supplies for testing and analysis, and to interview your customers, employees, and vendors. You are required to provide assistance as reasonably requested by our representatives. Upon notice from us, you are required to immediately begin any steps necessary to correct deficiencies noted during a Territory visit.

6.20. Brand Standards Assessments. We assess franchisees' compliance with Brand Standards by means of, among other things, customer satisfaction surveys, mystery shopper reports, employee satisfaction and perception surveys, health and safety reviews, and third-party observation of your operations. You are required to cooperate with these assessments as we reasonably request. If you do not achieve the minimum score or standard that we prescribe for a specific Brand Standards category, we may require you and/or your employees to complete additional training at a location we designate, at your expense.

6.21. Brand Programs. You are required to participate in and comply with any other programs that we prescribe for Franchised Businesses, as specified in the Brand Appendix.

6.22. Employer Responsibilities. You are required to maintain staffing in the Franchised Business adequate to meet the Brand Standards. You have sole responsibility for all employment decisions and functions relating to the Franchised Business, including but not limited to decisions related to recruiting, screening, hiring, firing, scheduling, training (other than the training in Section 5), compensation, benefits, wage and hour requirements, recordkeeping, supervision, safety, security and discipline of employees. Any information we provide about employment matters, whether voluntarily or in response to your request, and whether directly or by means of any technology tools, is a recommendation only and not intended to exercise control over the wages, hours or working conditions of your employees or the means and manner by which they carry out their duties. In addition, we may provide you with access to an independent, third-party employment law hotline (the "**Hotline**"). We will have no liability with respect to any advice you may receive through the Hotline or otherwise in connection with your use of the Hotline and we may discontinue offering access to the Hotline at any time. You alone will direct and control all employees of the Franchised Business, subject only to the Brand Standards that we prescribe to protect the goodwill associated with the Marks, which may include the requirement of initial and periodic drug testing and background checks. You are required to clearly inform all workers, before hiring and periodically thereafter, that Franchisee, and not Franchisor, is their employer and that Franchisor does not assume and will not accept any employer, co-employer, or joint employer obligations. You agree to indemnify us for any liability, cost, expense, loss or damage, including attorney's fees and costs, arising from (i) any claim or allegation that Franchisor or any affiliate is the employer, co-employer, or joint employer of Franchisee, its Owners, or any workers in the Franchised Business, and (ii) your use of the Hotline or reliance on any information received during your use of the Hotline.

6.23. Modifications to System. We can modify the System and the products and services offered by the Franchised Businesses from time to time (such as, but not limited to, by adding, deleting, and changing approved products or services, equipment, operating procedures, and Brand Standards). You agree to comply, at your own expense, with all such modifications, including without limitation any associated replacement or renovation of equipment, remodeling, redecoration, modifications to existing improvements, and structural changes.

6.24. Compliance with Lease. You are required to comply with all terms of the lease or sublease for the Approved Location and all other agreements affecting the operation of the Franchised Business. You are required to use best efforts to maintain a good working relationship with your landlord and refrain from any activity that may jeopardize your right to remain in possession of the Approved Location.

6.25. Compliance with Laws. You are required to operate the Franchised Business in compliance with all applicable municipal, county, state and federal laws, rules, regulations and ordinances, including maintaining all regulatory licenses. Additional details may be set forth in the Brand Appendix. You have sole responsibility for compliance despite any information or advice that we may provide.

6.26. Taxes and Indebtedness. You are required to promptly pay when due all taxes and all accounts and other indebtedness you incur in the operation of the Franchised Business. In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but you may not permit a tax sale or seizure or attachment by a creditor against the Franchised Business.

7. FEES

7.1. Franchise Fee. You are required to pay us a non-refundable initial franchise fee in the amount shown in the Data Sheet. The initial franchise fee is due when you sign this Agreement.

7.2. Royalty. Beginning at the earlier of the Opening Deadline or when the Franchised Business opens, you are required to pay us an ongoing royalty fee in the amount shown in the Brand Appendix. Unless we designate a different period, the royalty fee will be paid on the schedule shown in the Brand Appendix.

7.3. Brand Fund Contribution. You are required to contribute to the Brand Fund on an ongoing basis the amount shown in the Brand Appendix. The Brand Fund contribution will be calculated for the same period and paid in the same manner as the royalty fee and will be used as described in Section 10.2.

7.4. Technology Fees. You are required to pay ~~us~~ fees as specified in the Brand Appendix to support development and operation of software, portals, websites, email accounts, mobile applications, social media, and other technology and communications channels. The specific services and apps and the applicable fees will vary over time. The fee may be payable to us, directly to vendors, or a combination. Unless we designate a different period, the technology fees will be paid on the schedule shown in the Brand Appendix.

7.5. Service Deficiency Reimbursements. If a customer of the Franchised Business complains to us that your services were deficient and we determine, after discussion with you, that (i) there is merit to the customer's complaint, (ii) the complaint is the result of a contract dispute between you and the customer, and/or (iii) there has been a violation of local, state, or federal law, then in addition to the other remedies available to us under this Agreement, we reserve the right to perform or cause to be performed services to the customer's satisfaction or to reimburse the customer for any money the customer may have paid for the deficient services. You are required to promptly reimburse us for any costs we incur to perform the services or to reimburse the customer, upon receipt of an invoice from us.

7.6. Payment Method. For all amounts payable to us, you are required to use the payment method(s) that we designate from time to time. If we require payment by Automated Clearing House (ACH) or electronic funds transfer, you are required to designate an account at a commercial bank of your choice (the **"Account"**) from which we are able to make withdrawals. You agree to complete and submit to us an authorization for Automated Clearing House or other electronic funds transfer in the form attached to this Agreement as Appendix E or such other form as we or your financial institution may require. You agree to maintain sufficient funds in the Account to cover the amounts payable to us. If funds in the Account are insufficient to cover the amounts payable at the time we make our periodic electronic funds transfer, the amount of the shortfall will be deemed overdue. Additionally, if the electronic funds transfer payment request is returned due to insufficient funds, you are required to pay us a fee equal to the greater of: (a) $50 or (b) the amount the bank charges us due to the insufficient funds. If we permit you to pay with a credit card, you agree to reimburse us for the resulting charges we incur, subject to applicable law.

7.7. Late Reports and Estimated Payments. If Franchisee's Gross Revenue report required by Section 8 is not received when due, (i) all payments owed by Franchisee for such time period shall be deemed overdue until the reports are received by Franchisor, regardless of whether payment was actually made; (ii) Franchisee shall be responsible for applicable late fees and interest under Section 7.9; and (iii) Franchisor will have the right to estimate Gross Revenue (and Franchisee agrees that 15% greater than previously reported Gross Revenue is a reasonable estimate, among other methods to estimate) and to draft from Franchisee's bank account the estimated amount due for royalties, Brand Fund contributions, and any other charges that are calculated based on Gross Revenue. When you provide the delinquent report(s), we will reconcile any difference between the estimated amount and the actual charges due for the period, and, if an overpayment, we will credit you on your next payment obligation to us.

7.8. Interest and Late Fees. If any payment to us is overdue, you are required to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of 12% per annum or the maximum rate permitted by law, whichever is less. In addition, we will have the right to charge a late fee of $100 for the second occurrence of a payment or report that is more than thirty (30) days past due, $200 for the third such occurrence, and $300 for the fourth and each subsequent occurrence. The late fee is to compensate us for our administrative costs incurred in enforcing your obligation to pay us or submit reports to us.

7.9. No Set-off; Application of Payments. Your obligation for timely payment of the fees in this Agreement is absolute and unconditional. You may not set off, deduct, delay, escrow, or withhold any payment based on our alleged non-performance of obligations, including any money you allege that we or our affiliates owe you or any other claims that you believe you have against us or our affiliates. We can apply payments received from you to royalty fees, Brand Fund contributions, technology fees, purchases from us or our affiliates, interest, late charges, or any other obligation in the order we choose, regardless of any designation you make.

7.10. Taxes. The payments that you are required to make to us must be the gross amount determined according to the applicable section of this Agreement without deduction for any taxes. You will pay all state and local taxes, including, without limitation, taxes denominated as franchise, business, gross receipts, commercial activity, property, ad valorem, sales, use, or excise taxes, that may be imposed on us or you arising out of or related to our receipt or accrual of fees referenced under this Agreement or related agreements, or ownership or use of any property or materials in your Territory in the course of providing services to you under this Agreement. In any case, you will pay to us (and to the appropriate governmental authority) such additional amounts as are necessary to provide us, after taking such taxes into account (including any additional taxes, penalties, interests or expenses), with the same amounts that we would have received or accrued had such withholding or other payment, whether by you or by us, not been required. If you fail to withhold or pay any such obligations to the appropriate government authority, you must indemnify us for any obligations including penalties, interest, and expenses (including legal and accounting fees) resulting from your failure to timely withhold or to pay the taxes.

8. REPORTS, FINANCIAL STATEMENTS, CUSTOMER DATA, AND DATA SECURITY

8.1. Business Records and Reports. You are required to prepare, and to preserve for at least five (5) years from the dates of their preparation, complete and accurate books, records, and accounts, in accordance with generally accepted accounting principles and in the form and manner we prescribe. We may designate the chart of accounts and/or the accounting program or platform that you are required to use. You are required to provide to us upon request all books, records, tax returns, accounting records, and supporting documents relating to the Franchised Business, including but not limited to daily cash reports, cash receipts journals, general ledgers, cash disbursement journals, weekly payroll registers, monthly bank statements, daily deposit slips, canceled checks, credit card statements, business tax returns, personal tax returns for all Owners and guarantors, supplier invoices, balance sheets, income statements, records of promotions and coupon redemptions, and lists of customers (both current and past) serviced by the Franchised Business. Concurrently with each payment of the Royalty Fee, you are required to send us a report of Gross Revenue for the preceding period, and at our request, you are required to send us accounting records, inventory reports, and such other information and supporting records as we may specify.

8.2. Financial Statements and Tax Returns. At our request made within fifteen (15) days after the end of a calendar month, you are required to submit a statement of financial condition (a balance sheet) as of the end of the calendar month and a Profit and Loss financial statement for the month and for the fiscal year-to-date. The financial statements are required to be certified as correct and complete by the Key Person to the best of the Key Person's knowledge. We have the right to require financial statements on a more frequent periodic basis. At our request, you are required to submit to us a copy of the federal and state tax returns for the Franchised Business for the most recently filed tax year.

8.3. Parent and Guarantor Financial Statements. At our request, you agree to furnish an annual statement of financial condition for each individual or corporate guarantor of your obligations to us and, if applicable, for each of Franchisee's direct and indirect corporate parents.

8.4. Access to Your Systems. You are required to (a) give us independent access to (i) the systems that we require you to use in the operation of your Franchised Business from time to time, and/or (ii) any other systems that you use to store or process Confidential Information or to display the Marks and/or Proprietary Products to others; and (b) provide us with login credentials if necessary for that purpose. You are required to maintain an electronic connection with us at all times.

8.5. Right to Examine or Audit. We have the right, at any time, to examine and copy, at our expense, the books, records, accounts, and tax returns of the Franchised Business and the personal tax returns of the Owners. We also have the right, at any time, to have an independent audit made of the books and records of the Franchised Business. You are required to cooperate with the persons making the examination or audit on our behalf. If you or we discover at any time, by means of an audit or otherwise, that there has been an underpayment of royalty fees or other amounts due, you are required to promptly pay the amount due, together with applicable late fees and interest. Your payment and our acceptance of the overdue amounts will not constitute a waiver of or prejudice our right to exercise any other remedy in this Agreement, including termination.

8.6. Cost of Examination or Audit. If we perform an examination or audit due to: (i) your failure to submit reports of Gross Revenue or required financial statements, or (ii) your failure to maintain books and records as required, or if (iii) the cumulative Gross Revenue you report for any period of three consecutive months is more than 2% below the actual Gross Revenue for the period as determined by the examination or audit, then you are required to pay us the cost of the examination or audit, including travel and lodging expenses for the examiners or auditors. For purposes of calculating the cost, we will use hourly rates for our own personnel that are consistent with the rates of mid-level professionals of independent accounting firms.

8.7. Business and Customer Data. In this Section: "**Customer Data**" means Personal Information (as defined below), sales and payment history, and all other information about any person or entity the Franchised Businesses have serviced, wherever stored, including data regarding customers of businesses converted to a Franchised Business, and any other information we may identify in the Brand Standards Manuals; "**Personal Information**" includes any information that, by itself or in conjunction with other information, may be used to specifically identify an individual, such as name, physical address, telephone number, e-mail address, social media accounts, billing and payment history, customer service requests, and any other information as defined in applicable law; and "**Business Data**" means all financial reports, vendor and supplier pricing data, and all other data about the Franchised Businesses other than Customer Data. Franchisee agrees that:

8.7.1 We have the right to independently access all Business Data, wherever maintained. Franchisor also has the right to require Franchisees to deliver Business Data to Franchisor. Franchisor has the right to use (and to authorize others to access and use) Business Data to, among other uses: (i) verify sales; (ii) monitor progress of its franchisees, including compliance with Minimum Performance Requirements; (iii) prepare a financial performance representation for Franchisor's Franchise Disclosure Document; and (iv) share vendor and supplier pricing data with its affiliates.

8.7.2 Franchisor owns and has the right to access all Customer Data, in whatever form existing, and wherever stored. Because we own the Customer Data, including Personal Information, we can (subject to applicable law) share it with our affiliates, service providers, contracted third parties, or any other person, for any purpose, without notifying or compensating you, both during and after this Agreement, including for the performance of services for Franchisor or its parents or affiliates, as well as for marketing and cross-selling products and services of any of the foregoing parties. Whenever we request, and without request upon termination or expiration of this Agreement, you are required to promptly deliver to Franchisor all Customer Data in your possession or control, without retaining any of Customer Data in any media. You may not sell or disclose to anyone else any Personal Information or aggregated or non-aggregated Customer Data without first obtaining our written consent. In the event of an approved sale of the Franchised Business to a new owner who will continue to operate the Franchised Business under an agreement with us, you are required to transfer the Customer Data to us and we will transfer the Customer Data to the new owner, or we may require you, in our sole discretion, to transfer the Customer Data directly to the new owner. You agree to install and maintain the security measures and devices necessary to protect Customer Data from unauthorized access or disclosure, including (but not limited to) the minimum measures in Section 8.8.

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8.8. Privacy and Security.

8.8.1 You are required to comply with applicable laws and our requirements pertaining to the collection, use, processing, protection, integrity, transfer of, consumer access to, correction of, and deletion of Personal Information. You are required to ensure that you collect Personal Information with express or implied consent of the consumer. Where required by applicable law, you are required to provide a written privacy notice to consumers regarding your collection, use, and disclosure of Personal Information, and are required to comply in all respects with any such written privacy policy. In addition to any restrictions set forth in Section 8.7.2 above, if Franchisor provides Franchisee with Personal Information (i) for the purpose of performing a service on behalf of Franchisor, or (ii) at the direction of the consumer, then the following restrictions shall apply to Franchisee's use of such Personal Information: Franchisee shall not (i) sell, rent, release, disseminate, make available, transfer, or otherwise communicate orally, in writing, or by electronic or other means, Personal Information; (ii) retain, use, or disclose Personal Information for any purpose other than fulfilling the purpose for which it was provided and as permitted in this Agreement, including any restrictions set forth in Section 10; or (iii) retain, use, or disclose Personal Information outside of the direct business relationship between Franchisor and Franchisee. If Franchisor provides Personal Information to Franchisee, Franchisee certifies that it understands and will comply with the restrictions and obligations under any applicable laws on such Personal Information. Upon Franchisor's request, Franchisee shall provide reasonable assistance to Franchisor in complying with any request from a consumer to exercise rights under any applicable law. Without limiting the foregoing, upon Franchisor's request, Franchisee shall delete some or all Personal Information that Franchisee maintains.

8.8.2 You are required to implement industry-standard administrative, physical, and technical security measures and devices to protect data from unauthorized access, acquisition, loss, destruction, disclosure or transfer. Without limiting the foregoing, you agree to comply with the then-current Payment Card Industry Data Security Standards (PCI/DSS), as those standards may be revised by the PCI Security Standards Council, LLC (see *www.pcisecuritystandards.org*) or successor organization; to implement the security requirements that the Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards; and to complete PCI/DSS audits as and when required by the standards. Compliance with PCI/DSS is not a guarantee that a security breach will not occur. Any losses or expenses we incur as a result of an actual or suspected security breach will be subject to indemnification under Section 20.

8.9. Data and Network Security. You are required to implement industry-standard administrative, physical, and technical security measures and devices to protect data (whether Personal Information, Customer Data, Confidential Information, intellectual property, or other data) and any portion of the Franchised Business from unauthorized access, acquisition, loss, destruction, disclosure or transfer. Franchisee is solely responsible for protecting the Franchised Business from computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders. Franchisee waives any and all claims Franchisee may have against Franchisor as the direct or indirect result of such disruptions, failures or attacks. Franchisee is also required to use best efforts to verify that Franchisee's suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This includes best efforts to secure Franchisee's systems, including, but not limited to, use of firewalls, access code protection, anti-virus systems, and backup systems. In the event of a known or suspected security breach, you agree to notify us promptly and comply with applicable laws and any instructions from us regarding response to the breach.

8.10. Late Report Fee. To encourage prompt delivery of all Gross Revenue reports, Customer Data, Certificates of Insurance, and any other reports or records required or that may be requested by Franchisor under this Agreement, Franchisee shall pay, upon demand, for each report or record that Franchisee fails to deliver when due, a late report fee under Section 7.8.

8.11. Third Party Information. Franchisee hereby authorizes Franchisor and its agents and representatives to make credit and background checks of Franchisee and Owners, and to make inquiries of Franchisee's bank, suppliers, and trade creditors concerning the Franchised Business. Franchisee hereby directs such persons and companies to provide to Franchisor such information and copies of documents pertaining to the Franchised Business as Franchisor may request.

8.12. Licenses. Franchisee is required to provide to us, within 10 days after you receive them and upon our request, true and correct copies of all state and other licenses related to the Franchised Business and correspondence related to renewals, expirations or denials thereof.

9. INSURANCE

9.1. Basic Requirements. You must maintain the types and minimum amounts of insurance coverage and bonds we specify for Franchised Businesses, at your own expense. The policies must be written by carriers with an industry rating acceptable to us; must name Franchisor, our affiliates, and their respective officers, directors, shareholders, and employees as additional insureds as we direct; and must not have deductibles, exclusions or co-insurance that are unacceptable to us. Each insurance policy must contain a waiver by the insurance company of subrogation rights against Franchisor, its affiliates, and their successors and assigns. You are required to provide us with evidence of all required insurance coverage and payment of premiums at the times we require. At least thirty (30) days before each insurance policy expires, you are required to furnish a copy of renewal or replacement insurance and evidence of payment of the premium. Your obligation to obtain coverage is not limited by insurance that we maintain.

9.2. Changes. We have the right to increase the amounts of insurance coverage required and to require different or additional kinds of insurance. If you do not have the insurance required by this Agreement, we have the right (but no obligation) to obtain insurance on your behalf. If we do so, you agree to reimburse us for the cost of insurance, plus a reasonable fee for our services.

10. MARKETING AND ADVERTISING

10.1. Acknowledgments. You acknowledge the importance of standardization of marketing and advertising programs to the goodwill and public image of the System, the Marks, and Franchised Businesses generally. You further acknowledge our rights in this Section to modify advertising, marketing and public relations programs and the manner in which marketing and advertising funds are used from time to time.

10.2. Brand Fund. You are required to contribute to the Brand Fund as provided in Section 7.3. The purpose of the Brand Fund is to support general recognition of the Franchised Businesses and the Brand. The Brand Fund will operate as follows:

10.2.1 We will have the right to direct all advertising, marketing, public relations, and other activities to promote, develop and enhance the Brand, with final discretion over strategic direction, creative concepts, the materials and endorsements to be used, and the geographic market and media placement. We may use the Brand Fund to pay costs and expenses as we determine in our sole discretion, including but not limited to: production of video, audio, written, online and mobile marketing materials; purchasing promotional items; sponsorship of sporting, charitable, or similar events; design, establishment, and maintenance of websites, social media, mobile applications and other electronic marketing; implementation of advertising programs, in-store promotions, direct mail, and media advertising; marketing and sales training; employing advertising agencies; conducting public relations, consumer research, product development, product testing, and test marketing programs; developing and implementing trade dress and design prototypes; fulfillment charges; salaries and expenses of employees of Franchisor and affiliates working for or on behalf of the Brand Fund; fees of accounting firms, design firms, public relations firms, consultants and ad agencies; legal fees for advertising pre-clearance, defense of false advertising claims, and defense of any claims made regarding our administration of

the Brand Fund; other administrative costs and overhead incurred in activities related to the administration and activities of the Brand Fund; and interest on any monies borrowed by the Brand Fund.

10.2.2 We will make available to you any creative materials financed by the Brand Fund. If you request specific materials to be produced or customized for you, then once you approve the requested materials, you agree to pay or to reimburse us for any costs to reproduce the materials and/or to customize the materials for your use.

10.2.3 We may seek the advice of franchisees by formal or informal means with respect to the creative concepts and media used for programs financed by the Brand Fund. We retain final authority on all programs financed by the Brand Fund. We have the right to incorporate, replace, change or dissolve the Brand Fund. If we decide to dissolve the Brand Fund, contributions to the Brand Fund will stop, but the Brand Fund will continue in existence until all remaining funds have been spent.

10.2.4 We will not be obligated, in administering the Brand Fund, to make expenditures for you that are equivalent or proportional to your contributions, or to ensure that any particular franchisee or Franchised Business benefits directly or pro rata from expenditures by the Brand Fund. You have no right to reduce or withhold contributions based on any alleged lack of benefits to the Franchised Business or based on failure by any other franchisee (with or without our permission) to make its contributions to the Brand Fund.

10.2.5 Nothing in this Agreement is intended or will be construed to impose a trust or fiduciary duty on Franchisor in connection with the Brand Fund, including, but not limited to, with respect to the collection of contributions, maintenance of the bank account, bookkeeping, and disbursement of monies from the Brand Fund. Except as expressly provided in this Section 10.2, we assume no direct or indirect liability or obligation to you with respect to maintenance, direction, or administration of the Brand Fund.

10.3. Pre-Opening and Grand Opening Marketing. You are required to conduct pre-opening and grand opening marketing for the Franchised Business in accordance with a plan that you will create, subject to our approval. You are required to spend at least the amount specified in the Brand Appendix to implement the pre-opening/grand opening marketing plan. We reserve the right to require you to deposit with us the funds required under this Section, which we will distribute as necessary to carry out the approved plan.

10.4. Local Marketing. You are required to spend at least the amount specified in the Brand Appendix for local advertising and promotion of the Franchised Business ("**Local Marketing**"). This is in addition to your obligations under Sections 10.2 and 10.3. We have the right to specify that you pay Local Marketing funds to us, our affiliate, or a third-party vendor. We and our affiliates may earn revenue and profits on products or services we provide and may receive rebates, licensing fees, administrative fees, commissions, or other payments on products and services that third party vendors provide. With respect to all Local Marketing funds you pay to a third party, you are required to provide us with monthly Local Marketing expense statements (including receipts supporting the reported expenditures) evidencing compliance with the Local Marketing spend requirements. All Local Marketing is required to be approved by us pursuant to Section 10.6 below. You must be listed in the local Internet based directories and in the Yellow Pages or comparable telephone directory if available, as we designate.

10.5. Joint Marketing Programs and Cooperatives. We have the right to organize: (1) co-marketing programs in which Franchised Businesses and vendors (or other third parties) cross-promote each other's goods and services; (2) joint marketing efforts in which multiple Franchised Businesses contribute to a specific ad or event; and/or (3) local or regional marketing co-operatives ("**Cooperatives**") that pool funds of Franchised Businesses in a geographic area or with common characteristics on an ongoing basis to jointly promote the Marks and the Franchised Businesses. The amount we require you to spend or contribute to joint marketing programs and/or a Cooperative will be credited to your obligation for Local Marketing under Section 10.4 or, at our option, to your Brand Fund obligation under Section 7.3, or any combination of the two. You are required

to participate in each applicable joint marketing program and comply with the rules of the program. If an existing Cooperative is applicable to your Franchised Business at the time it opens, you are required to immediately become a member of the Cooperative. If a Cooperative applicable to the Franchised Business is established during the term of this Agreement, you are required to become a member no later than thirty (30) days after the date we approve for the Cooperative to begin operation. We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative.

10.6. Approval Requirement. All proposed advertising and promotional plans and materials that you intend to use are required to meet our standards and specifications and be submitted to us for approval at least thirty (30) days before their intended use. You are required to use the method(s) we specify to submit materials for approval. You do not have to submit samples of plans or materials that were prepared by us or that we have approved within the last twelve (12) months. Proposed advertising plans or materials are deemed to be disapproved unless we have approved them in writing within fifteen (15) days after your submission of the samples. All advertising and promotion is required to be in the media and of the type and format that we approve, conducted in a dignified manner, and conform to our standards.

10.7. Ownership of Advertising and Promotional Materials. You agree that Franchisor owns all copyrights and other rights to all existing and future advertising and promotional materials that contain any of the Marks or that otherwise relate to the Franchised Business, as well as any products, materials, and rights that result from any advertising, marketing, and promotional programs created, purchased, produced or conducted by or on behalf of Franchisee, Franchisor, the Brand Fund, or any Cooperative, regardless of the party that created such materials. No copyrights or other rights or interest in any tangible or intangible materials or in the Marks will vest in Franchisee as a result of any contribution to, or participation in, any advertising, marketing, or promotional program. If, notwithstanding this provision, Franchisee is deemed to have acquired any copyrights, contractual rights or common law rights in any advertising programs or materials, Franchisee shall execute (and shall cause its employees and agents to execute) such documents or instruments as Franchisor requests to effect assignment of such rights to Franchisor or its affiliate.

10.8. Solicitation of New Franchisees. We may from time to time develop advertising and promotional materials and displays for the solicitation of franchisees for the Brand. You agree to display all such materials and displays as required by us from time to time.

10.9. Media Appearances. You shall not make any television or radio appearance, or make any statement to any public media, in connection with any Franchised Business or the Brand unless you obtain our prior written approval.

10.10. Electronic Marketing and Electronic Communications. Unless we have agreed to it in writing, you may not use, register, maintain, or sponsor any website, URL, social media, blog, messaging system, email account, username, text address, mobile application, or other digital, electronic, mobile or Internet presence that uses or displays any of the Marks (or any derivative thereof) or that promotes any products or services of the Franchised Business. The use of any digital or electronic medium constitutes advertising and promotion subject to our approval under Section 10.6. You agree not to post or transmit, or cause any other party to post or transmit, advertisements or solicitations by telephone, e-mail, text message, instant message, website, social media, mobile apps, VoIP, streaming media, or other electronic media that are inconsistent with our brand advertising guidelines and standards. The brand advertising standards may include the use of disclaimers, warnings, and other statements that Franchisor may prescribe. You are responsible for ensuring that your employees understand the policies relating to the use of social media and you are responsible for your employees' use of social media in accordance with such policies. We have the right to require that social media accounts, profiles, pages, and registrations that primarily promote the Marks or the Franchised Business be registered in Franchisor's name. For any such accounts that we permit to be registered in Franchisee's name, you agree to provide us with the current login credentials within five (5) days after opening the account or changing the credentials. You agree that we have the rights to: (i) access any social media accounts to take corrective action if the account or any

postings are in violation of our policies; and (ii) take ownership of the accounts on expiration or termination of this Agreement and operate them thereafter as we see fit. We may offer to provide, or may require that you have, a website for your Franchised Business (which may be structured as a separate page of a consumer website(s) supported by the Brand Fund).

11. LICENSED MARKS AND COPYRIGHTS

11.1. Identification of the Franchised Business; Public Notice of Independent Status. You are required to operate, advertise, and promote the Franchised Business only under the Marks. In conjunction with any use of the Marks, you are required to conspicuously identify yourself in all dealings with customers, employees, contractors, landlords, vendors, suppliers, reporters, public officials, and others as an independent franchisee operating under authority of this Agreement. You are required to display a prominent notice, in a form that we may prescribe, in the premises of the Franchised Business and on all business cards, stationery, advertising, signs, vehicle wraps, and other public-facing materials, identifying us as the owner of the Marks and stating that you are a licensed user of the Marks.

11.2. Your Acknowledgments. You acknowledge that: (a) the Marks are valid and serve to identify the Brand and the Franchised Businesses operating under the System; (b) your use of the Marks under this Agreement does not give you any ownership interest in the Marks; and (c) all goodwill associated with and identified by the Marks belongs exclusively to Franchisor. Upon expiration or termination of this Agreement, no monetary amount will be attributable to goodwill associated with your activities as a franchisee under the Marks. Both during and after this Agreement, you agree not to contest or aid in contesting the validity or ownership of the Marks or take any action harmful to our rights in the Marks.

11.3. Limitations on Use of the Marks. You agree to:

11.3.1 Use the Marks only for the operation of the Franchised Business within the Territory, for approved activities outside of the Territory, and for approved marketing and advertising for the Franchised Business;

11.3.2 Use the Marks to promote and to offer for sale only the products and services that we have approved, and not use any Marks in association with the products, materials or services of others or in any other manner that we have not expressly approved;

11.3.3 Use only the Marks designated by us and use them only in the manner we authorize;

11.3.4 Comply with our instructions in filing and maintaining any requisite trade name or fictitious name registrations, and sign any documents we deem necessary to obtain protection for the Marks or to maintain their continued validity and enforceability;

11.3.5 Not independently register or apply for registration of any trademark, service mark, trade name, domain name or electronic identifier relating directly or indirectly to the Marks, anywhere in the world, without our prior written consent. Any such registration or application by you, whether or not authorized by us, will be deemed to be owned by Franchisor and you agree to take such steps, including signing an assignment document, as we may request to confirm our ownership;

11.3.6 Permit us or our representatives to inspect your operations to assure that you are properly using the Marks;

11.3.7 Not use the Marks to incur any obligation or indebtedness on our behalf;

11.3.8 Not use any of the Marks as part of your corporate or legal name, business organization or trade name, as part of an internet domain name or URL, or in connection with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified form, or as otherwise prohibited in the Brand Appendix;

11.3.9 Not use any of the Marks on any employee forms, employee manuals, employee policies, pay stubs, benefits forms, payroll records, or other employee materials; and

11.3.10 Ensure that the Marks bear the "®", "™", or "SM" symbol, as we prescribe.

11.4. Changes to the Marks. We have the right to change, discontinue, or substitute for any of the Marks and to adopt new Marks that you are required to or may use. You agree to implement any such change at your own expense.

11.5. Copyrighted Materials. You acknowledge that Franchisor is the owner of certain copyrighted or copyrightable works (the **"Works"**) and that the copyrights in the Works are valuable property. The Works include, but are not limited to, the Brand Standards Manuals, advertisements, promotional materials, signs, Internet sites, mobile applications, vehicle graphics, and facility designs. We authorize you to use the Works on the condition that you comply with all of the terms and conditions of this Section 11. This Agreement does not confer any interest in the Works on you, other than the right to use them in the operation of the Franchised Business in compliance with the terms of this Agreement. If you prepare any adaptation, translation or other work derived from the Works, whether or not authorized by us, you agree that the material will be our property and you hereby assign all your right, title and interest therein to us. You agree to sign any documents we deem necessary to confirm our ownership.

11.6. Third-Party Challenges. You agree to notify us promptly of any unauthorized use of the Marks or Works that you suspect or of which you have knowledge. You also agree to inform us promptly of any challenge to the validity of, our ownership of, or our right to license others to use any of the Marks or Works. We have the exclusive right (but no obligation) to initiate, direct and control any litigation or administrative proceeding relating to the Marks and Works, including any settlement. You agree to sign documents and render any other assistance our counsel may deem necessary to protect our interests in the Marks and the Works.

11.7. No Representation. Franchisor makes no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Marks or Works.

12. BRAND STANDARDS MANUALS

We will furnish you with one copy of, or electronic access to, the Brand Standards Manuals. We own the copyright in the Brand Standards Manuals and any portions in your possession or control are on loan from us and remain our property. We have the right to modify the Brand Standards Manuals at any time to reflect changes in the Brand Standards. In the event of a dispute about the contents of the Brand Standards Manuals, the master copy at our principal office takes precedence. The Brand Standards Manuals and any credentials necessary to access digital versions of the Brand Standards Manuals are part of the Confidential Information.

13. CONFIDENTIAL INFORMATION

13.1. Nondisclosure. You are prohibited, both during and after the term of this Agreement, from communicating or divulging Confidential Information to any unauthorized person and from using Confidential Information for your benefit or for the benefit of any other person, other than for operation of the Franchised Business. You may divulge Confidential Information only: (i) to your employees and agents who must have access in order to carry out their duties relating to the Franchised Business; and (ii) to your contractors and

landlord with our prior written approval. All information that we designate as confidential will be deemed to be Confidential Information for purposes of this Agreement.

13.2. Individuals Affiliated with the Franchised Business. At our request, the Owners, Key Person, and any employees we designate are required to sign a separate Confidentiality and Non-Compete Agreement in the form of Appendix C to this Agreement. At our request, you are required to use best efforts to obtain signed confidentiality agreements from your landlord, contractors, and any other person outside of your organization to whom you wish to disclose any of our Confidential Information. The confidentiality agreements are required to be in a form satisfactory to us and identify us as a third party beneficiary with the independent right to enforce the agreement.

13.3. Improvements. You may not introduce any Improvement into the Franchised Business without our prior written consent. Any Improvement developed by you or any Owner, employee or agent of Franchisee is the property of Franchisor. At our request, you are required to provide us with information about the Improvement and sign any documents necessary to verify assignment of the Improvement to us, without compensation. We will have the right to use, disclose, and/or license the Improvement for use by others.

14. RESTRICTIONS ON COMPETITION

14.1. During the Term. The relationship established by this Agreement will provide access to valuable Confidential Information, training, and business opportunities that you and the Owners did not possess before entering into this Agreement. Accordingly, while this Agreement is in effect, except as we otherwise approve in writing, you may not, either directly or indirectly:

14.1.1 Own, maintain, operate, engage in, invest in, be employed by, provide any assistance to, or have any interest in any "**Competing Business**," as defined in the Brand Appendix; or

14.1.2 Appropriate or duplicate any part of the System for a purpose other than to operate the Franchised Business, or divert or attempt to divert any present or prospective business or customer to any Competing Business, or do anything else harmful to the goodwill associated with the Marks and the System.

14.2. After Expiration, Termination or Transfer. You agree that you will not, for a period of two (2) years commencing on the date of: (a) a transfer permitted under Section 15 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final arbitration or court order (after all appeals have been taken) with respect to enforcement of this Section 14.2 to the extent such order is later than the respective foregoing event:

14.2.1 Own, maintain, operate, engage in, invest in, be employed by, provide assistance to, or have any interest in any Competing Business that is located in or serves customers within (i) the Territory, (ii) forty (40) miles of the Territory, (iii) any zip code where Franchisee's Franchised Business served customers during the term, (iv) the territory of any other then-existing Franchised Businesses plus the area formed by extending the boundaries of that territory ten (10) miles in all directions, or (v) the territory serviced by any business operated by Franchisor, its affiliates or their licensees under the Marks at such time plus the area formed by extending the boundaries of that territory ten (10) miles in all directions; or

14.2.2 Appropriate or duplicate any part of the System for a purpose other than to operate a Franchised Business under a valid agreement with us, or divert or attempt to divert any present or prospective business or customer to any Competing Business, or do anything else harmful to the goodwill associated with the Marks and the System.

14.3. Enforcement.

14.3.1 You acknowledge that a violation of this Section 14 would result in irreparable injury for which no adequate remedy at law may be available. Injunctive relief is in addition to any other remedies we may have.

14.3.2 Neither you nor any person bound by the restrictions of this Section 14 may circumvent the restrictions by engaging in prohibited activity indirectly through any other person or entity.

14.3.3 For the individuals who are bound personally by the restrictions in this Section 14 or by a separate non-competition agreement with you or us, the time period in Section 14.2 will run from the expiration, termination, or transfer of the Franchised Business or from the end of the individual's relationship with Franchisee, whichever occurs sooner.

14.3.4 The time periods in Section 14.2 and Section 14.3.3 will be tolled for any period of time during which Franchisee or the restricted individual is in breach of the section and will resume only when Franchisee or such person begins or resumes compliance.

14.3.5 The existence of any claim Franchisee or any Owner may have against Franchisor or its affiliates, whether or not arising under this Agreement, shall not constitute a defense to Franchisor's enforcement of the restrictions in this Section 14 or any separate confidentiality or non-competition agreement.

14.3.6 You represent that Franchisee and each of its Owners possess skills and abilities of a general nature that provide them with other opportunities for employment and, therefore, our enforcement of the restrictions in Sections 14.2 and 14.3.3 will not deprive Franchisee or any of its Owners of their personal goodwill or ability to earn a living through alternative means.

14.3.7 We have the right to reduce the scope of any restriction in this Section 14, effective immediately upon written notice to Franchisee.

15. SALE OR ASSIGNMENT

15.1. No Transfer of Interest without Our Consent. We have entered into this Agreement in reliance on the business skill, financial capacity, and personal character of Franchisee and its Owners. Accordingly, neither Franchisee nor the Owners may sell, assign, give away, pledge, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings) any direct or indirect interest in this Agreement, in the assets of the Franchised Business, or in the equity ownership of Franchisee without obtaining our prior written consent. This section applies to any transfer that would occur by any mechanism, including but not limited to family financial planning, estate planning, transfer to a trust, corporate reorganization, issuance or offering of securities, employee ownership plans, divorce, new marriage, bankruptcy, or receivership. If Franchisee is a corporation, limited liability company, or other business entity, this Section also applies to the transfer of a direct or indirect ownership interest in Franchisee. We can approve or disapprove the proposed transferee in our sole discretion. If we approve the proposed transferee, we can still impose conditions on the transfer. Franchisee and the Owners agree that the conditions in Sections 15.2 through 15.7 below are reasonable and that they do not preclude other conditions that we may impose. Franchisee and the Owners agree to notify us in writing of each proposed transfer, to provide all information and documentation relating to the proposed transfer that we request, and to refrain from completing the transfer until we advise you that all requirements of this Section 15 have been satisfied. If we have not responded within sixty (60) days after receiving all requested information, we will be deemed to have refused consent. We have the right to communicate with and counsel Franchisee, the Owners, and the proposed transferee on any aspect of a proposed transfer. Unless otherwise agreed, we do not waive any claims against the transferring party if we approve the transfer. If we do not approve the transfer, you are required to continue to operate the Franchised Business in accordance with this Agreement.

15.2. Transfer of Business. The conditions set forth in this Section apply to a proposed transfer of this Agreement and/or substantially all of the assets of the Franchised Business, as well as to a proposed transfer, alone or together with other previous, simultaneous or proposed transfers, of any direct or indirect equity ownership interest in Franchisee that would result in a change of control of Franchisee or the Franchised Business ("**Change of Control**"). Unless waived by Franchisor, the conditions are:

15.2.1 Franchisee and the Owners are required to be in compliance with all obligations to us under this Agreement and any other agreement with us and our affiliates as of the date of the request for our approval of the transfer, or make arrangements satisfactory to us to come into compliance by the date of the transfer.

15.2.2 The proposed transferee is required to:

(a) Demonstrate to our satisfaction that the proposed transferee and its owners and managers meet all of our then-current qualifications to become a franchisee of the Brand, which may include educational, managerial, and business standards; absence of involvement with Competing Businesses; good moral character, business reputation, and credit rating; and aptitude and ability to operate the Franchised Business. If the proposed transferee is already a franchisee of the Brand, that fact does not guarantee approval to become the operator of the Franchised Business. We have no less discretion with respect to a proposed transferee than we have with granting a new franchise.

(b) At our option, sign our then-current standard form of Franchise Agreement (or the standard form most recently offered to new franchisees) and related documents. The new Franchise Agreement may include new or increased fees and may otherwise differ, without limitation, from the terms of this Agreement.

(c) Require all owners of a beneficial interest in the transferee to sign our then-current form of Personal Guarantee and our other then-current standard documents.

(d) Successfully complete our then-current training requirements.

(e) Make arrangements to modernize and upgrade the Franchised Business, at the transferee's expense, to comply with our then-current Brand Standards.

(f) If the proposed transferee is another franchisee of the Brand, the proposed transferee is required to not have any outstanding notice of default under any agreements with us, have a good record of customer service and compliance with Brand Standards, and sign a general release in a form acceptable to us.

15.2.3 Franchisee is required to pay us a transfer fee of $10,000 ("**Transfer Fee**"). If the proposed transferee was referred to you or us by a third-party (e.g., a broker) with whom we have a referral arrangement, then you or the proposed transferee, as a condition of approval, must pay us an additional fee equal to the amount owed under that referral arrangement. If we identify the prospective purchaser, then in addition to the Transfer Fee, we must receive the greater of: (a) $15,000; (b) three percent (3%) of the total purchase price; or (c) our actual costs to identify the prospective purchaser. Any amounts paid pursuant to this Section are non-refundable.

15.2.4 Franchisee and all Owners are required to sign a general release, in a form satisfactory to us, of all claims against us and our past, present and future affiliates, officers, directors, shareholders, agents and employees. Franchisee and the Owners will remain liable to us for all obligations arising before the effective date of the transfer.

15.2.5 The price and other proposed terms of the transfer must not, in our judgment, have the effect of negatively impacting the future viability of the Franchised Business.

15.2.6 Any financing incurred in connection with the transfer is required to be expressly subordinated to the transferee's obligations to us.

15.3. Transfer of Minority Ownership Interest. For any proposal to admit a new Owner, to remove an existing Owner, to change the distribution of ownership shown on the Data Sheet, or otherwise modify the ownership in a way that would not result in a Change of Control of Franchisee or the Franchised Business, Franchisee is required to give us advance notice and submit a copy of all documents and other information concerning the transfer that we may request. We will have a reasonable time (not less than forty-five (45) days) after we have received all requested information to evaluate the proposed transfer. We may withhold our consent or give our consent subject to the conditions in Section 15.2 that we deem to be applicable, except that, instead of a transfer fee, we will only charge (i) the applicable, then-current change of ownership fee set by Franchisor from time to time (as of the Agreement Date, it is the greater of $500 or Franchisor's external (i.e., not in-house) legal and administrative costs); plus (ii) applicable training fees for each new person that we determine needs training. Each proposed new owner is required to submit a personal application and sign a Personal Guarantee and our other then-current standard documents.

15.4. Transfer on Death, Incapacity or Bankruptcy. If Franchisee or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee is required to apply to us in writing within 3 months after the event for consent to transfer the person's interest. The transfer will be subject to Sections 15.2 through 15.6, as applicable. In addition, if the deceased or incapacitated Owner is the Key Person, we will have the right (but no obligation) to take over operation of the Franchised Business upon giving notice to the executor, administrator, personal representative, or trustee and to manage the Franchised Business until the transfer is completed. If we exercise this right, we can charge a reasonable management fee for our services. For purposes of this Section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (i) for a period of thirty (30) or more consecutive days or (ii) for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 15.2, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement. If an interest is not disposed of under this Section 15.4 within one year after the date of death or appointment of a personal representative or trustee, we can terminate this Agreement under Section 16.1.

15.5. Non-Conforming Transfers. Any purported transfer that is not in compliance with this Section 15 is null and void and constitutes a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure.

15.6. Our Right of First Refusal. We have the right, exercisable within thirty (30) days after receipt of the notice of a proposed transfer required by Section 15.1, to send written notice to you that we intend to purchase the interest proposed to be transferred, except that our right of first refusal will not apply if: (i) the sale would not result in a Change of Control; or (ii) the interests would transfer only to the spouse(s) and/or adult children of the Owners. The request for approval of transfer must include a true and complete copy of the term sheet, letter of intent, proposed purchase agreement, assignment document, description of financing or other contingencies, and any other documents we deem necessary to support a prudent business decision on whether to exercise the right of first refusal. We can assign our right of first refusal to someone else either before or after we exercise it.

15.6.1 If the proposed transfer is a sale, we or our designee may purchase on the same economic terms and conditions offered by the third party. Closing on our purchase must occur within sixty (60) days after the date of our notice to the seller electing to purchase the interest. If we cannot reasonably be expected to furnish the same type of consideration as the third-party, then we may substitute the equivalent in cash. If the parties cannot agree within thirty (30) days on the equivalent in cash, you and we will jointly designate and pay the cost of an independent appraiser, and the appraiser's determination will be final. We will have thirty (30)

days after receipt of the appraiser's determination to decide whether to proceed with the purchase. We are entitled to receive, and Franchisee and the Owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the capital stock of an incorporated business, as applicable. Any material change in the third party's offer after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as for the third party's initial offer.

15.6.2 If a transfer is proposed to be made by gift, you and we will jointly designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We will have thirty (30) days after receipt of the appraiser's determination to decide whether to purchase the interest at the fair market value determined by the appraiser. If we decide to purchase, closing on the purchase will occur within forty-five (45) days after our notice to the transferor of our decision.

15.6.3 If we elect not to exercise our rights under this Section, the transferor may complete the proposed transfer after complying with Sections 15.1 through 15.4, provided that the final sale price is not less than the price at which we were entitled to purchase. If we determine that the final sale price is less than the price at which we were entitled to purchase, we may refuse to give our consent to the transfer. Closing of the transfer to the third party must occur within sixty (60) days of our election not to exercise our rights. If closing does not occur within the 60-day period, the third party's offer will be treated as a new offer subject to our right of first refusal.

15.7. Transfer of Development Agreement. If this Agreement is associated with a Development Agreement and you propose to transfer your rights under the Development Agreement, you are required (unless we otherwise approve) to transfer this Agreement and all other Franchised Businesses developed under the Development Agreement to the same transferee in the same transaction.

15.8. Sale or Assignment by Franchisor. We have the right to transfer or assign all or any portion of our rights or obligations under this Agreement to any person or legal entity including the operator of a competing franchise system. The assignee will expressly assume our obligations and become solely responsible for them from the effective date of assignment. We can sell our assets, sell securities in a public offering or in a private placement; merge with, acquire, or be acquired by another company; or undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring, without restriction and without affecting your obligations under this Agreement.

16. DEFAULT AND TERMINATION

16.1. Termination without Cure Period. In addition to any other rights of termination set forth in this Agreement, and subject to applicable law, we will have the right to terminate this Agreement if any of the following events of default occurs, without providing you an opportunity to cure the default, effective immediately upon delivery of written notice to you:

16.1.1 If you do not have an Approved Location within three (3) months after signing this Agreement;

16.1.2 If at any time during the pre-opening training program, we conclude in our sole judgment that any person required to attend the pre-opening training program does not possess the skills necessary to properly fulfill and discharge the demands and responsibilities required by the System or this Agreement;

16.1.3 If you do not open the Franchised Business by the Opening Deadline;

16.1.4 If you (i) cease operating the Franchised Business, which such failure to operate may be inferred from circumstances where it is reasonable to conclude that you have not operated the Franchised Business, including but not limited to your failure to (a) answer the telephone, (b) provide services, and (c) staff the Franchised Business as necessary to perform the services, for three (3) or more consecutive business days without our prior approval, (ii) express your intent to abandon the Franchised Business, or (iii) cease to operate the Franchised Business for any period in circumstances where it is reasonable to conclude that you do not intend to promptly resume operation of the Franchised Business;

16.1.5 If you lose the right to possession of the Approved Location, or otherwise forfeit the right to do business in the jurisdiction where the Franchised Business is located. However, if, through no fault of your own, the Franchised Business premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then you will have thirty (30) days after that event in which to apply for our approval to relocate and/or reconstruct the Franchised Business;

16.1.6 If you refuse to permit us to inspect the Franchised Business or your books, records, or accounts as provided herein;

16.1.7 If you do not comply with the restrictions on competition in Section 14;

16.1.8 If any transfer of interest in this Agreement, Franchisee, or the Franchised Business occurs that does not comply with Section 15, or if an interest is not disposed of under Section 15.4 within one year after the date of death or appointment of a personal representative or trustee;

16.1.9 If you knowingly misuse or disclose, or if your negligence results in disclosure, to any unauthorized person any contents of the Brand Standards Manuals or other Confidential Information ;

16.1.10 If you knowingly maintain false or misleading books or records, knowingly underreport sales, or knowingly submit any other false or misleading information to us;

16.1.11 If you perpetrate common law fraud against us or any customer or supplier of the Franchised Business or knowingly permit any agent or employee of Franchisee to embezzle any funds or property of any customers, Franchisor, Franchisee, or others;

16.1.12 If Franchisee takes, withholds, misdirects or appropriates for Franchisee's own use any funds withheld from Franchisee's employees' wages for employees' taxes, FICA, insurance, or benefits;

16.1.13 If Franchisee or any Owner commits or is convicted of, pleads guilty to, or pleads no contest to a felony, a crime involving moral turpitude, or any other crime or offense that we believe is likely to have an adverse effect on the System, the Marks, or the goodwill associated with them. Once Franchisee or any Owner has been arrested for or formally charged with a serious criminal offense, we will have the right: (i) to require that the individual(s) charged be removed from any active role in the Franchised Business pending final disposition of the charges; and (ii) if the person(s) charged include the Key Person, to take over operation of the Franchised Business and to manage it on your behalf pending final disposition of the charges. If we exercise the right in clause (ii), we may charge a reasonable management fee for our services;

16.1.14 If Franchisee is insolvent or makes an assignment for the benefit of creditors; if a receiver is appointed for the Franchised Business; if execution is levied against your business assets; if a suit to foreclose any lien or mortgage is filed against you and not dismissed within sixty (60) days; or if your business entity is dissolved;

16.1.15 If Franchisee or any Owner appears on any government list of "blocked" persons or its assets, property, or interests are "blocked" under any anti-terrorism law or similar law that prohibits us from doing business with Franchisee or the Owner;

16.1.16 If Franchisee breaches a material provision of this Agreement that is not, by its nature, curable or that goes to the essence of the Agreement;

16.1.17 If ~~you fail to~~ you fail to maintain the insurance coverage required by Section 9, or fail to provide satisfactory evidence of insurance to us within forty-eight (48) hours of our request;

16.1.18 If you fail to attempt to contact a customer within forty-eight (48) hours after receiving a customer complaint, or fail to attempt to resolve to our satisfaction any customer complaint in the manner and within the timeframe set forth in the Brand Standards Manuals and subject to 7.5, and you do not correct such failure within seven (7) days after we deliver written notice to you;

16.1.19 If the Designated Franchisee Representatives fail to attend our annual convention for three (3) consecutive years, unless the Designated Franchisee Representatives have an approved reason for not attending or Franchisee obtains our approval in advance to send a Qualified Substitute (as defined in Section 5.8);

16.1.20 If the business license for, or any other permit or license required for the operation of, the Franchised Business is suspended or revoked;

16.1.21 If you fail to conduct and keep records of a satisfactory background check on any employee as may be required by us prior to his/her hire and on a regular basis, and you fail to cure the default within 10 days after we deliver written notice to you;

16.1.22 If you cure a default after written notice from us and the same default occurs again within one (1) year, whether or not cured after notice;

16.1.23 If you fail on three (3) or more separate occasions within any period of eighteen (18) months to provide access to and to submit when due reports or other data, information or supporting records, or to pay when due any amounts due to us or otherwise comply with this Agreement, whether or not such failures to comply were corrected after written notice of such failure was delivered to you.

16.1.24 You misuse or make any unauthorized use of the Marks, engage in any conduct which we reasonably believe threatens to or actually impairs the Marks or our reputation or the goodwill associated therewith, and do not cure such misuse or unauthorized use within twenty-four (24) hours' notice from us; or

16.1.25 You commit violations of any health, safety, sanitation or other regulatory law, ordinance, standard, practice or regulation or operate the Franchised Business in a manner that presents a health or safety hazard to your employees, customers or the general public.

16.2. Termination for Non-Payment. If you fail to pay any monies owed to us or our affiliates within fifteen (15) days after receipt of notice of default from us, this Agreement will terminate at the end of the 15-day period without further notice from us.

16.3. Termination Following Expiration of Cure Period. Except as provided in Sections 16.1 and 16.2 and elsewhere in this Agreement, we can terminate this Agreement only by giving you written notice of termination stating the nature of the default, at least thirty (30) days before the effective date of termination. If the default is not cured within the thirty (30) day period (or such longer period as applicable law may require)

this Agreement will terminate without further notice to you, effective at the end of the cure period. Any material failure to comply with the requirements imposed by this Agreement (as supplemented by the Brand Standards Manuals) will be a default under this Section 16.3.

16.4. Cross-Default. We have the right to treat a default under any other agreement that you or your affiliate have with us or our affiliate as a default under this Agreement, subject to any applicable provisions for notice and cure set forth in the other agreement. For purposes of this section, "**affiliate**" means a person or business entity controlling, controlled by, or under common control with Franchisee or Franchisor, as applicable.

16.5. Cross-Guarantee. In the event Franchisee or Franchisee's affiliate now holds or later acquires any interest in a Franchised Business other than the Franchised Business franchised under this Agreement, Franchisee shall unconditionally guarantee full performance and discharge of all of the franchisee's obligations under the franchise agreement for such other Franchised Business, including without limitation the payment of all royalty fees, advertising fees, and other obligations.

16.6. Pre-Termination Options of Franchisor. Prior to the termination of this Agreement, if you fail to pay any amounts owed to us or our affiliates or fail to comply with any term of this Agreement, then in addition to any right we may have to terminate this Agreement or to bring a claim for damages, we will have the right to take the actions set out below and continue them until you have cured the default to our satisfaction. The taking of any of the actions permitted in this Section 16.6 will not suspend or release you from any obligation that would otherwise be owed to us or our affiliates under the terms of this Agreement. We may:

16.6.1 Remove the listing of the Franchised Business from all advertising published or approved by us;

16.6.2 Prohibit you from attending any meetings or seminars held or sponsored by us or taking place on our premises;

16.6.3 Suspend access to the Call Center, the Franchisee Portal, and any technology systems we provide you access to, whether it is our technology or a third-party license; and/or

16.6.4 Suspend services provided to you by us or our affiliates under this Agreement, including but not limited to inspections, training, marketing assistance, and the sale of products and supplies.

16.7. Step In Rights. If you fail to cure any default within the applicable cure period (if any), we have the right, but not the obligation, to assume temporary management of the Franchised Business using our own employees or contractors (which may include other franchisees) until such time as we determine that the default has been cured and you are otherwise in compliance with this Agreement. This right is in addition to our right to terminate this Agreement, and not in lieu of such right or any other rights we may have against you. If we exercise the rights described in this Section, we will be permitted to enter the premises and exercise complete authority with respect to the operation of the Franchised Business. You will be required to pay us (or our designee) a fee of up to $500 per day and reimburse us (or our designee) for all costs and overhead, if any, incurred in connection with the temporary operation of your Franchised Business, including, without limitation, the costs of our personnel for supervising and staffing the Franchised Business and their travel and lodging. If we undertake to operate the Franchised Business pursuant to this Section, you agree to indemnify and hold us (and our designees and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of our operation of the Franchised Business.

16.8. Liquidated Damages. If we terminate this Agreement based on your default, you are required to pay us, as liquidated damages, an amount equal to the greater of: (i) two years of Royalty Fees (calculated as your average Royalty Fees per payment period in the year preceding the termination of this Agreement, multiplied by the number of payment periods occurring in a two-year period); or (ii) $100,000 (unless a different minimum is stated in the Brand Appendix). The liquidated damages are in addition to costs and expenses that you may owe us under Section 23 (Disputes).

17. OBLIGATIONS UPON TERMINATION OR EXPIRATION

17.1. Our Rights to Acquire Approved Location and Franchise Assets. Upon expiration or termination of this Agreement under any circumstances, you are required to:

17.1.1 At our request, assign to us your interest in the lease or sublease for the Approved Location (or provide us with a commercially reasonable lease if you own the Approved Location). If we elect not to exercise our option to acquire the lease, you are required to make modifications or alterations to the Approved Location as necessary to comply with Section 17.2 and to distinguish the Approved Location from that of a Franchised Business.

17.1.2 At our request, sell to us such of the furnishings, fixtures, vehicles, equipment, and signs of the Franchised Business as we may designate, at fair market value, and such of the inventory and supplies on hand as we may designate, at fair market wholesale value. If the parties cannot agree on the price of any such items within thirty (30) days, we will appoint an independent appraiser, and the appraiser's determination will be final. Franchisor and Franchisee will each pay one-half of the appraiser's fees and costs. We will have thirty (30) days after receipt of the appraiser's determination to decide whether to proceed with the purchase. If we exercise our option to purchase any items, we will have the right to set off any amount due us or our affiliate from you against any payment for the items.

17.1.3 At our request, provide us with a copy of each customer agreement for the Franchised Business and any related information we request, and provide us with all other information and access necessary for us (or our designee) to continue servicing the customer and related business relationships within three (3) days from our request at no cost to us (since the Customer Data is our property). To this end, each customer agreement must include a clause providing us the unconditional right (but not an obligation) to assume (directly or through a designee) the customer agreement upon the termination or expiration of this Agreement, including all of your rights and obligations thereunder that arise from and after such assumption. Upon the expiration or termination of this Agreement, you agree to facilitate our conversations with customers to ensure an orderly transition of the business operations. You agree to pay over to us (or our designee) any amounts (or a pro rata portion of any amounts) paid to you by your customers for services that you have not yet performed.

We can exercise any or all of our options under Sections 17.1.1, 17.1.2 and 17.1.3: (a) within thirty (30) days after the expiration of the Agreement Term, in the case of expiration of this Agreement; and (b) in the case of termination of this Agreement, at any time between the date of delivery of written notice of termination and thirty (30) days after the effective date of termination (or after the arbitration or court ruling upholding the termination, if termination is contested). We may assign these options to another person or entity. To preserve the value of these options, we may issue to you, and you are required to comply with, written instructions to refrain from, delay, or reverse any of the actions required of you under Section 17.2.

17.2. De-identification. Unless we have instructed you otherwise under Section 17.1, upon termination or expiration of this Agreement under any circumstances, you are required to:

17.2.1 Cease to operate the Franchised Business, withdraw all advertising that can be canceled, remove from the Approved Location and from service vehicles all signs, graphics, and other items that display the Marks, and make any other changes that we request to dissociate yourself, the Approved Location, and the former Franchised Business from the System;

17.2.2 Either permanently deactivate or, at our request, transfer to us all domain name registrations and other accounts, profiles, pages, usernames, and registrations by which you associate the Franchised Business with the Brand online or in any mobile network or other electronic marketing or communications channel, including but not limited to any social media, blog, messaging system, email domain, listserv, directory, or smart phone app, whether or not we authorized the particular usage or channel. If you do not voluntarily transfer these domain names, accounts, profiles, pages, usernames, and registrations, the registrars and hosts of any such electronic marketing or communications channels may accept this Agreement as evidence of our exclusive rights in the domain names, accounts, profiles, pages, usernames, and registrations and of our authority to direct their transfer on your behalf. When the domain names, accounts, profiles, pages, usernames, and registrations are transferred, all hosted content will also be transferred to us, including all data housed on the electronic marketing and communications channels as well as all members, friends, contacts and customers who are linked to the accounts or sites;

17.2.3 Cease to use the Confidential Information (including the Brand Standards Manuals, Customer Data and Business Data), the Marks, the Works, and all other distinctive elements associated with the System, and return all materials in your possession or control, in any medium, that contain Confidential Information, bear any of the Marks, or constitute Works;

17.2.4 Cancel any assumed name registration that contains any element or variation of the Marks, and furnish evidence satisfactory to us of compliance with this obligation within five (5) days after termination or expiration of this Agreement;

17.2.5 Cease using the telephone number(s) of the Franchised Business, notify your telephone company and all listing agencies of the termination of your right to use the telephone numbers and listings for the Franchised Business, and transfer those number(s) and listings to us or our designee. If you do not voluntarily transfer these numbers and listings, we will present the signed copy of Appendix D to the telephone company and all listing agencies as evidence of our exclusive rights in the telephone numbers and directory listings and of our authority to direct their transfer on your behalf;

17.2.6 Return to customers (or if we request, to us) all items, including keys, in your possession which relate to that particular customer;

17.2.7 Not directly or indirectly represent yourself to the public or hold yourself out as a present or former franchisee of the Brand; and

17.2.8 Not use any reproduction, counterfeit, copy, or colorable imitation of the Marks or the Works in connection with any other business that, in our opinion, is likely to cause confusion, mistake, or deception or to dilute our and/or our affiliates' rights in and to the Marks and the Works. You must not use any designation of origin or description or representation that falsely suggests or represents an association or connection with us.

You hereby appoint us as your attorney-in-fact to carry out the requirements of this Section 17.2 if you fail to do so within a reasonable time, which need not be more than fifteen (15) days. You agree that we will have the right to enter the Approved Location and to contact your landlord and other third parties to make any required changes that you fail to make. You agree to reimburse us on demand for any costs that we incur to carry out your obligations.

17.3. Continuing Obligations. After termination or expiration of this Agreement under any circumstances, you will remain liable to us for certain obligations. Among other things, you are required to:

17.3.1 Promptly pay all sums owing to us and our affiliates;

17.3.2 Permit access to and examination of books and records as provided in Section 8 to determine any amounts due;

17.3.3 Protect the Confidential Information as provided in Section 13;

17.3.4 Comply with the post-term restrictions on competition in Sections 14.2 and 14.3; and

17.3.5 Indemnify us as provided in Section 20.

18. BUSINESS ENTITY REQUIREMENTS

18.1. Ownership Information. Franchisee and each Owner represents and warrants that the ownership information on the Data Sheet is correct and complete as of the Agreement Date and will not be changed without first obtaining our consent as required by Section 15. You are required to maintain a current list of all stockholders, general partners, limited partners, members, or other direct and indirect beneficial owners (as applicable) and furnish the list to us upon request. If any Owner is a business entity, you are required to provide all information we request concerning that business entity and its owners. Every individual or entity that owns a direct or indirect equity interest of 5% or greater in Franchisee is required to guarantee Franchisee's performance of this Agreement by executing the Personal Guarantee attached to this Agreement.

18.2. Governing Documents. At our request, you are required to furnish us with copies of Franchisee's articles of incorporation, bylaws, partnership agreement, certificate of formation, limited liability company operating agreement, stock certificates, corporate minutes, or other governing documents, as applicable. You are required to give us at least thirty (30) days prior written notice of any proposed amendments to your governing documents. Your governing documents must provide at all times that your activities are confined exclusively to developing and operating Franchised Businesses. If any controlling Owner is a business entity, you are required to provide similar information concerning that business entity as we may request.

18.3. Control Arrangements. Any voting trust, management agreement, or other arrangement affecting the power to direct and control the affairs of Franchisee requires our prior written consent. You are required to furnish any information and documentation that we may request concerning a proposed control arrangement.

18.4. No Use of Marks in Corporate or Legal Name. Without limiting any of the requirements in Section 11.3 above, you may not use any of the Marks as part of your corporate or legal name.

19. RENEWAL

19.1. Renewal Term and Conditions. Upon expiration of this Agreement, you will have the option to continue the franchise relationship for one (1) additional term of ten (10) years, subject to this Section. We will require you to satisfy the following requirements as a condition of renewing the franchise relationship with us:

19.1.1 You are required to give us written notice of your desire to renew not less than six (6) months and not more than twelve (12) months before the Expiration Date;

19.1.2 You must not be in default of this Agreement or any other agreement with us, our affiliates, or our approved vendors at the time you give the notice in Section 19.1 or during the remainder of the expiring term;

19.1.3 You are required to have a good record of customer service and of compliance with Brand Standards and your contractual obligations to us;

19.1.4 You are required to be on good terms with us, including but not limited to having a good working relationship for day-to-day operations and not being in litigation or other adversarial legal proceedings with us;

19.1.5 At our option, you will sign the then-current franchise agreement being offered to new franchisees of the Brand, except that we may or may not include a further renewal option (the "**Successor Franchise Agreement**"). The terms of the Successor Franchise Agreement may differ substantially from the terms of this Agreement, including increased fees, new fees, reconfiguration of the Territory, and higher Minimum Performance Requirements. Personal guarantees will be required per our then-current policy and our other standard documents will be required;

19.1.6 You are required to pay us the renewal fee specified in the Brand Appendix;

19.1.7 Franchisee and all Owners are required to sign a general release, in a form we prescribe, of any and all claims against us, our affiliates, and our officers, directors, shareholders and employees;

19.1.8 The Key Person and any employees we designate are required to successfully complete any additional or refresher training courses that we may require;

19.1.9 You are required to demonstrate that you have the right to remain in possession of the Approved Location for the full renewal term;

19.1.10 You are required to remodel, refurbish, renovate (including without limitation, as to any upgrading or refurbishing of vehicles used in the Franchised Business as may be requested by us) and/or re-equip the Franchised Business and premises to conform to our then-current Brand Standards for new Franchised Businesses before the end of the expiring term or obtain our approval of arrangements to complete the work on a schedule satisfactory to us; and

19.1.11 The computer system and vehicle(s) used in operation of the Franchised Business must be upgraded as necessary to meet our then-current Brand Standards.

19.2. Your Failure to Act. Your failure to give timely notice of your desire to renew will be deemed an election to decline the option in Section 19.1. IN FRANCHISOR'S SOLE DETERMINATION, FRANCHISEE MAY BE DEEMED TO HAVE IRREVOCABLY DECLINED TO CONTINUE THE FRANCHISE RELATIONSHIP IF FRANCHISEE FAILS TO SIGN AND RETURN TO FRANCHISOR THE SUCCESSOR FRANCHISE AGREEMENT AND OTHER DOCUMENTS REQUIRED BY FRANCHISOR WITHIN THIRTY (30) DAYS AFTER THEIR DELIVERY TO FRANCHISEE, OR FAILS TO COMPLY IN ANY OTHER WAY WITH THE PROVISIONS OF THIS SECTION 19.

19.3. Holding Over. If Franchisee does not sign a Successor Franchise Agreement by the Expiration Date and continues to accept the benefits of this Agreement after the expiration of this Agreement, then at the option of Franchisor, this Agreement may be treated either as (i) expired as of the Expiration Date, with Franchisee then operating without a franchise to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis ("**Interim Period**") until one party provides the other with written notice of such party's intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. In the latter case, all obligations of Franchisee shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period.

20. INDEMNIFICATION

You agree to indemnify Franchisor, its affiliates, and their respective past, present, and future officers, directors, shareholders, employees, and agents (collectively, "**Protected Parties**") for, and at our option defend the Protected Parties against: (i) any claims (whether or not by a third party) arising directly or indirectly from, as a result of, or in connection with your activities under this Agreement (collectively, "**Claims**"); and (ii) any liabilities, damages, losses, and expenses the Protected Parties incur as a result of such Claims, including but not limited to attorneys' fees, costs of investigation, settlement costs, fines, civil penalties, and interest charges (collectively, "**Expenses**"). To the extent permitted by law, this indemnity includes Claims and Expenses alleged to be caused by the negligence of the Protected Parties, unless (and then only to the extent that) the Claim or Expense is finally determined by a court to have been caused solely by the gross negligence or willful misconduct of the Protected Parties. With respect to any threatened or actual litigation, proceeding, or dispute that could directly or indirectly affect any of the Protected Parties, the Protected Parties will have the right, but no obligation, to: (i) choose counsel; (ii) direct, manage, and control the handling of the matter; and (iii) settle any Claim on behalf of the Protected Parties. Your obligations under this Section are not limited by the amount of your insurance coverage. This Section will survive the expiration or termination of this Agreement.

21. NOTICES

All notices related to this Agreement are required to be in writing and are required to be delivered in person or sent by certified mail, by national commercial delivery service, or by other written or electronic means which affords the sender reliable evidence of delivery or attempted delivery, to the address shown in the Data Sheet, in the case of Franchisee, or to Authority Brands, Inc., 7120 Samuel Morse Drive, Suite 300, Columbia, MD 21046, Attn: Legal Department, in the case of Franchisor, unless and until a different address has been designated by written notice to the other party. For the avoidance of doubt, our delivery of notice to the business email address that we have on file for you will constitute effective notice unless we receive a non-delivery message. This Section does not apply to changes to the Brand Standards Manuals or any written instructions that we furnish to you relating to operational matters.

22. GENERAL PROVISIONS

22.1. Notice of Suit. You are required to notify us promptly of any legal proceeding or any order of a court or government agency that may adversely affect the operation or financial condition of the Franchised Business.

22.2. Independent Contractor. Nothing in this Agreement is intended to make Franchisor or Franchisee an agent, legal representative, subsidiary, joint venturer, partner, or employee of the other for any purpose. This Agreement does not create a fiduciary relationship between you and us. Nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf or to incur any debt or other obligation in our name. We will not assume liability for any such action or for your acts or omissions or any claim or judgment against you. You are required to hold yourself out to the public as an independent contractor operating under this Agreement.

22.3. Required Use of Legal Name. All legal documents, contracts, invoices, payroll forms, purchase orders, filings, permits, licenses, and other materials between Franchisee and customers, employees, contractors, landlords, vendors, suppliers, government agencies, and other third parties must identify Franchisee by its own company or legal name and, if the document requires a signature, be signed by Franchisee in its own company or legal name.

22.4. Severability. If a court or government agency determines that any provision of this Agreement is invalid or contrary to applicable law, the invalidity will not impair the operation of any other provision of this Agreement that remains otherwise intelligible. The latter will continue to be given full force and effect and the invalid provision(s) will be deemed not to be a part of this Agreement.

22.5. No Implied Waiver. No failure to exercise any right reserved to us in this Agreement or to insist on your strict compliance with any obligation or condition in this Agreement, and no custom or practice of the parties, will constitute a waiver of our right to exercise any right or to demand your compliance with this Agreement. Our waiver of any particular default will not affect or impair our rights with respect to any subsequent default. Our delay or forbearance in exercising any right arising out of your breach or default will not prevent us from exercising the right, declaring any subsequent breach or default, or terminating this Agreement.

22.6. No Implied Third Party Beneficiaries. Nothing in this Agreement is intended to confer any rights or remedies on any person or legal entity other than Franchisee and us.

22.7. No Implied Consent. Whenever this Agreement requires our prior approval or consent, you are required to make a timely written request, and the approval or consent must be obtained in writing and signed by one of our officers. We make no warranties or guarantees and assume no liability or obligation to you by providing any waiver, approval, consent or suggestion in connection with this Agreement.

22.8. Survival of Obligations. All obligations which expressly or by reasonable implication are to be performed, in whole or in part, after the expiration, termination, or assignment of this Agreement will survive expiration, termination, or assignment.

22.9. Our Business Judgment. Except as otherwise expressly provided in this Agreement, whenever we exercise a right and/or discretion to take or withhold an action, we can make our decision or exercise our discretion based on our judgment of what is in the best interests of the Brand at the time, even though (a) there may have been alternative decisions or actions that could have been taken; (b) our decision or the action taken promotes our own financial interest; or (c) our decision or the action may apply differently to different franchisees. In the absence of an applicable statute, we will have no liability to you for any such decision or action. If applicable law implies a duty of good faith and fair dealing in this Agreement, we and you agree that the duty does not encompass any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement.

22.10. Relationship to Other Businesses of Franchisor and its Affiliates. In fulfilling its obligations to Franchisee, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor has the right: (i) to take into account, as it sees fit, the effect on, and the interests of, other businesses in which Franchisor and its affiliates have an interest, and on Franchisor's (and its affiliates') own activities; (ii) to share market and product research, and other proprietary and non-proprietary business information, with Franchisor's affiliates and the businesses in which they have an interest; and/or (iii) to introduce products, processes, or operational equipment used by the System into the franchised systems of Franchisor's affiliates, and to allocate new products and/or developments between and among the franchised systems, as Franchisor and its affiliates see fit. Franchisee understands and agrees that all obligations of Franchisor under this Agreement are subject to this section, and that nothing in this section shall affect in any way Franchisee's obligations under this Agreement.

22.11. Right to Information. You consent to us obtaining, using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose whatsoever or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by us or our affiliates (or disclosed to us or our affiliates) in accordance with this Agreement.

22.12. Entire Agreement. This Agreement and its Appendices constitute the entire agreement between Franchisor and Franchisee and the Owners concerning the Franchised Business. It supersedes all prior agreements, negotiations, representations, and correspondence concerning the same subject matter, except that nothing in this Agreement is intended to disclaim any representations made in any Franchise Disclosure Document that you received from us in connection with this Agreement. No amendment, change, or variance from this Agreement will be binding unless agreed to in writing and signed by authorized representatives of each party.

22.13. Counterparts. This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed to be an original. Any signature by electronic signature, facsimile or scanned PDF shall be deemed an original signature. This Agreement shall be effective only upon the receipt of countersignature by us.

23. DISPUTES

23.1. Governing Law. This Agreement and the relationship between Franchisor and Franchisee and the Owners is governed by the laws of the State of Maryland, except that if a provision of this Agreement would not be enforceable under the laws of Maryland, and if the Franchised Business is located outside of Maryland and the provision would be enforceable under the laws of the state in which the Franchised Business is located, then that provision will be governed by the laws of the state in which the Franchised Business is located. In the event of any conflict of law question, the ~~law~~laws applicable under this section will prevail, without regard to the application of Maryland conflict-of-law rules. This Section 23.1 is not intended to subject this Agreement or our relationship with you to any Maryland statute or regulation that would not apply by its own terms without considering this Section.

23.2. Mandatory Arbitration. EXCEPT AS SET FORTH IN SECTIONS 23.3 AND 23.4 BELOW AND IN SUBSECTION 23.2.5, ANY CLAIM OR DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT (INCLUDING BUT NOT LIMITED TO ANY CLAIM THAT THE AGREEMENT OR ANY OF ITS PROVISIONS IS INVALID, ILLEGAL, OR OTHERWISE VOIDABLE OR VOID), THE RELATIONSHIP BETWEEN YOU, YOUR OWNERS AND AFFILIATES AND US OR OUR AFFILIATES, OR YOUR OPERATION OF THE FRANCHISED BUSINESS, SHALL BE SUBMITTED TO JAMS FOR MANDATORY, FINAL AND BINDING ARBITRATION. THE ARBITRATION WILL BE CONDUCTED IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT, 9 U.S.C., SECTION 1, *ET SEQ.*, AND THE COMMERCIAL ARBITRATION RULES OF JAMS IN EFFECT AT THE TIME OF FILING OF THE DEMAND FOR ARBITRATION (THE "**JAMS RULES**"), EXCEPT AS THE JAMS RULES MAY BE MODIFIED BY THE FOLLOWING:

23.2.1 The seat of arbitration will be the JAMS office closest to Columbia, Maryland, and all arbitration hearings shall take place at that office. We have the right to designate headquarters for the Brand at a location other than Columbia, Maryland and to substitute that location for Columbia, Maryland for purposes of this section.

23.2.2 The arbitration will be conducted, heard and decided by one (1) arbitrator ("**Arbitrator**") who is mutually agreeable to the parties. If the parties have not agreed on the Arbitrator within thirty (30) days after filing of the arbitration demand with JAMS, the Arbitrator shall be appointed in accordance with the JAMS Rules.

23.2.3 The Arbitrator shall not entertain or permit any class or consolidated proceeding.

23.2.4 The administrative fees of JAMS and the Arbitrator's fees will be split equally between Franchisor and Franchisee.

23.2.5 If either party fails to pay its share of any fee required by JAMS to proceed with administration of the arbitration, and if the other party has paid its own share of the fee, the Arbitrator shall enter a default judgment in favor of the latter party. If an Arbitrator has not yet been appointed at the time of the non-payment of the required fee, the party that has paid its own share of the fee shall have the option to have a default judgment entered in its favor or to proceed in court on the claims submitted to arbitration.

23.2.6 The Arbitrator will not have the authority to add to, delete, or modify the terms of this Agreement. All findings, judgments, decisions and awards of the Arbitrator will be limited to the claims set forth in the arbitration demand and any counterclaims, as they may be amended, and the Arbitrator will not have the authority to decide any other claims. The Arbitrator will have the power to decide any or all of the issues, claims and defenses presented in the arbitration through summary judgment, summary disposition, or dismissal proceedings without a full evidentiary hearing or witness testimony, as long as all parties are permitted to submit memoranda and affidavits and have oral argument, either in person or by telephone, if the Arbitrator determines that oral argument would assist in the decision making process. The Arbitrator will not have the right or authority to award punitive damages to any party. All findings, judgments, decisions and awards by the Arbitrator will be in writing and will be made within sixty (60) days after the arbitration hearings have been completed, and will be final and binding on all parties in the arbitration.

23.2.7 The written decision of the Arbitrator will be deemed to be an order, judgment and decree and may be entered as such in any court of competent jurisdiction.

23.2.8 The decision of the Arbitrator will have no collateral estoppel effect with respect to a controversy with any person or entity who is not a party to the arbitration proceeding.

23.3. Provisional or Declaratory Relief. Nothing in Section 23.2 or elsewhere in this Agreement prohibits Franchisor's right to seek a restraining order, preliminary injunction, specific performance or declaratory relief in court, under the applicable court rules, against conduct or threatened conduct for which no adequate remedy at law may be available or which Franchisor believes may cause Franchisor irreparable harm. Franchisor may have such relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law. Franchisee and each of its Owners acknowledges that any violation of (without limitation) Sections 11, 12, 13, 14, 15 or 17 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available. Accordingly, Franchisee and each of its Owners consents to the issuance of an injunction at Franchisor's request (without posting a bond or other security) prohibiting any conduct in violation of any of those Sections. Franchisee's sole remedy in the event of the entry of specific performance or injunction order will be the dissolution of the order, if warranted (all claims for damages by reason of the wrongful issuance of any such order being expressly waived by Franchisee). Franchisee agrees that the existence of any claims Franchisee or any of its Owners may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement of Sections 11, 12, 13, 14, 15 or 17.

23.4. Disputes Not Subject to Mandatory Arbitration. Notwithstanding Section 23.2, Franchisor shall have the option to submit to a court any of the following actions: to collect fees due under this Agreement; for injunctive or other relief as described in Section 23.3; to protect our intellectual property, including the Marks, Confidential Information, and trade secrets; to terminate this Agreement for a default; and to enforce the post-term obligations in Section 17 of this Agreement. Notwithstanding anything in this Agreement, in the JAMS Rules, or any provision of law, the determination of whether a dispute or controversy filed in a court is subject to arbitration shall be made by the court, not by an arbitrator.

[*Reminder of page intentionally left blank*]

23.5. Time Limit on Filing. Except for claims arising from Franchisee's non-payment or underpayment of amounts Franchisee owes Franchisor or from performance or non-performance of Franchisee's obligations arising upon expiration or termination of this Agreement, any claim or action arising out of or relating to this Agreement or the relationship between us and Franchisee and the Owners will be barred unless submitted to arbitration or filed in court and served within two (2) years from the date the complaining party knew or should have known of the facts giving rise to such claim.

23.6. Venue for Litigation. Franchisee and the Owners are required to file any lawsuit against us only in the federal district court for the district encompassing Columbia, Maryland (or in the closest state court to Columbia, Maryland, if the federal court lacks subject matter jurisdiction). We may file a lawsuit against Franchisee or the Owners in the federal or state court for Columbia, Maryland or in the federal or state court where the Franchised Business is located. We have the right to designate headquarters for the Brand at a location other than Columbia, Maryland and to substitute that location for Columbia, Maryland for purposes of this section. The parties irrevocably submit to the jurisdiction of such courts and waive all objections to personal jurisdiction and venue for purposes of carrying out this provision.

23.7. Waiver of Jury Trial. We, you, and the Owners irrevocably waive trial by jury in any action, proceeding, or counterclaim.

23.8. Waiver of Exemplary Damages. Franchisee and the Owners, on the one hand, and Franchisor on the other, waive any right to or claim of punitive or exemplary damages against the other, except that we do not waive our right to: (i) statutory, punitive or exemplary damages for violation of the Lanham Act, trademark infringement or dilution, or unauthorized disclosure of confidential information or trade secrets; or (ii) indemnification from Franchisee under Section 20 for any such damages claimed or awarded against Protected Parties.

23.9. Class Action Waiver. TO THE EXTENT PERMITTED BY LAW, FRANCHISEE AND THE OWNERS WAIVE THE RIGHT TO SEEK CERTIFICATION OF A CLASS IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM AGAINST US.

23.10. Costs and Legal Fees. In connection with any failure by Franchisee to comply with this Agreement, regardless of whether there is any legal proceeding to enforce the terms of this Agreement, Franchisee will reimburse Franchisor, upon demand, for the costs and expenses incurred by Franchisor as a result of such failure and Franchisor's enforcement of the terms of this Agreement. Franchisor's costs and expenses include, without limitation, accountants', attorneys', attorneys' assistants and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses, and travel expenses. If Franchisee initiates a legal proceeding against Franchisor, and if Franchisee does not prevail in obtaining the relief Franchisee was seeking in such legal proceedings, then Franchisee will reimburse Franchisor for the costs and expenses incurred by Franchisor as a result of such legal proceedings, including, without limitation, accountants', attorneys', attorneys' assistants and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel expenses, whether incurred prior to, in preparation for, in contemplation of, or in connection with such legal proceedings. However, in case of any conflict between this Section and Section 23.2.4 or 23.2.7 above, Section 23.2.4 or 23.2.7 will take precedence. This section will survive termination or expiration of this Agreement.

23.11. Remedies are Cumulative. Except as otherwise provided in this Section 23, no right or remedy under this Agreement is exclusive of any other right or remedy.

[Signature page follows]

FRANCHISOR:	FRANCHISEE:
MISTER SPARKY FRANCHISING SPE LLC	[PRINT NAME OF COMPANY]
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

PERSONAL GUARANTEE

As an inducement to Mister Sparky Franchising SPE LLC ("**Franchisor**") to sign a Franchise Agreement (the "**Agreement**") with _____ ("**Franchisee**"), the undersigned individuals (collectively, the "**Guarantors**"), jointly and severally, unconditionally guarantee to Franchisor, its affiliates, and their successors and assigns (collectively, the "**Franchisor Group**") that all of Franchisee's obligations under the Agreement and under other agreements or arrangements between Franchisee and the Franchisor Group will be punctually paid and performed.

1. Guarantee. Upon demand by Franchisor, the Guarantors will immediately make each contribution or payment required of Franchisee under the Agreement and under other agreements or arrangements between Franchisee and the Franchisor Group. Each Guarantor waives any right to require the Franchisor Group to: (a) proceed against Franchisee or any other Guarantor for any contribution or payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee or any other Guarantor; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee or any other Guarantor. Without affecting the obligations of the Guarantors under this Guarantee, the Franchisor Group may, without notice to the Guarantors, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. The Guarantors waive notice of amendment of the Agreement and notice of demand for contribution or payment and agree to be bound by any and all such amendments and changes to the Agreement.

2. Indemnity. The Guarantors agree to hold harmless, defend and indemnify the Franchisor Group against any and all losses, damages, liabilities, costs, and expenses (including attorneys' fees, costs of investigation, court costs, and arbitration fees and expenses) arising out of or in connection with any failure by Franchisee to perform any obligation under the Agreement or any other agreement between Franchisee and the Franchisor Group.

3. Other Personal Obligations. The Guarantors agree to be bound personally by all obligations of the Franchisee in the Agreement, including but not limited to non-compete restrictions, confidentiality provisions, governing law and dispute resolution provisions, and restrictions on sale or transfer of interest in Franchisee or the Franchised Business. Except as expressly authorized by the Agreement, the Guarantors may not make use of any of the intellectual property rights licensed under the Agreement. The Guarantors may not disclose to any third party or make use of any trade secrets, know-how, systems or methods of which Guarantors may acquire knowledge by virtue of training they may have received from Franchisor, their involvement in the business, or their ownership interest in Franchisee.

4. Survival of Obligations. Upon the death of a Guarantor, the Guarantor's estate will be bound by this Guarantee, but only for obligations existing at the time of death. The obligations of the surviving Guarantors will continue in full force and effect.

GUARANTOR:

Printed Name: _____

Signature: _____

Date: _____

GUARANTOR:

Printed Name: _____

Signature: _____

Date: _____

[This document is to be used when: (a) a married individual signs a Franchise Agreement, personal guarantee, or other agreement containing financial obligations to us; and (b) that individual's spouse is NOT also signing the same agreements.]

SPOUSE ACKNOWLEDGMENT

My name is _____.

I am the spouse of _____.

I am aware that:

- my spouse is investing in a MISTER SPARKY franchise;
- in connection with the franchise, my spouse is signing a Franchise Agreement, personal guarantee, and/or other documents that involve financial obligations to Mister Sparky Franchising SPE LLC and its affiliates (the "**Franchise Documents**"); and
- Mister Sparky Franchising SPE LLC and its affiliates are relying on all assets of my spouse, including jointly owned marital property, in accepting my spouse's obligations under the Franchise Documents.

I understand the financial obligations undertaken by my spouse in connection with the franchise, and that the Franchise Documents are being signed for the benefit of, and will be binding on, my marital community.

I understand that this Spouse Acknowledgment does not subject my separate, non-marital property to my spouse's financial obligations under the Franchise Documents.

I understand that my spouse is bound personally by the following provisions of the Franchise Agreement, and I agree to be bound by them as well: (i) the confidentiality and non-disclosure covenants in Section 13; (ii) the non-competition covenants in 14; and (iii) the governing law and dispute resolution provisions in Section 23.

By: _____

Name: _____

Date: _____

APPENDIX A TO FRANCHISE AGREEMENT
DATA SHEET

SECTION REFERENCE	SUBJECT	FRANCHISEE'S INFORMATION
Section 1.15	Key Person	[**insert name**]
Section 1.17	Opening Deadline	[**insert date**]
Section 1.20	Territory Definition	See the attached map and zip code chart.
Section 7.1	Franchise Fee and Additional Population Fee	The Franchise Fee is: [**insert amount**] The Additional Population Fee is: [**insert amount**] The Total Amount of the Franchise Fee and the Additional Population Fee is: [**insert amount**] If we are granting you a Territory with more than 200,000 individuals, you are paying $0.165 per person above 200,000 in the Territory ("**Additional Population Fee**.")
Section 18.1	Ownership Information	See below. For any Owner that is a business entity, attach separate page disclosing the same information for that entity.
Section 21	Address for Legal Notice	[insert Franchisee's legal address]

Name of Franchisee: _____

Type of Business Entity (check one):
[ ] Limited Liability Company
[ ] Corporation (C Corp or S Corp)
[ ] Limited Partnership
[ ] Other_____

State in which organized: _____

Owner Name: Ownership Percentage:

_____ ____%
_____ ____%
_____ ____%
_____

~~APPENDIX B – BRAND STANDARDS APPENDIX~~

_____	_____%
_____	_____%

List the following below: (a) for a corporation, all Officers and Board Directors; or (b) for a limited liability company, all Managers and/or Members.

Name: _____ Position: _____

Name: _____ Position: _____

Name: _____ Position: _____

APPENDIX B TO FRANCHISE AGREEMENT
BRAND APPENDIX

MISTER SPARKY

The Franchised Business offers residential and light commercial electrical services, including maintenance, repair, and equipment replacement services.

SECTION REFERENCE	SUBJECT	APPLICABLE TERM
Section 2.4	Territory Infringement Fee	Currently: ~~First violation~~ — ~~Written warning~~ ~~Second violation~~ — ~~15% of the Gross Revenue derived from the services performed~~ ~~Third violation~~ — ~~50% of the Gross Revenue derived from the services performed~~ ~~Fourth and subsequent violations~~ — ~~100% of the Gross Revenue derived from the services performed~~ The Territory Infringement Fee is due within five (5) days after you receive our notice of violation. The total violations count is cumulative regardless of where and when the violations occur. On the fourth violation or any subsequent violation, we will have the right to terminate this Agreement, effective immediately upon delivery of written notice to you, whether or not you have paid the Territory Infringement Fee for any or all of the violations. We have the right to change these fees from time to time.
Section 3	Expiration Date	Tenth (10^{th}) Anniversary of the Agreement Date
Section 4.1	Business Outfitting Fees	Not Applicable as of Agreement Date
Section 6.6	Call Center Fee	Not Applicable as of Agreement Date
Section 6.~~18~~17	Customer Warranty or Guarantee	See Brand Standards Manuals
Section 6.~~19~~18	Minimum Performance Requirements	Starting on the third anniversary of the Original Opening Date, the Franchised Business is required to achieve annual Gross Revenue of at least $300,000 (the "**Minimum Performance Requirements**.")

SECTION REFERENCE	SUBJECT	APPLICABLE TERM
		"**Original Opening Date**" means the date on which the Franchisee or any prior owner or predecessor operator of the Franchised Business first opened the Franchised Business. Minimum Performance Requirements are not meant to be a representation or guarantee of the results that your Franchised Business or any particular Franchised Business will or might achieve. The Minimum Performance Requirements do not predict or project your revenue or other business results.
Section 6.~~22~~21	Brand Programs	**UWIN Customer Complaint Resolution Program** You are required to participate in the customer complaint resolution program offered by our affiliate, UWIN, LLC ("**UWIN**"). You are required to sign a UWIN Participation Agreement for Franchisees, the current form of which is attached to this Brand Appendix.
Section 6.~~26~~25	Legal/Regulatory Requirements	Some states, counties or municipalities may require that your Franchised Business be owned by a master or journeyman electrician. It is your responsibility to contact your local electrician licensing board, as well as an attorney, to learn about specific industry and contractor laws and regulations applicable to the Franchised Business.
Section 7.2	Royalty Fee	The Royalty Fee is six percent (6%) of Gross Revenue or $1,500 per month (the "**Minimum Royalty**"), whichever is greater. The Minimum Royalty commences one year following the earlier of (a) the date the Franchised Business opens for business or (b) the Opening Deadline. The Minimum Royalty may be implemented with $750 per semi-monthly payment or pursuant to another schedule. As of the Agreement Date, the Royalty Fee is due semi-monthly, as follows: (i) the first payment is due by the 25th day of each month based on Gross Revenue from the 1st day through the 15th day of the month, and (ii) the second payment is due by the 10th day of the next month for Gross Revenue from the 16th day through the last day of the immediately preceding month. We have the right to change the payment period. The Minimum Royalty is not meant to be a representation or guarantee of the results that your Franchised Business or any particular Franchised Business will or might achieve. The Minimum Royalty does not predict or project your revenue or other business results.

SECTION REFERENCE	SUBJECT	APPLICABLE TERM
Section 7.3	Brand Fund Contribution	As of the Agreement Date, the Brand Fund Contribution is based on Gross Revenue for the calendar year: • 1.5% of the first $5,000,000 of Gross Revenue in the then-current calendar year; then • 1.25% of Gross Revenue in excess of $5,000,000.00 and up to $10,000,000 in the then-current calendar year; then • 1% of Gross Revenue in excess of $10,000,000.00 and up to $15,000,000 in the then-current calendar year, then • 0.75% of Gross Revenue in excess of $15,000,000.00 and up to $20,000,000 in the then-current calendar year, and • 0% with respect to Gross Revenue in excess of $20,000,000.01 in the then-current calendar year. The rate reverts to 1.5% at the start of each calendar year. The Brand Fund contribution will be calculated for the same period and paid in the same manner as the Royalty Fee. We have the right to change the contribution, provided that it does not exceed 4% of Gross Revenue. For purposes of calculating your contribution, our current policy is to combine your Gross Revenue in all contiguous territories. We may discontinue or modify this policy at any time.
~~SECTION REFERENCE~~	~~SUBJECT~~	~~APPLICABLE TERM~~
Section 7.4	Technology Fee(s)	As of the Agreement Date~~:~~ ~~Fee Description~~ ~~Amount~~ ~~Business Software Fees~~ ~~One-Time Initial Training Fee~~ ~~$1,295~~ ~~Plus~~ ~~Business Software Fee~~ ~~$545 to $1,535~~, $100 per month ~~per~~ for 2 branded email addresses we provide for the Franchised Business ~~Conversion Fee (if applicable)~~ ~~Generally, $500 to $1,500~~

		~~If you are converting an existing electrical services business to a MISTER SPARKY Franchised Business~~ along with ongoing email and ~~you do not use our Business Software, you may be responsible for the costs for the technical~~training support ~~to convert the data of your existing electrical services business. Fees~~. If you request and we agree to provide additional email addresses, we can charge up to $50 per month for ~~this service~~ each additional email address. The specific services and app and the applicable fees will vary ~~based on the number of technicians using the Business Software, amount of data to be converted, format of the data, and other factors.~~ ~~Technology Fee~~ ~~Currently, $100 per month~~ ~~We have the right to change the Technology Fee, provided that it does~~ over time, but the fee(s) may not exceed $300 per month. ~~"**Business Software**" means the Successware software package (sometimes referred to in other documents as "**Successware**") for use in a cloud-hosted (internet-based) environment~~ The fee(s) may be payable to us, directly to vendors, or ~~its successor or another software package designated by Franchisor in its sole and absolute discretion~~a combination. Subject to ~~any~~the limitations set forth above, we can revise all technology fees described in this Section at any time on reasonable notice, which need not be more than thirty (30) days.
Section 10.3	Pre-Opening/Grand Opening Marketing	No requirement as of Agreement Date. We recommend, but do not require, that you budget between $12,000 and $24,000 for pre-opening/grand opening marketing.
Section 10.4	Ongoing Local Marketing Spend	The Ongoing Local Marketing Spend is not required. We recommend, but do not require, that you spend at least 8% to 12% of Gross Revenue annually on Local Marketing. If you fail to ~~achieve the Minimum Performance Requirements set forth in~~
SECTION REFERENCE	**SUBJECT**	**APPLICABLE TERM**
		achieve the Minimum Performance Requirements set forth in Section 6.19 for any 12-month period, you are required to spend at least 8% of Gross Revenue on Local Marketing during each of the following 12 months.
Section 11.3.8	Limitations on Use of the Marks	In addition, you may not use the words or abbreviations "Mister," "Sparky," "MS," or "MSE," in your corporate or legal name.

Section 14.1	"Competing Business" definition	"**Competing Business**" means any business that (i) offers electrical products or services or other products or services similar to those offered by the Franchised Businesses, or (ii) grants franchises or licenses to others to operate such businesses, or (iii) is the same or substantially similar in nature or purpose to the Franchised Businesses (other than a "MISTER SPARKY" business operated under a franchise agreement with us).
Section 16.8	Liquidated Damages	As stated in Section 16.8 of the Agreement
Section 19.1.6	Renewal Fee	$5,000

APPENDIX B-1 TO FRANCHISE AGREEMENT

MISTER SPARKY FRANCHISING SPE LLC

CONVERSION INCENTIVE PROGRAM
ADDENDUM TO FRANCHISE AGREEMENT

[***NOTE: THIS FORM ONLY APPLIES TO CONVERSION FRANCHISE AGREEMENTS***]
[*THIS FORM MAY NOT APPLY TO YOU;*
APPLICABILITY OF THIS FORM IS DETERMINED BY FRANCHISOR.]

THIS CONVERSION INCENTIVE PROGRAM ADDENDUM is attached to and entered into contemporaneously with the Mister Sparky Franchising SPE LLC Franchise Agreement ("**Franchise Agreement**") between Mister Sparky Franchising SPE LLC ("**we**," "**us**," "**our**," or "**Franchisor**") and _____ ("**you**," "**your**" or "**Franchisee**") dated as of _____.

Franchisor and Franchisee are entering into a Promissory Note for the entirety of the Franchise Fee contemporaneously with this Addendum and the Franchise Agreement.

Franchisor and Franchisee agree to modify certain terms of the Franchise Agreement as set forth in this Addendum.

Franchisor and Franchisee agree as follows:

1. **FRANCHISE FEE:**

   The Franchise Fee payment obligation is hereby deferred until the fifth (5th) anniversary of the Effective Date of the Franchise Agreement, subject to the terms of the Note and in accordance with the chart below.

   Franchisor agrees to waive certain amounts due under the Note, up to the entirety of the Note Amount, provided Franchisee's Gross Revenue in the fifth (5th) year of operation following the Effective Date of the Franchise Agreement exceeds the pre-conversion gross revenue of the Existing Electrical Business by certain thresholds. Such pre-conversion gross revenue shall be determined by the prior year's P&L or prior year tax return for the converting Electrical business, as described in the table below.

[***continued on following page***]

Gross Revenue of Existing Electrical Business	[Insert Gross Revenue Based on Prior Year-End P&L or Prior Year Tax Return]
Additional Franchised Businesses	[Insert Franchise IDs]
Promissory Note Terms	Total Promissory Note Amount of All Franchised Businesses ("**Note Amount**"): [**Insert Franchise Fee for Total Territories**] Deferred Payments for Five (5) Years – [**Insert 5th Anniversary Date**] The Gross Revenue Increase for Note Forgiveness shall be calculated on the Fifth (5th) Anniversary of the Effective Date of the Franchise Agreement. The Gross Revenue thresholds and the corresponding Note Amount forgiveness are as follows: 1. 30% Gross Revenue Increase: [**Insert Gross Revenue Target**] a. 50% Note Amount Forgiven: [**Insert Dollar Amount**] 2. 40% Gross Revenue Increase: [**Insert Gross Revenue Target**] a. 75% Note Amount Forgiven: [**Insert Dollar Amount**] 3. 50% Gross Revenue Increase: [**Insert Gross Revenue Target**] a. 100% Note Amount Forgiven: [**Insert Dollar Amount**] b. (In the event the pre-conversion gross revenue is below $200,000 for the prior year, the Gross Revenue thresholds for determining the Gross Revenue Increase and corresponding Note Forgiveness percentages shall be set to minimum target amounts of $260,000, $280,000 and $300,000.)

3. **VEHICLE WRAPS**: Franchisor agrees to provide Franchisee with up to four (4) vehicle wraps valued up to $5,000 each. Franchisor will provide the vehicle wraps through direct payment to a Designated Vendor. Franchisee shall be responsible for any amounts due for each vehicle wrap over $5,000.

Total Number of Franchisee Vehicles (up to 4): _____

4. **MARKETING MATERIALS**: Franchisor agrees to provide Franchisee with a $500 credit towards the purchase of certain advertising, marketing, and promotional materials through Franchisor's Designated Vendor.

5. **BRAND UNIFORMS**: Franchisor agrees to provide Franchisee with a $500 credit towards the purchase of uniforms bearing the Marks through Franchisor's Designated Vendor.

6. **BUILDING SIGNS**: Franchisor agrees to reimburse Franchisee for the cost of installing approved signs as part of Franchisee's preparation for opening as described in Section 4.1 of the Franchise Agreement. Franchisee is required to submit a signed itemized invoice from the vendor of Franchisee's choosing no more than six (6) months from the Effective Date of the Franchise Agreement to qualify for the reimbursement described in this paragraph. Franchisor will have forty-five (45) days after receipt of the itemized invoice to submit payment to Franchisee. In the event Franchisee fails to meet any of the obligations of this paragraph, Franchisee shall be deemed to have waived any right to a reimbursement and Franchisor shall be released from any obligation to reimburse Franchisee for any expense related to the installation of exterior signs displaying the Marks. In any event, Franchisee shall be required to adhere to all of Franchisee's obligations described in Section 4.1 of the Franchise Agreement.

7. **MARKETING CAMPAIGN LAUNCH**: Franchisor agrees to provide Franchisee with certain marketing services, include but not limited to digital marketing services and website marketing services, prior to or at the opening of the Franchised Business in an amount determined by Franchisor, not to exceed $5,000.

8. **MISCELLANEOUS**. This Addendum will be binding upon and inure to the benefit of each party. Any terms not defined in this Addendum will have the meaning given to the terms in the Franchise Agreement.

9. **NO FURTHER CHANGES.** Except as specifically provided in this Addendum, all of the terms, conditions and provisions of the Franchise Agreement will remain in full force and effect as originally written and signed.

[***signature page follows***]

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed this Addendum as of the date first above written.

FRANCHISOR:	**FRANCHISEE:**
MISTER SPARKY FRANCHISING SPE LLC	**[PRINT NAME OF COMPANY]**
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

APPENDIX B-2 TO FRANCHISE AGREEMENT

BRAND PROGRAMS
UWIN Customer Complaint Resolution Program

ATTENTION FRANCHISEES

You have been approved to participate in the UWIN Customer Complaint Resolution Program. Attached is your UWIN Participation Agreement and applicable guaranty, each of which includes terms and conditions of participation.

Once UWIN receives your original, signed agreement you will be sent the UWIN Welcome Packet. You will also be added as a contractor on the UWIN website.

UWIN PARTICIPATION AGREEMENT FOR FRANCHISEES

THIS UWIN PARTICIPATION AGREEMENT FOR FRANCHISEES, having an effective date of _____ (the "**Agreement**"), is made by and between UWIN, LLC, a Florida limited liability company ("**UWIN**"), and the home services contractor identified on the signature page ("**Contractor**") who, in consideration of the promises set forth below, agree as follows:

1. NATURE AND SCOPE OF AGREEMENT

1.1 UWIN. UWIN is a customer service resource that provides customers information and assistance with resolution and reparations concerning their transactions with participating home services contractors (the "**Customer Complaint Resolution Program**"). Participants in the Customer Complaint Resolution Program display UWIN's distinctive seal of approval and its associated marks, logos, and designs (collectively, the "**Seal**").

1.2 Contractor**.** Contractor is a franchisee of one of UWIN's affiliates (each, a "**Franchisor**") and, pursuant to its franchise agreement ("**Franchise Agreement**"), has obtained the right to use the Franchisor's system in conjunction with the operation of its home repair services business ("**Contractor's Business**"). In connection with the operation of the Contractor's Business, Contractor desires, and hereby agrees, to participate in the Customer Complaint Resolution Program.

1.3 Representations and Warranties**.** Contractor represents and warrants to UWIN as follows:

A. Contractor has independently investigated the business risks involved in participating in the Customer Complaint Resolution Program and such other matters as Contractor deems important;

B. All information Contractor has provided to UWIN to induce UWIN to grant Contractor the right to participate in the Customer Complaint Resolution Program was true, correct, complete and accurate as of the date made, and, as of the date of this Agreement, no material change has occurred in such information;

C. Contractor's execution, delivery and performance of this Agreement does not violate or constitute a breach under any agreement or commitment made by Contractor;

D. If Contractor is a business entity, Contractor is duly organized and validly existing, is qualified to do business in each state where Contractor is or will conduct business, and is duly authorized to execute and deliver this Agreement and perform Contractor's obligations pursuant to this Agreement; and

E. This Agreement represents a valid, binding obligation of Contractor.

1.4 Owner's Guaranty**.** If Contractor is a business entity, each individual with an ownership interest in Contractor (each, an "**Owner**") is required to execute an Owner's Guaranty in favor of UWIN (the form of which is attached as **Exhibit A**) and deliver the executed copy to UWIN with this signed Agreement, or if such ownership interest is acquired later, within 10 days after becoming an Owner.

2. SCOPE OF PARTICIPATION

2.1 Participation in the Customer Complaint Resolution Program. UWIN grants Contractor the non-exclusive right to participate in the Customer Complaint Resolution Program, pursuant to the terms of this Agreement and its requirements as established by UWIN from time to time. Contractor agrees to comply with the Customer Complaint Resolution Program and the requirements provided by UWIN from time to time, including but not limited to the use of any related written or electronic customer materials.

2.2 Grant of License. Subject to the terms and conditions of this Agreement, UWIN grants Contractor a non-exclusive, revocable license to use the Seal in connection with the Customer Complaint Resolution Program and Contractor's Business. Contractor accepts such grant and agrees to display the Seal on its business materials, website, advertising and marketing only in the form and manner, and only with appropriate legends and proprietary notices, as may be prescribed by UWIN from time to time. UWIN has the right (but not the obligation) to review and approve all labeling, advertising, displays and other items on which the Seal appears prior to the use of such items by Contractor. Contractor agrees to permit UWIN to inspect any materials bearing the Seal and to comply in a timely fashion with any instruction from UWIN as to the proper use of the Seal or any request to modify or discontinue any use of the Seal.

2.3 Term. Unless terminated earlier pursuant to **Article 5**, the term of this Agreement will be from the date of this Agreement until the expiration or termination of the Franchise Agreement ("**Term**"). During the term, if requested by UWIN, Contractor agrees to execute any then current form of UWIN's participation agreement and all other agreements then customarily used by UWIN in granting rights to use the Customer Complaint Resolution Program, which agreements may contain terms and conditions that are materially different from the terms and conditions in this Agreement.

2.4 Reserved Rights. UWIN reserves all rights not specifically granted to Contractor herein. This Agreement does not limit the right of UWIN to use or authorize others to participate in the Customer Complaint Resolution Program, use the Seal, or to engage in or license any business activity, including, without limitation, the operation or franchising of home repair services businesses under the Seal at any location, and/or under any other trade name, trademark or service mark now or hereafter owned by or licensed to UWIN or its affiliates at any location.

2.5 Modification of the Customer Complaint Resolution Program and/or Seal. The parties agree that UWIN, in its sole discretion, may change or modify the Customer Complaint Resolution Program, including the Graphics Manual and/or the Seal, from time to time. Contractor agrees to modify its operations, including any display of the Seal, to comply with the new standards established by UWIN within a reasonable time after UWIN notifies Contractor of any such change. If such change is made, reference in this Agreement to the Customer Complaint Resolution Program and/or Seal will be deemed to refer to such new program, mark or seal.

2.6 Goodwill. All improvements and additions to or associated with the Customer Complaint Resolution Program, whenever and by whomever made, and all service mark and trademark registrations and goodwill at any time associated with the Customer Complaint Resolution Program, including the Seal, are the property of UWIN. All goodwill established by Contractor's use of the Seal and Customer Complaint Resolution Program will inure to the sole and exclusive benefit of UWIN. Upon expiration or termination of this Agreement, no monetary amount will be assigned or attributed to any goodwill associated with Contractor's participation in the Customer Complaint Resolution Program or use of the Seal.

2.7 Ownership of Customer Complaint Resolution Program. Contractor acknowledges and agrees that it will not acquire any proprietary rights in the Customer Complaint Resolution Program or the Seal by virtue of its participation in the Customer Complaint Resolution Program. Contractor agrees not to contest (A) UWIN's unrestricted and exclusive ownership of the Customer Complaint Resolution Program and Seal or (B) UWIN's right to grant licenses to use the Seal. Contractor acknowledges that it does not have any right to authorize others to participate in any part of the Customer Complaint Resolution Program, including any use of the Seal, and that all materials relating to the Customer Complaint Resolution Program will at all times remain the sole property of UWIN.

3. CUSTOMER COMPLAINT RESOLUTION

3.1 Resolution of Complaints. Contractor agrees to follow, and authorizes UWIN to follow, the resolution provisions described in this Article 3 for any and all disputes which may arise between Contractor and its customers during the Term.

3.2 Contractor's Resolution. Contractor will use good faith efforts to resolve any and all disputes that Contractor may have with its customers and former customers regarding the material used by Contractor, the labor performed or the craftsmanship displayed by Contractor with respect to work for which it has charged or intends to charge its customers.

3.3 UWIN's Intervention. If a customer of Contractor notifies UWIN that a dispute exists between such customer and Contractor regarding the material used by Contractor, labor performed or the craftsmanship displayed by Contractor with respect to work for which Contractor has charged, or intends to charge, that customer (a "**Customer Complaint**"), UWIN will advise the customer that UWIN will promptly notify Contractor of the Customer Complaint and that Contractor will have 48 hours to resolve the Customer Complaint to customer's satisfaction.

3.4 Remedial Actions. If Contractor fails to resolve a Customer Complaint to the customer's satisfaction within 48 hours after receiving notice of the Customer Complaint from UWIN, UWIN, in its sole discretion and without notice to Contractor, has the right to either:

A. pay customer the dollar amount that UWIN determines to be in dispute;

B. pay customer the dollar amount that UWIN determines is required to complete the work, if unfinished; or

C. pay an independent third-party contractor to complete the work, if unfinished (each of these, a "**Remedial Payment**").

Contractor authorizes and directs UWIN to make any of the foregoing Remedial Payments and take such other related actions required to resolve the Customer Complaint as UWIN, in its sole discretion, deems appropriate. Nothing herein is intended to be deemed to cause UWIN to be a guarantor or third party to Contractor's obligation to its customers and Contractor shall not represent anything to the contrary to its customers. Contractor agrees to reimburse UWIN for the full amount of any Remedial Payment made under this Section 3.4 within 15 days after UWIN notifies Contractor of such Remedial Payment. If Contractor does not reimburse UWIN for the full amount of any Remedial Payment within the 15-day period, UWIN has the right to assess and collect a past due service charge equal to the lesser of 1.5% per month or the maximum interest rate permitted by law on such past due amounts beginning from the date UWIN made the Remedial Payment. Contractor's obligations under this **Article 3** will continue after the termination or expiration of this Agreement with regard to (i) any work performed by Contractor prior to the date of termination or expiration of this Agreement and (ii) any work performed by Contractor while it is displaying

the Seal, regardless of whether such work was performed prior to or after the date of termination or expiration of this Agreement.

3.5 Records and Reports**.** To assist with UWIN's intervention under this **Article 3** and assistance with Customer Complaints, Contractor agrees to maintain accurate books and records and to provide UWIN with information, within 5 days after UWIN's request, in a format specified by UWIN, regarding (A) the number of service calls made by Contractor, (B) the number and description of each complaint made by a customer of Contractor, (C) the status of each complaint and the steps taken by Contractor to resolve the complaint, and (D) the amount of money, if any, paid by Contractor's customer or by Contractor to resolve the complaint.

4. TRANSFER

4.1 Transfer by UWIN. UWIN has the right, directly or indirectly, to sell, assign, transfer or otherwise dispose of this Agreement, or any or all of its rights and obligations under this Agreement, to any individual, firm, partnership, association, bank, lending institution, corporation, affiliate, limited liability company or other third party as UWIN may in its sole discretion deem appropriate. In the event of any such sale, assignment, transfer, or other disposition, UWIN will be released from any liability under this Agreement for the obligations transferred.

4.2 Transfer by Contractor. Contractor acknowledges that the granting of the rights hereunder is based on UWIN's investigation of Contractor's qualifications and that such rights are personal to Contractor and therefore Contractor will not sell, divide, encumber, assign, hypothecate, mortgage, sub-license, or otherwise transfer through any means any part of this Agreement or its rights or obligations hereunder. Any actual, attempted or purported transfer occurring without UWIN's prior written consent will constitute a default of this Agreement and will be null and void.

5. TERMINATION AND EXPIRATION

5.1 Mutual Agreement. The parties may terminate this Agreement at any time upon mutual agreement.

5.2 Termination by UWIN. UWIN may terminate this Agreement, in its sole discretion, upon 60-day notice to Contractor.

5.3 Termination by UWIN Without Opportunity to Cure. Contractor will be deemed to be in default under this Agreement, and UWIN may, at its option, terminate this Agreement and all rights granted herein effective immediately, without giving Contractor notice of, or the opportunity to cure, the default, if Contractor:

A. makes (or is deemed to have made) a general assignment for the benefit of creditors, or if a petition is filed against Contractor under the Bankruptcy Code and not dismissed within 60 days of filing, or if a petition is filed by Contractor under the Bankruptcy Code, or if Contractor is declared or adjudicated bankrupt, or if a liquidator, trustee in bankruptcy, custodian, receiver, receiver and manager, moderator, or any other officer with similar powers is appointed of or for Contractor, or if Contractor commits any act of bankruptcy or institutes proceedings to be adjudged bankrupt or insolvent or consents to the institution of such appointment or proceedings, or if Contractor admits in writing an inability to pay debts generally as they become due;

B. has any of the products or chattels of Contractor's Business at any time seized or taken in execution or in attachment by a creditor of Contractor, or a writ of execution is issued against such products or chattels;

C. has willfully or fraudulently misrepresented any fact, condition or report made in any application given to UWIN or required to be made by this Agreement; or

D. by its actions, or its failure to take an action that it is required to take, adversely affects the goodwill associated with the Customer Complaint Resolution Program or the Seal.

5.4 Termination by UWIN After Opportunity to Cure. Contractor will be deemed to be in default of this Agreement, and UWIN, at its option, may terminate this Agreement and all rights granted herein effective as of the time noted, if Contractor:

A. fails to pay when due any monies owed to UWIN and such default is not cured within 10 days after delivery of Notice thereof from UWIN;

B. fails to resolve one or more disputes with its customers to the satisfaction of UWIN in accordance with the Customer Complaint Resolution Program and this Agreement; or

C. is in default of any of Contractor's other obligations contained in this Agreement or in any other agreement or instrument entered into or made between Contractor and UWIN (or one of its affiliates) relating to Contractor's Business and fails to cure such default to UWIN's satisfaction within 30 days after receiving Notice from UWIN or its affiliate to cure the same.

5.5 Other Relief. Any termination under **Sections 5.1, 5.2, 5.3** and **5.4** of this Agreement will be without prejudice to any other rights (including any right of indemnity), remedy or relief vested in or to which UWIN may otherwise be entitled against Contractor. All moneys paid by Contractor to UWIN under this Agreement or otherwise will be retained by UWIN as consideration for the rights and benefits previously conferred on Contractor hereunder. The foregoing remedy does not exclude any of the remedies which UWIN may have at law or in equity by reason of the default, breach or non-observance by Contractor of any provision of this Agreement.

5.6 Contractor's Obligations on Termination or Expiration. Upon the termination or expiration of this Agreement for any reason whatsoever, Contractor will forthwith cease to be enrolled in the Customer Complaint Resolution Program and must immediately:

A. pay UWIN all outstanding and unpaid amounts and charges that have or will thereafter become due hereunder or under any other agreement between Contractor and UWIN, including but not limited to the amount of any Remedial Payments and/or interest on past due Remedial Payments (as described in Section3.4 above);

B. thereafter not, directly or indirectly, represent to the public that Contractor's Business is operated in association with UWIN or the Customer Complaint Resolution Program, or hold itself out as a present or former participant in the Customer Complaint Resolution Program;

C. cease to use, directly or indirectly, in advertising or in any other manner whatever, the Seal, any mark similar to the Seal, or any other identifying characteristics or indicia of operation of the Customer Complaint Resolution Program;

D. notify the telephone company, and all listing agencies displaying the Seal on Contractor's behalf, of the termination or expiration of Contractor's right to use the Seal;

E. permit UWIN, at Contractor's expense, to enter the location from which Contractor's Business is conducted in order to remove any and all personal property of Contractor which displays the Seal or any distinctive feature or device associated with the Customer Complaint Resolution Program, including any and all equipment, signs, advertising materials, fixtures, furnishings, inventory, invoices, supplies or forms; and

F. delete any references to UWIN or the Seal from any website used by Contractor.

6. DISPUTES AMONG PARTIES AND WITH THIRD PARTIES

6.1 Complaints. Contractor must immediately provide UWIN with copies of any correspondence, notices or other complaints relating to the operation or activities of Contractor's Business that Contractor receives from any of its customers, any Better Business Bureau or any federal, state or local regulatory or governmental agency.

6.2 Infringements. Contractor must give Notice to UWIN immediately upon learning of any alleged infringement or a challenge to Contractor's use of the Customer Complaint Resolution Program or the Seal, or any claim by any third party of any rights in the Customer Complaint Resolution Program, the Seal or any other mark. Contractor agrees not to communicate with any person other than UWIN or UWIN's attorneys and Contractor's attorneys in connection with any alleged infringement, challenge or claim.

6.3 Disputes Concerning Customer Complaint Resolution Program. UWIN has the sole right and responsibility to handle and resolve litigation, trademark office proceedings or other administrative proceedings, or other disputes with third parties (including imitators and infringers) concerning the Customer Complaint Resolution Program and/or the use of all or any part of the Seal. UWIN does not have any obligation to initiate suit against imitators or infringers, and may settle any dispute by grant of a license or otherwise. Contractor will sign all instruments and documents, provide assistance and take any action that, in the opinion of UWIN's attorneys, may be necessary or advisable to protect and maintain UWIN's interests in any litigation, trademark office proceeding or other administrative proceeding or to otherwise protect and maintain UWIN's interest in the Customer Complaint Resolution Program and/or the Seal.

6.4 No Punitive, Exemplary or Consequential Damages**. EXCEPT WITH RESPECT TO CONTRACTOR'S OBLIGATION TO INDEMNIFY THE INDEMNIFIED PARTIES PURSUANT TO SECTION 7.3 AND CLAIMS UWIN BRINGS AGAINST CONTRACTOR FOR CONTRACTOR'S UNAUTHORIZED USE OF THE CUSTOMER COMPLAINT RESOLUTION PROCESS OR SEAL, UWIN AND CONTRACTOR AND CONTRACTOR'S RESPECTIVE OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER AND WILL BE LIMITED TO RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED.**

6.5 No Jury Trial. UWIN AND CONTRACTOR IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

6.6 Attorneys' Fees. The prevailing party in any litigation arising out of or relating to this Agreement will be entitled to recover from the other party all damages, costs and expenses, including court

costs and reasonable attorneys' fees, incurred by the prevailing party in successfully enforcing any provision of this Agreement.

6.7 Applicable Law. This Agreement will be governed, construed and interpreted in accordance with the substantive laws of the state in which UWIN has its principal place of business at the time a dispute arises, without giving effect to its conflict of law principles.

6.8 Venue**. UWIN AND CONTRACTOR AGREE THAT (A) ANY STATE COURT OF GENERAL JURISDICTION SITTING IN THE COUNTY AND STATE WHERE UWIN HAS ITS PRINCIPAL PLACE OF BUSINESS AT THE TIME THE ACTION IS COMMENCED OR (B) THE UNITED STATES DISTRICT COURT FOR THE COUNTY AND STATE WHERE UWIN HAS ITS PRINCIPAL PLACE OF BUSINESS AT THE TIME THE ACTION IS COMMENCED WILL BE THE VENUE AND EXCLUSIVE FORUM IN WHICH TO ADJUDICATE ANY CASE OR CONTROVERSY ARISING FROM OR RELATING TO THIS AGREEMENT, AND UWIN AND CONTRACTOR IRREVOCABLY SUBMIT TO THE JURISDICTION OF SUCH COURT AND WAIVES ANY OBJECTION IT MAY HAVE TO EITHER THE JURISDICTION OR VENUE OF SUCH COURT**.

7. RELATIONSHIP AND INDEMNIFICATION

7.1 Independent Parties. Contractor is and will at all times remain an independent contractor and is not and will not represent itself to be the agent, joint venturer, partner or employee of UWIN, or to be related to UWIN other than as a participant in the Customer Complaint Resolution Program. Contractor will not make any representations or take any acts which could establish any apparent relationship of agency, joint venture, partnership or employment with UWIN, and UWIN will not be bound in any manner whatsoever by any agreements, warranties, representations or undertakings made by Contractor to any other person nor with respect to any other action of Contractor. No acts of assistance given by UWIN to Contractor will be construed so as to alter this relationship.

7.2 Non-Liability. UWIN is not obligated or liable for any injury or death of any person or damage to any property caused by Contractor's acts, failure to act, negligence or willful conduct, or for any other liability of Contractor.

7.3 Contractor Indemnity. Contractor hereby agrees to indemnify, hold harmless and, upon request, defend UWIN, its affiliates, and their respective members, owners, shareholders, directors, officers, employees and agents (the "**Indemnified Parties**"), from and against all suits, proceedings, assessments, losses, claims, liabilities, demands or actions of any nature or kind whatsoever ("**Claims**"), directly or indirectly arising out of, or in any manner whatsoever associated or connected with:

A. the failure of Contractor to pay when due any levies, taxes or assessments that Contractor may be required by applicable law to pay;

B. Contractor's operation of Contractor's Business;

C. Contractor's acts, failure to act, or negligence or willful conduct; or

D. any failure to comply with the obligations described under this Agreement, including but not limited to Remedial Payments made under Section 3.4 and any related actions taken in connection therewith;

and against any and all damages, costs, expenses and fees (including, without limitation, reasonable legal expenses and fees), losses, fines or penalties incurred by or on behalf of any of the Indemnified Parties in the investigation or defense of any and all Claims.

8. GENERAL

8.1 Inquiry by UWIN. Contractor, by its execution of this Agreement, authorizes UWIN and its agents and representatives to make credit and background checks, including, without limitation, reasonable inquiries of Contractor's bankers, suppliers and other trade creditors regarding their dealings with Contractor in relation to Contractor's Business, to discuss the affairs, finances and accounts of Contractor's Business with Contractor's bankers; and Contractor, by its execution of this Agreement, authorizes and directs such bankers, suppliers and trade creditors to discuss with UWIN and its authorized agents and representatives the affairs, finances and accounts of Contractor's Business. If requested, Contractor agrees to execute and deliver such directions and other documents as UWIN may require in order to authorize such bankers, suppliers and trade creditors to release or disclose any such information and documents to UWIN.

8.2 Notices. All notices, consents and approvals permitted or required to be given under this Agreement must be in writing and will be deemed to be sufficiently and duly given if set forth in writing and, in the case of Contractor, left with an adult person working at Contractor's Business, or, in the case of either party, if sent by a prepaid certified letter or by overnight courier service or transmitted by facsimile, electronic mail or other form of recorded communication tested prior to transmission (with a confirming copy mailed to the addresses shown on the signature page) or such other address or facsimile number provided by one party to the other party for notices. Any notice so given or made will be deemed to have been given or made and received on the earlier of (A) the day of delivery or (B) one business day after transmission by facsimile or other form of recorded communication service of the same or by overnight courier service, as the case may be, or (C) on the third business day following the day of mailing of the same by certified mail.

8.3 Approvals or Consents. Requests by Contractor for approvals or consents must be in writing and timely made. Approvals and consents by UWIN will not be effective unless in writing and duly executed by UWIN. Except as expressly provided to the contrary herein, UWIN may grant or withhold such approvals or consents, and may make any determinations permitted hereunder, in its sole discretion and will not be required to show "reasonableness" or to comply with any other standard in connection herewith.

8.4 Non-Waiver. The failure of either party to exercise any right, power or option given under this Agreement, or to insist upon strict compliance with the terms and conditions of this Agreement by the other party, will not constitute a waiver of the terms and conditions of this Agreement with respect to any other or subsequent breach of this Agreement or default under this Agreement, nor a waiver by the first party of its right at any time thereafter to require strict compliance with all terms and conditions of this Agreement. UWIN's acceptance of payments due under this Agreement will not constitute a waiver of any breaches by Contractor that precede the acceptance of such payments.

8.5 Effect of Standards. UWIN's specifications of the Customer Complaint Resolution Program will not constitute a warranty or representation, express or implied, as to quality, safety, suitability, fitness for a particular purpose or any matter. UWIN will not be liable to Contractor or others on account of the specifications of the Customer Complaint Resolution Program.

8.6 Further Assurances. The parties agree to diligently do or cause to be done all acts or things and to execute all documents and instruments necessary to implement and carry into effect this Agreement to its fullest extent.

8.7 Successors and Assigns. This Agreement will inure to the benefit of and be binding upon UWIN, Contractor and their respective heirs, legal representatives, successors and permitted assigns.

8.8 No Third-Party Beneficiaries. Except as otherwise expressly provided herein, this Agreement is exclusively for the benefit of the parties hereto and does not confer a benefit on, or give rise to liability to, a third party. No agreement between UWIN and a third party is for the benefit of Contractor.

8.9 Construction. Contractor acknowledges that it had the opportunity to be represented by an attorney in connection with the execution of this Agreement, and to review and understand the terms hereof and to consider the advisability of entering into this Agreement. This Agreement will be construed according to its plain meaning and neither for nor against either party hereof regardless of which party's counsel drafted the provision.

8.10 Entire Agreement/Amendments. UWIN and Contractor each acknowledge and warrant to each other that they wish to have all terms of the business relationship defined in this Agreement. Neither UWIN nor Contractor wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different from or supplementary to the rights and obligations set forth herein. Accordingly, UWIN and Contractor agree that this Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between UWIN or anyone acting on its behalf and Contractor or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and UWIN and Contractor each agree that they have placed, and will place, no reliance on any such discussion. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto or incorporated herein by reference, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further rights or offer of rights have been promised to Contractor and no such rights or offer of rights will come into existence, except by means of a separate writing, executed by an officer of UWIN or such other entity granting the rights and specifically identified as a modification of this Agreement. No change, modification, amendment or waiver of any of the provisions hereof will be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto and signed by the party to be charged.

8.11 Survival. All obligations of UWIN and Contractor which expressly or by their nature survive termination or expiration or transfer of this Agreement, including but not limited to the Remedial Payment obligations in Article 3, the dispute resolution provision in Article 6, and the Relationship and Indemnification provisions of Article 7 will continue in full force and effect subsequent to and notwithstanding such termination or expiration or transfer and until they are satisfied or by their nature expire. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any express representations made by Franchisor in any Franchise Disclosure Document.

8.12 Severability of Provisions. Every part of this Agreement is severable and the invalidity or unenforceability of any part of this Agreement will not affect the validity or enforceability of any other part of this Agreement.

8.13 Counterparts. This Agreement may be executed in counterparts, and each counterpart when so executed and delivered will be deemed an original.

9. ACKNOWLEDGEMENTS

9.1 Control of Contractor's Business. Contractor understands and acknowledges that UWIN will not be exercising any control over its method of operations or give Contractor any significant assistance in the day-to-day operations of its home repair services business. Specifically, UWIN has no control over and no obligation to provide any assistance with respect to any of the following activities: site approval or selection; site design or appearance; hours of operation; service techniques; account or management policies and practices; personal policies or practices; promotional campaigns; service or marketing territories; and training programs.

9.2 Contractor Business Trademark. Contractor acknowledges that, notwithstanding the license of the Seal under this Agreement, the Contractor's Business will primarily be associated with Contractor's name, trademarks, and logos and not substantially associated with the Seal. Contractor's display and use of the Seal will be in connection with its participation in the Customer Complaint Resolution Program and not the overall operation of its home repair services business. Contractor's Business will not be operated under a marketing plan or system prescribed in substantial part by UWIN.

9.3 Contractor's Business Operation. Contractor acknowledges that it is not relying on UWIN to furnish any advice, guidance, or assistance with respect to the established or continuing operation of its home repair services business in the form of marketing assistance or advice or any other business assistance, although UWIN may give Contractor assistance from time to time.

[*signature page follows*]

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as dated below.

CONTRACTOR: [**PRINT CONTRACTOR NAME]**	**UWIN: UWIN, LLC**
By:_____	By:_____
Name:_____	Name: _____
Title: _____	Title:_____
Date:_____	Date:_____

Check One:

[X] an Electrical Contractor
[X] an HVAC Contractor
[X] a Plumbing Contractor

Located at:

[Insert Contractor Business Address]

UWIN, LLC
7120 Samuel Morse Drive
Suite 300
Columbia, Maryland 21046
Attention: Membership Services

UWIN OWNER'S GUARANTY

In consideration of, and as an inducement to, the grant of a license to use the Seal and the execution of the UWIN Agreement for Franchisees, (the "**Agreement**") by and between UWIN, LLC, a Florida limited liability company ("**UWIN**"), and_____, ("**Contractor**"), the undersigned owner of Contractor ("**Owner**") hereby personally and unconditionally: (1) guaranties to UWIN and its successors and assigns, for the Term and thereafter, including any renewal, as provided in the Agreement, that Contractor will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and any documents, agreements, instruments and promissory notes executed pursuant to or in connection with the Agreement (collectively, the "**Documents**"); and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Documents applicable to Owners of Contractor.

The undersigned waives:

1. acceptance and notice of acceptance by UWIN of the foregoing undertakings;

2. notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guarantied;

3. protest and notice of default to any party with respect to the indebtedness or non- performance of any obligations hereby guarantied;

4. any right the undersigned may have to require that an action be brought against Contractor or any other person as a condition of liability; and

5. any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

The undersigned consents and agrees that:

1. the undersigned's direct and immediate liability under this Guaranty will be joint and several with all signatories to this and similar guaranties of Contractor's obligations;

2. the undersigned agrees to render any payment or performance required under the Agreement upon demand if Contractor fails or refuses punctually to do so;

3. this Guaranty applies to any claims UWIN may have due to return of any payments or property UWIN may have received from Contractor as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;

4. such liability is not contingent or conditioned upon pursuit by UWIN of any remedies against Contractor or any other person; and

5. such liability will not be diminished, relieved or otherwise affected by any extension of time, creditor or other indulgence which UWIN may from time to time grant to Contractor or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify

or amend this Guaranty, which will be continuing and irrevocable during and after the terms of the Documents, as the same may be amended or renewed, until Contractor's duties and obligations to UWIN are fully discharged and satisfied.

All capitalized terms used in this Guaranty and not otherwise defined will have the meanings ascribed to them in the Agreement.

This Guaranty will be governed, construed and interpreted in accordance with the substantive laws of the state where UWIN has its principal place of business at the time the dispute arises, without giving effect to its conflicts of law principles. Owner agrees that (A) any state court of general jurisdiction sitting in the county and state where UWIN has its principal place of business at the time the action is commenced or (B) the United States District Court for the county and state where UWIN has its principal place of business at the time the action is commenced will be the venue and exclusive forum in which to adjudicate any case or controversy arising from or relating to this Guaranty, and Owner irrevocably submits to the jurisdiction of such court and waives any objection it may have to either the jurisdiction or venue of such court.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature as dated below.

GUARANTOR(S):

~~By:~~ _____ ~~By:~~ _____

~~Name:~~ _____ ~~Name:~~ _____

~~Title:~~ _____ ~~Title:~~ _____

~~Date:~~ _____ ~~Date:~~ _____

~~By:~~ _____ ~~By:~~ _____

~~Name:~~ _____ ~~Name:~~ _____

~~Title:~~ _____ ~~Title:~~ _____

~~Date:~~ _____ ~~Date:~~ _____

Date: _____ Date: _____

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

APPENDIX C TO FRANCHISE AGREEMENT
CONFIDENTIALITY AND NON-COMPETE AGREEMENT

[Name of Franchisee] ("**Franchisee**") has entered into a Franchise Agreement (the "**Franchise Agreement**") with Mister Sparky **Franchising SPE LLC** ("**Franchisor**"). Under the Franchise Agreement, Franchisor can require certain individuals affiliated with the Franchisee to bind themselves personally to the confidentiality obligations and restrictions on competition in the Franchise Agreement. You agree as follows:

1. You are signing this Agreement for the benefit of both Franchisee and Franchisor, as a condition of your employment by, ownership interest in, or other role with Franchisee. Franchisor has the right to enforce this Agreement directly against you.

2. You will or might gain access to Confidential Information (as defined in the Franchise Agreement) as a result of your role with Franchisee. You agree that you will: (a) not use the Confidential Information in any other business or capacity; (b) use your best efforts to maintain the confidentiality of the Confidential Information; and (c) not make unauthorized copies of any Confidential Information. If your relationship with Franchisee ends, these obligations continue, but you are required to return to Franchisor any materials in your possession or control that contain Confidential Information.

3. While the Franchise Agreement is in effect and you continue in your role with Franchisee, you will not, directly or indirectly (such as through an affiliate or a family member) own, operate, engage in, be employed by, provide assistance to, or have any economic interest in any Competing Business. "**Competing Business**" has the same meaning as set forth in the Brand Appendix to the Franchise Agreement.

4. For two (2) years after (i) your relationship with Franchisee ends; (ii) the expiration or termination of the Franchise Agreement; or (iii) the approved transfer of the Franchise Agreement to a new franchisee, whichever comes first, you will not, without Franchisor's consent (which Franchisor may withhold at its discretion) either directly or indirectly (such as through an affiliate or a family member) own, operate, engage in, be employed by, provide assistance to, or have any economic interest in any Competing Business that is located in or serves customers within (i) the Territory defined in the Franchise Agreement, (ii) forty (40) miles of the Territory, (iii) any zip code where Franchisee's Franchised Business served customers while the Franchise Agreement was in effect, (iv) the territory of any other then-existing Franchised Businesses plus the area formed by extending the boundaries of that territory ten (10) miles in all directions, or (v) the territory serviced by any business operated by Franchisor, its affiliates or their licensees under the Marks plus the area formed by extending the boundaries of that territory ten (10) miles in all directions. The time period above will be tolled for any period of time during which you are in breach of this section and will resume only when you begin or resume compliance.

5. You represent that enforcement of the restrictions contained in Paragraphs 3 and 4 will not deprive you of the ability to earn a living. If a court rules that any of these restrictions is unenforceable by virtue of its scope or in terms of geographic area, type of business activity prohibited, and/or length of time, you agree to comply with any lesser restriction deemed enforceable by the court. If Franchisor or Franchisee initiates a legal proceeding to enforce this Agreement and prevails in the proceeding, you agree to reimburse Franchisor or Franchisee for its enforcement costs and expenses, including attorneys' fees.

FRANCHISEE:	**YOU:**
[NAME OF FRANCHISEE]	**[OWNER NAME]**

APPENDIX D TO FRANCHISE AGREEMENT
TELEPHONE NUMBER AND INTERNET AGREEMENT

_____

_____

(Name of Telephone Company)

_____

_____

(Address)

_____

_____

(City, State, Zip)

_____

_____

(Office Telephone Number(s))

This TELEPHONE NUMBER AND INTERNET AGREEMENT, ASSIGNMENT AND POWER OF ATTORNEY ("**Assignment**") is made pursuant to the terms of the Franchise Agreement dated _____ ("**Agreement**") by and between Mister Sparky Franchising SPE LLC ("**Franchisor**") and _____("**Franchisee**"), authorizing Franchisee to use Franchisor's Marks and System in the operation of a business (the "**Franchised Business**") in and for the Territory. Capitalized terms used herein without a definition shall have the meaning assigned to them in the Agreement.

For value received, Franchisee hereby irrevocably assigns to Franchisor all telephone listings and numbers at any time used by Franchisee in any printed or internet telephone directory in connection with the operation of the Franchised Business, whether now-existing or adopted by Franchisee in the future (collectively "**Telephone Listings**") and all email addresses, domain names, social media accounts and comparable electronic identities that use the Marks or any portion of them at any time used by Franchisee in connection with any Internet directory, website or similar item in connection with the operation of the Franchised Business, whether now-existing or adopted by Franchisee in the future (collectively "**Internet Listings**") (collectively referred to herein as "**Listings**"). From time to time upon Franchisor's request, Franchisee agrees to promptly provide a complete list of all Listings to Franchisor (in such format and level of detail as required by Franchisor).

Franchisee shall have the right to use the Listings only in connection with advertising the Franchised Business in the Territory. Franchisee agrees to pay all amounts pertaining to the use of the Listings incurred

by it when due. Upon expiration or termination of the Agreement for any reason, Franchisee's right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee agrees to pay all amounts owed in connection with the Listings, including all sums owed under existing contracts for telephone directory advertising and to immediately, at Franchisor's request, (i) take any other action as may be necessary to transfer the Listings and numbers to Franchisor or Franchisor's designated agent, (ii) install and maintain, at Franchisee's sole expense, an intercept message, in a form and manner acceptable to Franchisor, on any or all of the Listings; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of any telephone directory or directory assistance listing, Internet directory, website or advertising, whether published or online.

Franchisee agrees that Franchisor may require that all telephone numbers and telephone and internet equipment and service must be owned or provided by Franchisor or a supplier approved by Franchisor and that Franchisor has the right to require Franchisee to "port" or transfer to Franchisor or an approved call

routing and tracking vendor all phone numbers associated with the Franchised Business or published in any print or online directory, advertisement, marketing or promotion associated with the Marks.

Franchisee appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings to Franchisor or Franchisor's designated agent or taking any other actions required of Franchisee under this Assignment. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings, and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee's rights under the Agreement for any reason. Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power of attorney is created to secure performance of a duty to Franchisor and is for consideration.

FRANCHISEE: [INSERT FRANCHISEE NAME]

_____

_____

[Individual Name]

_____, individually

_____

_____

Date

INSTRUCTIONS TO FRANCHISEE: YOU MUST PROVIDE ACTIVE ACCOUNT INFORMATION AT THE TIME OF SIGNING THE FRANCHISE AGREEMENT. IF YOU DO NOT YET HAVE A BUSINESS ACCOUNT FOR THE FRANCHISE, YOU MUST PROVIDE A PERSONAL ACCOUNT FOR US TO USE UNTIL YOU HAVE A BUSINESS ACCOUNT. YOU CAN CHANGE THE DESIGNATED ACCOUNT AT ANY TIME BY PROVIDING A NEW AUTHORIZATION FORM.

APPENDIX E TO FRANCHISE AGREEMENT
ELECTRONIC FUND TRANSFER AUTHORIZATION FORM

Payee: Mister Sparky Franchising SPE LLC ("**Franchisor**")

_____

_____

Account Number

_____

ABA Routing #

_____

Bank Name (Please Print)

_____

Address

The ~~undersigned hereby authorizes Franchisor to initiate debit entries by either electronic or paper~~ means to the undersigned's account indicated above at the Bank indicated above (the "**Bank**") and authorizes the Bank to debit the same to such account and to make payment to Franchisor, or its assigns, at 7120 Samuel Morse Drive, Suite 300, Columbia, MD 21046, or such other address as may be designated by Franchisor. The undersigned agrees that in making payment for such charges, the Bank's rights shall be the same as if each were a charge made and signed personally by the undersigned. The Bank shall have no obligation regarding the calculation or verification of the amount of any such payments.

This authority shall remain in full force and effect until Franchisor and the Bank have received a minimum of ninety (90) days' advance written notice from the undersigned of the termination of authority granted herein. Until the Bank actually receives such notice, the undersigned agrees that the Bank shall be fully protected in paying any amounts pursuant to this authority. The undersigned further agrees that if any such payments are not made, whether with or without cause, and whether intentionally or inadvertently, the Bank shall be under no liability whatsoever to the undersigned.

_____

_____

Printed Name of Franchisee (Individual or Business Entity)

_____

_____

Signature of Franchisee (and Title, if signing on behalf of a Business Entity)

Date Signed: _____

EXHIBIT B

PROMISSORY NOTE, GUARANTY AND SECURITY AGREEMENT

(INCLUDING VERSIONS FOR CONVERSION INCENTIVE PROGRAM)

PROMISSORY NOTE

[FRANCHISE ID]

Principal Amount: $_____

Effective Date:_____

1. **Principal Amount.** For value received, the undersigned ("**Maker**") hereby unconditionally promises to pay to the order of Mister Sparky Franchising SPE LLC, a Delaware limited liability company, with its principal offices located at 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046 ("**Holder**"), in lawful money of the United States of America, the amount of _____ _____ and 00/100 Dollars ($_____) ("**Principal Amount**") together with interest as set forth in Section 2.C. The Principal Amount represents a portion the Franchise Fee owed to Holder in connection with a Mister Sparky Franchising SPE LLC Franchise Agreement dated as of _____ ("**Franchise Agreement**").

2. **Payment Related Terms.**

A. **Payment.** Maker shall pay the Principal Amount, together with the interest set forth in Section 2.C. below, to Holder in ( ) equal monthly installments due as designated by Holder each month in the amount of__ and _ /100 Dollars ($__) commencing on _____and with the final payment in the amount of _____and /100 Dollars ($_____) due on_____ . The attached amortization schedule reflects the payment schedule and is incorporated into this Note.

B. **Payment Arrangements.** Unless otherwise designated in writing by Holder, the payment required by Section 2.A. shall be made to Holder by electronic funds transfer in accordance with the terms of the Electronic Funds Transfer Agreement attached to the Franchise Agreement as an appendix. Maker shall be responsible for all costs and expenses incurred by Maker and Holder in connection with the electronic funds transfer.

C. **Interest**

(i) Interest at a rate of 12% per annum shall begin to accrue on the outstanding amounts due as of the above Effective Date. Interest shall be calculated on the basis of a year of three hundred and sixty-five (365) days and charged for the actual number of days elapsed. Interest on the indebtedness evidenced by this Note shall in no event exceed the maximum amount permissible under applicable law ("**Maximum Rate**").

(ii) After the occurrence of a Default, this Note shall bear interest, payable on demand, at a rate equal to 18% per annum, until paid, but not to exceed the Maximum Rate whether before or after the entry of judgment hereon. Interest shall be calculated on the basis of a year of 365 days and charged for the actual number of days elapsed. Following a permitted cure or waiver of Default, this Note shall cease to bear interest under this Section C(ii) and resume interest under Section C(i) above. This provision does not constitute a waiver of any Default or an agreement by the Holder to permit any late payments.

(iii) If, at any time, the interest to be paid by Maker would exceed the Maximum Rate, the interest to be paid shall be reduced to the Maximum Rate, and Holder shall credit any payment in excess of the Maximum Rate to the Principal Amount or refund the excess to Maker. The terms and provisions of this paragraph shall control and supersede every other conflicting provision of this Note.

D. **Prepayment.** This Note may be prepaid at the option of Maker, in whole or in part, without penalty.

3. **Assignment.** This Note is personal to Maker and is not assignable by Maker. This Note is assignable by Holder without notice to or consent of Maker.

4. **Default.**

A. Any of the following events shall constitute an event of default ("**Default**"):

(i) Maker fails to pay any principal of or, if applicable, interest on this Note when the same shall become due, either by the terms hereof or by acceleration or otherwise; or

(ii) Maker or its affiliates or subsidiaries default on any agreement with Holder, or its affiliates or subsidiaries, including the Franchise Agreement.

B. Upon the occurrence of any Default, Holder may, at its option and in addition to any right, power or remedy permitted by law or equity, by written notice to Maker, declare the unpaid Principal Amount of this Note to be and the same shall thereupon be and become, forthwith due and payable in its entirety, together with, if applicable, accrued interest on that amount. A Default under this Note shall also constitute a Default under the Franchise Agreement. No waiver by Holder of any Default shall operate as a waiver of any other default or the same default on a future occasion.

5. **Waivers.** Maker hereby waives presentment and demand for payment, notice of non-payment, notice of dishonor, protest of dishonor, and notice of protest. All sums due under this Note shall be without relief from valuation and appraisement laws.

6. **Notices.** No notice, demand, request or other communication to Maker or Holder shall be binding unless the notice is in writing and pursuant to Section 21 of the Franchise Agreement.

7. **Enforcement.**

A. **Choice of Law.** This Note shall be governed by and construed in accordance with the laws of the State of Maryland.

B. **Choice of Forum.** Maker hereby submits to the personal jurisdiction of the state and federal courts located in Maryland, consents to venue in those courts, and agrees that Holder may, at Holder's option, enforce its rights under this Note in those courts.

C. **Reimbursement of Costs.** If Holder brings an action to enforce or collect this Note, the prevailing party in such proceeding shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witnesses' fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of, or subsequent to the filing of, any such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury. If Holder utilizes legal counsel (including in-house counsel employed by Holder or its affiliates)

in connection with any failure by the undersigned to comply with this Note, Maker shall reimburse Holder for any of the above-listed costs and expenses incurred by it.

D. **Miscellaneous.** Maker acknowledges that its obligations under this Note are unconditional and separate from and independent of any other representations, warranties, commitments, agreements or understandings, whether oral or written, express or implied, between Maker and Holder. The liability of each entity or individual who is included as the "**Maker**" shall be joint and several.

E. **Severability**. If, but only to the extent that, any provision of this Note shall be invalid or unenforceable, then, such offending provision shall be deleted from this Note, but only to the extent necessary to preserve the validity and effectiveness of this Note to the fullest extent permitted by applicable law.

F. **Writing Required**. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT, INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT, ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

G. **Jury Trial Waiver. Maker waives, to the fullest extent permitted by applicable law, the right to a trial by jury in any action arising out of or relating to this Note or any Default under this Note.**

IN WITNESS WHEREOF, Maker has executed this Note as of the date below.

MAKER:

_____

_____

Print Name:_____

Date: _____

AMORTIZATION SCHEDULE
TO PROMISSORY NOTE

[insert amortization schedule]

GUARANTEE

In consideration of the willingness of Mister Sparky Franchising SPE LLC ("**Holder**") to permit _____ ("**Maker**") to pay a portion of the Franchise Fee owed to Holder in connection with a Mister Sparky Franchising SPE LLC Franchise Agreement and pursuant to the foregoing Promissory Note ("**Note**"), the undersigned_____("**Guarantors**"), hereby personally and unconditionally: **(1)** guarantee to Holder and its successors and assigns that Maker shall punctually pay and perform each and every undertaking set forth in the Note; and **(2)** agree personally to be liable for Maker's Default under the Note.

Each Guarantor waives: **(a)** acceptance and notice of acceptance by Holder of the foregoing undertakings; **(b)** notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; **(c)** protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; **(d)** any right he or she may have to require that an action be brought against Maker or any other person as a condition of liability; **(e)** all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against Maker arising as a result of the execution of and performance under this Guarantee by any Guarantor; **(f)** any law or statute which requires that Holder make demand upon, assert claims against or collect from Maker or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Maker or any others prior to making any demand upon, collecting from or taking any action against Guarantors with respect to this Guarantee; **(g)** any and all other notices and legal or equitable defenses to which he or she may be entitled; and **(h)** any and all right to have any legal action under this Guarantee decided by a jury.

Each Guarantor consents and agrees that: **(i)** his or her direct and immediate liability under this Guarantee shall be joint and several; **(ii)** he or she shall render any payment or performance required under the Note upon demand if Maker fails or refuses punctually to do so; **(iii)** such liability shall not be contingent or conditioned upon pursuit by Holder of any remedies against Maker or any other person; **(iv)** such liability shall not be diminished, relieved or otherwise affected by any amendment of the Note, any extension of time, credit or other indulgence which Holder may from time to time grant to Maker or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guarantee, which shall be continuing and irrevocable during the term of the Note and for so long thereafter as there are monies or obligations owing from Maker to Holder under the Note; and **(v)** monies received from any source by Holder for application toward payment of the obligations under the Note and under this Guarantee may be applied in any manner or order deemed appropriate by Holder.

If any of the following events occur, a default ("**Default**") under this Guarantee shall exist: **(a)** failure of timely payment or performance of the obligations under this Guarantee; **(b)** breach of any agreement or representation contained or referred to in this Guarantee; **(c)** the appointment of a guardian for, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any Guarantor; and/or **(d)** the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any Guarantor. If a Default occurs, the obligations of Guarantors shall be due immediately and payable without notice.

All notices, requests and approvals under this Guarantee shall be in writing and shall be deemed to have been properly given if and when personally delivered, or five (5) days after being sent by certified or registered mail, postage prepaid, return receipt requested, or thirty-six (36) hours after being sent by Federal Express or other overnight courier service providing delivery confirmation, to the address of the party set forth below or at such other address as any of the parties hereto from time to time may have designated by

written notice to the other party.

IF TO GUARANTORS: _____

_____

_____

_____

IF TO HOLDER: Mister Sparky Franchising SPE LLC
7120 Samuel Morse Drive, Suite 300
Columbia, Maryland 21046

This Guarantee shall be governed by and construed in accordance with the laws of the State of Maryland. Each Guarantor hereby submits to the personal jurisdiction of the state and federal courts located in Maryland, consents to venue in those courts, and agrees that Holder may, at Holder's option, enforce its rights under this Guarantee in those courts. **Each Guarantor waives, to the fullest extent permitted by applicable law, the right to a trial by jury in any action arising out of or relating to this Guarantee or any Default under this Guarantee.**

If Holder brings an action to enforce this Guarantee in a judicial proceeding, the prevailing party in such proceeding shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury.

If Holder utilizes legal counsel (including in-house counsel employed by Holder or its affiliates) in connection with any failure by Guarantors to comply with this Guarantee, Guarantors shall reimburse Holder for any of the above-listed costs and expenses incurred by it.

This Guarantee is personal to the undersigned and is not assignable by Guarantors. This Guarantee is assignable by Holder.

If signed by more than one person or entity, the obligations hereunder shall be joint and several as to each signatory.

Guarantors acknowledge that their obligations under this Guarantee are unconditional and are separate from and independent of any other representations, warranties, commitments, agreements or understandings, whether oral or written, express or implied, between Guarantors and Holder, and that this Guarantee contains the entire agreement of Guarantors and Holder with respect to the subject matter of this Guarantee.

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee as of the date first above written:

GUARANTORS:

By:_____ By:_____

Print Name:_____ Print Name:_

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("**Agreement**") is made and entered into as of _____, by and between _____, a _____ formed in _____ ("**Debtor**"), and Mister Sparky Franchising SPE LLC, a Delaware limited liability company ("**Secured Party**"), who agree as follows:

1. **Recitals**. This Agreement is made and entered into with reference to the following facts and circumstances:

A. Debtor and Secured Party entered into a Mister Sparky Franchising SPE LLC Franchise Agreement ("**Franchise Agreement**") under which Debtor was required to pay Secured Party a "**Franchise Fee**";

B. Debtor and Secured Party entered into a Promissory Note ("**Note**") on the same date as this Security Agreement ("**Agreement**") under which Secured Party agreed to permit Debtor to pay a portion of the Franchise Fee on a payment plan;

C. Debtor is jointly and severally indebted to Secured Party in the principal amount of $_____ as evidenced by the Note (the "**Indebtedness**"); and

D. As a material inducement for Secured Party's accepting the Note, Debtor has agreed to secure Debtor's performance under the provisions and conditions of the Note, the Franchise Agreement, and any other debts Debtor owes to Secured Party by granting to Secured Party a security interest in the collateral described in this Agreement.

2. **Grant of Security Interest**. As security for: (i) Debtor's timely and complete payment of all amounts owing under the Note, the Franchise Agreement, and of any other debts Debtor owes to Secured Party; and (ii) Debtor's performance of all of the covenants, obligations and agreements contained in the Note, the Franchise Agreement, this Agreement and all other instruments and documents pertaining to, evidencing or securing the Note, the Franchise Agreement or other debts Debtor owes to Secured Party (and as those instruments and documents may be amended from time to time), Debtor hereby grants, transfers, and assigns to Secured Party a continuing security interest in the following items, property and rights (collectively, "**Collateral**"):

A. All of the personal property of Debtor now and hereafter situated at, used in connection with, relating to or deriving from any MISTER SPARKY Franchised Business (or its successor) pursuant to the Franchise Agreement or otherwise, including without limitation, at those certain premises which are described on Exhibit A, attached hereto and incorporated herein by this reference ("**Premises**"), and the businesses conducted at such Premises, including, without limitation, all present and after-acquired goods, accounts, documents, instruments, money, deposit accounts, chattel paper, inventory, equipment, supporting obligations, investment property, letter of credit rights, and general intangibles; and

B. Debtor's entire right, title and interest in and to all replacements, rents, profits, substitutions and (or) additions to or of those items referred to in subparagraph 2.A. above, and any proceeds arising from the sale and(or) other disposition of the same (including, without limitation, sums payable for loss under insurance covering the Collateral).

3. **Warranties; Protection of Collateral**. Debtor warrants that it is the owner of the Collateral free of all liens except the lien created hereby. Debtor agrees that it: (a) will properly maintain, repair and

preserve the Collateral and insure the same against casualty loss by a policy of insurance covering such risks and in such amount as the Secured Party may require, with loss payable to Secured Party and will furnish certificates acceptable to Secured Party; (b) will pay in timely fashion all taxes which may become a lien on the Collateral; (c) except with Secured Party's prior written consent, Debtor will make no sale, contract to sell, lease, encumbrance or other disposition of the Collateral nor change its physical location from the Premises above designated; (d) will use the Collateral lawfully and only within insurance coverage and not use the Collateral so as to cause or result in any waste, unreasonable deterioration or depreciation; (e) will permit Secured Party to enter on Debtor's property and to inspect the Collateral at any reasonable time; (f) will not, with the exception of sales of inventory in the ordinary course of business, remove the Collateral from the Premises without the consent of Secured Party except when reasonably necessary for repair or to replace obsolete or worn out items of Collateral; and (g) will execute any additional agreements, assignments or documents that may be deemed necessary or advisable by Secured Party to effectuate the purpose of this Agreement and the protection of the Collateral.

4. **Delivery and Perfection**. Debtor agrees to execute and deliver to Secured Party any other documents reasonably requested by Secured Party to create, maintain, perfect, or assure the priority of the security interest granted above. Debtor hereby appoints Secured Party as its agent and attorney-in-fact to execute and deliver documents and to take all other actions (to the extent permitted by law) in Debtor's name and on Debtor's behalf that Secured Party may deem necessary or advisable to create, maintain, perfect, assure the priority of, or foreclose its security interest in and lien on the Collateral. This appointment is coupled with an interest and is irrevocable as long as any of the Indebtedness remains outstanding.

5. **Default**. The following shall constitute a default by Debtor hereunder:

A. Any failure to comply with the provisions of the Franchise Agreement, this Agreement, or any other agreement with Secured Party, or to perform any covenant contained herein.

B. Any default by Debtor under the Note or any failure to pay when due any portion of the Indebtedness, including, without limitation, any interest payable thereunder.

C. Any loss, theft, substantial damage or destruction of the Collateral or issuance of attachment, levy, garnishment or judicial process with respect to the Collateral.

D. Insolvency, bankruptcy, business failure, assignment for benefit of creditors or appointment of a receiver for Debtor or its property.

E. Secured Party deeming itself insecure, believing in good faith that the prospect of payment of the Indebtedness (or any portion thereof) or of performance of this Agreement, or any covenant contained herein, is impaired.

6. **Rights and Remedies**. In the event of a default hereunder, Secured Party shall have and shall otherwise be entitled to all rights and remedies provided for or allowed under law. In accordance with the foregoing, and without limitation, Secured Party shall be entitled to:

A. Take possession of and protect the Collateral, including the right to remove all persons from the Premises and take sole possession thereof.

B. If Secured Party is not then in possession of the Collateral, to require Debtor or any other person in possession of the Collateral to assemble it at Debtor's expenses and make it available to Secured Party at a reasonably convenient place, to be designated by Secured Party.

C. Retain the Collateral in satisfaction of Debtor's obligations, or dispose of the Collateral by public or private sale (at which sale the Secured Party may be a buyer), or commence operation of the Business for Debtor's account. Any sale or operation of the Business shall be deemed to be on Debtor's account unless Secured Party gives Debtor written notice of intent to retain the Collateral in satisfaction of Debtor's obligations. The proceeds of sale or operation for Debtor's account shall be applied in total or partial satisfaction of Debtor's obligations to Secured Party and for Secured Party's costs incurred in proceeding under this paragraph. All proceeds shall be applied first to cover Secured Party's costs, and second to satisfy Debtor's obligations to Secured Party. To the extent there is still any deficiency in the amount Secured Party is owed, Secured Party may collect the same from Debtor, and, to the extent that any excess proceeds exist (after the application of such proceeds as provided for herein and under the law), Secured Party shall pay the same to Debtor.

D. Declare any and all amounts outstanding under the Note to be immediately due and payable.

E. Reduce any claim against Debtor to judgment and enforce any such judgment against Debtor.

F. Take such steps as it may deem appropriate to foreclose upon or otherwise enforce the security interest(s) and lien of this Agreement to secure payment and performance of the Debtor's obligations under this Agreement and the Note.

G. Exercise any and all other rights and remedies available at law or equity or otherwise to Secured Party under this Agreement or the Note.

7. **Nonwaiver**. No delay or omission to exercise any right, power, or remedy accruing to Secured Party upon any breach or default of Debtor under this Agreement shall impair any such right, power, or remedy of Secured Party, nor shall it be construed to be a waiver of any such breach thereafter occurring, nor shall any waiver of any single breach or default theretofore occurring be deemed a waiver of any other breach or default. Any waiver, permit, consent, or approval of any kind under this Agreement, or any waiver on the part of the Secured Party of any provision or condition of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law, or otherwise afforded to Secured Party, shall be cumulative and not alternative.

8. **Notices**. Unless otherwise specifically provided in this Agreement, all notices, demands, or other communications given hereunder will be in writing and pursuant to Section 21 of the Franchise Agreement.

9. **Miscellaneous**.

A. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the manners dealt with in this Agreement. In addition each party has had the opportunity to consult with experienced and knowledgeable legal counsel. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the parties and this Agreement.

B. In the event of any dispute arising out of this Agreement, or concerning the meaning or interpretation of any provision contained herein, the losing party shall pay the prevailing party's costs and expenses incurred in any action, arbitration, mediation, or litigation, including without limitation court costs and reasonable attorneys' fees and disbursements.

C. Any provisions of this Agreement which may be prohibited by law or otherwise held invalid shall be ineffective only to the extent of such prohibition or invalidity and shall not invalidate or otherwise render ineffective the remaining provisions of this Agreement.

D. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland. Sole and proper venue for any action shall be in the state and federal courts in Maryland.

E. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

DEBTOR:

By:_____

Its: _____

EXHIBIT A TO SECURITY AGREEMENT

Premises:

PROMISSORY NOTE
[FRANCHISE ID]

[For Conversion Incentive Program]

Principal Amount: $_____

Effective Date:_____

1. Principal Amount. For value received, the undersigned ("**Maker**") hereby unconditionally promises to pay to the order of Mister Sparky Franchising SPE LLC, a Delaware limited liability company with its principal offices located at 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046 ("**Holder**"), in lawful money of the United States of America, the amount of _____ and 00/100 Dollars ($_____) ("**Principal Amount**") together with interest as set forth in Section 2. C. The Principal Amount represents the Franchise Fee owed to Holder in connection with a Mister Sparky Franchising SPE LLC Franchise Agreement dated as of _____ ("**Franchise Agreement**").

2. Payment Related Terms.

A. Payment. Maker shall pay the Principal Amount and Interest Amount to Holder in forty eight (48) equal monthly installments in the amount of_____and __ /100 Dollars ($__) commencing on ("Payment Start Date")_____and with the final payment in the amount of _____and /100 Dollars ($_____) due on_____. The attached amortization schedule reflects the payment schedule and is incorporated into this Note. In the event the Principal Amount is reduced in accordance with the Franchise Agreement, Holder will adjust the Principal Amount and amortization schedule accordingly. All other terms of the Note provided herein will remain unchanged in the event of such adjustment.

B. Payment Arrangements. Unless otherwise designated in writing by Holder, the payment required by Section 2.A. shall be made to Holder by electronic funds transfer in accordance with the terms of the Electronic Funds Transfer Agreement attached to the Franchise Agreement as an appendix. Maker shall be responsible for all costs and expenses incurred by Maker and Holder in connection with the electronic funds transfer.

C. Interest

(i) Interest at a rate of 12% per annum shall begin to accrue on the Payment Start Date. Interest shall be calculated on the basis of a year of three hundred and sixty-five (365) days and charged for the actual number of days elapsed. Interest on the indebtedness evidenced by this Note shall in no event exceed the maximum amount permissible under applicable law ("**Maximum Rate**").

(ii) After the occurrence of a Default, this Note shall bear interest, payable on demand, at a rate equal to 18% per annum, until paid, but not to exceed the Maximum Rate whether before or after the entry of judgment hereon. Interest shall be calculated on the basis of a year of 365 days and charged for the actual number of days elapsed. Following a permitted cure or waiver of Default, this Note shall cease to bear interest under this Section C(ii) and resume interest under Section C(i) above. This provision does not constitute a waiver of any Default or an agreement by the Holder to permit any late payments.

(iii) If, at any time, the interest to be paid by Maker would exceed the Maximum Rate, the interest to be paid shall be reduced to the Maximum Rate, and Holder shall credit any payment in excess of the Maximum Rate to the Principal Amount or refund the excess to Maker. The terms and provisions of this paragraph shall control and supersede every other conflicting provision of this Note.

D. **Prepayment.** This Note may be prepaid at the option of Maker, in whole or in part, without penalty.

4. **Assignment.** This Note is personal to Maker and is not assignable by Maker. This Note is assignable by Holder without notice to or consent of Maker.

5. **Default.**

1. Any of the following events shall constitute an event of default ("**Default**"):

(iii) Maker fails to pay any principal of or, if applicable, interest on this Note when the same shall become due, either by the terms hereof or by acceleration or otherwise; or

(iv) Maker or its affiliates or subsidiaries default on any agreement with Holder, or its affiliates or subsidiaries, including the Franchise Agreement.

2. Upon the occurrence of any Default, Holder may, at its option and in addition to any right, power or remedy permitted by law or equity, by written notice to Maker, declare the unpaid Principal Amount of this Note to be and the same shall thereupon be and become, forthwith due and payable in its entirety, together with, if applicable, accrued interest on that amount. A Default under this Note shall also constitute a Default under the Franchise Agreement. No waiver by Holder of any Default shall operate as a waiver of any other default or the same default on a future occasion.

6. **Waivers.** Maker hereby waives presentment and demand for payment, notice of non-payment, notice of dishonor, protest of dishonor, and notice of protest. All sums due under this Note shall be without relief from valuation and appraisement laws.

7. **Notices.** No notice, demand, request or other communication to Maker or Holder shall be binding unless the notice is in writing and pursuant to Section 21 of the Franchise Agreement.

8. **Enforcement.**

A. **Choice of Law.** This Note shall be governed by and construed in accordance with the laws of the State of Maryland.

B. **Choice of Forum.** Maker hereby submits to the personal jurisdiction of the state and federal courts located in Maryland, consents to venue in those courts, and agrees that Holder may, at Holder's option, enforce its rights under this Note in those courts.

C. **Reimbursement of Costs.** If Holder brings an action to enforce or collect this Note, the prevailing party in such proceeding shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witnesses' fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, in contemplation of, or subsequent to the filing of, any such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury. If Holder utilizes legal counsel (including in-house counsel employed by Holder or its affiliates)

in connection with any failure by the undersigned to comply with this Note, Maker shall reimburse Holder for any of the above-listed costs and expenses incurred by it.

D. Miscellaneous. Maker acknowledges that its obligations under this Note are unconditional and separate from and independent of any other representations, warranties, commitments, agreements or understandings, whether oral or written, express or implied, between Maker and Holder. The liability of each entity or individual who is included as the "**Maker**" shall be joint and several.

E. Severability. If, but only to the extent that, any provision of this Note shall be invalid or unenforceable, then, such offending provision shall be deleted from this Note, but only to the extent necessary to preserve the validity and effectiveness of this Note to the fullest extent permitted by applicable law.

F. Writing Required. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT, INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT, ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

G. Jury Trial Waiver. Maker waives, to the fullest extent permitted by applicable law, the right to a trial by jury in any action arising out of or relating to this Note or any Default under this Note.

IN WITNESS WHEREOF, Maker has executed this Note as of the date below.

MAKER:

_____

_____

Print Name:_____

Date: _____

AMORTIZATION SCHEDULE
TO PROMISSORY NOTE

Loan amount	$
Annual interest rate	12.00%
Loan period in years	4
Payment Start Date	
Monthly payment	$
Number of payments	48
Total interest	$
Total cost of loan	$

No.	Payment Date	Beginning Balance	Payment	Principal	Interest	Ending Balance
1		$	$	$	$	$
2		$	$	$	$	$
3		$	$	$	$	$
4		$	$	$	$	$
5		$	$	$	$	$
6		$	$	$	$	$
7		$	$	$	$	$
8		$	$	$	$	$
9		$	$	$	$	$
10		$	$	$	$	$
11		$	$	$	$	$
12		$	$	$	$	$

13	$	$	$	$	$
14	$	$	$	$	$
15	$	$	$	$	$
16	$	$	$	$	$
17	$	$	$	$	$
18	$	$	$	$	$
19	$	$	$	$	$
20	$	$	$	$	$
21	$	$	$	$	$
22	$	$	$	$	$
23	$	$	$	$	$
24	$	$	$	$	$
25	$	$	$	$	$
26	$	$	$	$	$
27	$	$	$	$	$
28	$	$	$	$	$
29	$	$	$	$	$
30	$	$	$	$	$
31	$	$	$	$	$
32	$	$	$	$	$
33	$	$	$	$	$
34	$	$	$	$	$

35	$	$	$	$	$	
36	$	$	$	$	$	
37	$	$	$	$	$	
38	$	$	$	$	$	
39	$	$	$	$	$	
40	$	$	$	$	$	
41	$	$	$	$	$	
42	$	$	$	$	$	
43	$	$	$	$	$	
44	$	$	$	$	$	
45	$	$	$	$	$	
46	$	$	$	$	$	
47	$	$	$	$	$	
48	$	$	$	$	$	(0.00)

GUARANTEE

In consideration of the willingness of Mister Sparky Franchising SPE LLC ("**Holder**") to permit _____ ("**Maker**") to pay of the Franchise Fee owed to Holder in connection with a Mister Sparky Franchising SPE LLC Franchise Agreement and pursuant to the foregoing Promissory Note ("**Note**"), the undersigned_____("**Guarantors**"), hereby personally and unconditionally: **(1)** guarantee to Holder and its successors and assigns that Maker shall punctually pay and perform each and every undertaking set forth in the Note; and **(2)** agree personally to be liable for Maker's Default under the Note.

Each Guarantor waives: **(a)** acceptance and notice of acceptance by Holder of the foregoing undertakings; **(b)** notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; **(c)** protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; **(d)** any right he or she may have to require that an action be brought against Maker or any other person as a condition of liability; **(e)** all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against Maker arising as a result of the execution of and performance under this Guarantee by any Guarantor; **(f)** any law or statute which requires that Holder make demand upon, assert claims against or collect from Maker or any others, foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Maker or any others prior to making any demand upon, collecting from or taking any action against Guarantors with respect to this Guarantee; **(g)** any and all other notices and legal or equitable defenses to which he or she may be entitled; and **(h)** any and all right to have any legal action under this Guarantee decided by a jury.

Each Guarantor consents and agrees that: **(i)** his or her direct and immediate liability under this Guarantee shall be joint and several; **(ii)** he or she shall render any payment or performance required under the Note upon demand if Maker fails or refuses punctually to do so; **(iii)** such liability shall not be contingent or conditioned upon pursuit by Holder of any remedies against Maker or any other person; **(iv)** such liability shall not be diminished, relieved or otherwise affected by any amendment of the Note, any extension of time, credit or other indulgence which Holder may from time to time grant to Maker or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this Guarantee, which shall be continuing and irrevocable during the term of the Note and for so long thereafter as there are monies or obligations owing from Maker to Holder under the Note; and **(v)** monies received from any source by Holder for application toward payment of the obligations under the Note and under this Guarantee may be applied in any manner or order deemed appropriate by Holder.

If any of the following events occur, a default ("**Default**") under this Guarantee shall exist: **(a)** failure of timely payment or performance of the obligations under this Guarantee; **(b)** breach of any agreement or representation contained or referred to in this Guarantee; **(c)** the appointment of a guardian for, appointment of a receiver for, assignment for the benefit of creditors of, or the commencement of any insolvency or bankruptcy proceeding by or against, any Guarantor; and/or **(d)** the entry of any monetary judgment or the assessment against, the filing of any tax lien against, or the issuance of any writ of garnishment or attachment against any property of or debts due any Guarantor. If a Default occurs, the obligations of Guarantors shall be due immediately and payable without notice.

All notices, requests and approvals under this Guarantee shall be in writing and shall be deemed to have been properly given if and when personally delivered, or five (5) days after being sent by certified or registered mail, postage prepaid, return receipt requested, or thirty-six (36) hours after being sent by Federal

Express or other overnight courier service providing delivery confirmation, to the address of the party set forth below or at such other address as any of the parties hereto from time to time may have designated by written notice to the other party.

IF TO GUARANTORS: _____

_____

_____

_____

IF TO HOLDER: Mister Sparky Franchising SPE LLC
7120 Samuel Morse Drive, Suite 300
Columbia, Maryland 21046

This Guarantee shall be governed by and construed in accordance with the laws of the State of Maryland. Each Guarantor hereby submits to the personal jurisdiction of the state and federal courts located in Maryland, consents to venue in those courts, and agrees that Holder may, at Holder's option, enforce its rights under this Guarantee in those courts. **Each Guarantor waives, to the fullest extent permitted by applicable law, the right to a trial by jury in any action arising out of or relating to this Guarantee or any Default under this Guarantee.**

If Holder brings an action to enforce this Guarantee in a judicial proceeding, the prevailing party in such proceeding shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants' and expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. In any judicial proceeding, these costs and expenses shall be determined by the court and not by a jury.

If Holder utilizes legal counsel (including in-house counsel employed by Holder or its affiliates) in connection with any failure by Guarantors to comply with this Guarantee, Guarantors shall reimburse Holder for any of the above-listed costs and expenses incurred by it.

This Guarantee is personal to the undersigned and is not assignable by Guarantors. This Guarantee is assignable by Holder.

If signed by more than one person or entity, the obligations hereunder shall be joint and several as to each signatory.

Guarantors acknowledge that their obligations under this Guarantee are unconditional and are separate from and independent of any other representations, warranties, commitments, agreements or understandings, whether oral or written, express or implied, between Guarantors and Holder, and that this Guarantee contains the entire agreement of Guarantors and Holder with respect to the subject matter of this Guarantee.

[*signatures on following page*]

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee as of the date first above written:

GUARANTORS

By:_____

Print Name:_____

By:_____

Print Name:_____

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("**Agreement**") is made and entered into as of _____, by and between _____, a _____ formed in _____ ("**Debtor**"), and Mister Sparky Franchising SPE LLC, a Delaware limited liability company ("**Secured Party**"), who agree as follows:

1. Recitals. This Agreement is made and entered into with reference to the following facts and circumstances:

A. Debtor and Secured Party entered into a Mister Sparky Franchising SPE LLC Franchise Agreement ("**Franchise Agreement**") under which Debtor was required to pay Secured Party a **Franchise Fee**;

B. Debtor and Secured Party entered into a Promissory Note ("**Note**") on the same date as this Security Agreement ("**Agreement**") under which Secured Party agreed to permit Debtor to the Franchise Fee on a payment plan;

C. Debtor is jointly and severally indebted to Secured Party in the principal amount of $_____ as evidenced by the Note (the "**Indebtedness**"); and

D. As a material inducement for Secured Party's accepting the Note, Debtor has agreed to secure Debtor's performance under the provisions and conditions of the Note, the Franchise Agreement, and any other debts Debtor owes to Secured Party by granting to Secured Party a security interest in the collateral described in this Agreement.

2. Grant of Security Interest. As security for: (i) Debtor's timely and complete payment of all amounts owing under the Note, the Franchise Agreement, and of any other debts Debtor owes to Secured Party; and (ii) Debtor's performance of all of the covenants, obligations and agreements contained in the Note, the Franchise Agreement, this Agreement and all other instruments and documents pertaining to, evidencing or securing the Note, the Franchise Agreement or other debts Debtor owes to Secured Party (and as those instruments and documents may be amended from time to time), Debtor hereby grants, transfers, and assigns to Secured Party a continuing security interest in the following items, property and rights (collectively, "**Collateral**"):

A. All of the personal property of Debtor now and hereafter situated at, used in connection with, relating to or deriving from any MISTER SPARKY Franchised Business (or its successor) pursuant to the Franchise Agreement or otherwise, including without limitation, at those certain premises which are described on Exhibit A, attached hereto and incorporated herein by this reference ("**Premises**"), and the businesses conducted at such Premises, including, without limitation, all present and after-acquired goods, accounts, documents, instruments, money, deposit accounts, chattel paper, inventory, equipment, supporting obligations, investment property, letter of credit rights, and general intangibles; and

B. Debtor's entire right, title and interest in and to all replacements, rents, profits, substitutions and (or) additions to or of those items referred to in subparagraph 2.A. above, and any proceeds arising from the sale and(or) other disposition of the same (including, without limitation, sums payable for loss under insurance covering the Collateral).

3. Warranties; Protection of Collateral. Debtor warrants that it is the owner of the Collateral free

of all liens except the lien created hereby. Debtor agrees that it: (a) will properly maintain, repair and preserve the Collateral and insure the same against casualty loss by a policy of insurance covering such risks and in such amount as the Secured Party may require, with loss payable to Secured Party and will furnish certificates acceptable to Secured Party; (b) will pay in timely fashion all taxes which may become a lien on the Collateral; (c) except with Secured Party's prior written consent, Debtor will make no sale, contract to sell, lease, encumbrance or other disposition of the Collateral nor change its physical location from the Premises above designated; (d) will use the Collateral lawfully and only within insurance coverage and not use the Collateral so as to cause or result in any waste, unreasonable deterioration or depreciation; (e) will permit Secured Party to enter on Debtor's property and to inspect the Collateral at any reasonable time; (f) will not, with the exception of sales of inventory in the ordinary course of business, remove the Collateral from the Premises without the consent of Secured Party except when reasonably necessary for repair or to replace obsolete or worn out items of Collateral; and (g) will execute any additional agreements, assignments or documents that may be deemed necessary or advisable by Secured Party to effectuate the purpose of this Agreement and the protection of the Collateral.

4. Delivery and Perfection. Debtor agrees to execute and deliver to Secured Party any other documents reasonably requested by Secured Party to create, maintain, perfect, or assure the priority of the security interest granted above. Debtor hereby appoints Secured Party as its agent and attorney-in-fact to execute and deliver documents and to take all other actions (to the extent permitted by law) in Debtor's name and on Debtor's behalf that Secured Party may deem necessary or advisable to create, maintain, perfect, assure the priority of, or foreclose its security interest in and lien on the Collateral. This appointment is coupled with an interest and is irrevocable as long as any of the Indebtedness remains outstanding.

5. Default. The following shall constitute a default by Debtor hereunder:

A. Any failure to comply with the provisions of the Franchise Agreement, this Agreement, or any other agreement with Secured Party, or to perform any covenant contained herein.

B. Any default by Debtor under the Note or any failure to pay when due any portion of the Indebtedness, including, without limitation, any interest payable thereunder.

C. Any loss, theft, substantial damage or destruction of the Collateral or issuance of attachment, levy, garnishment or judicial process with respect to the Collateral.

D. Insolvency, bankruptcy, business failure, assignment for benefit of creditors or appointment of a receiver for Debtor or its property.

E. Secured Party deeming itself insecure, believing in good faith that the prospect of payment of the Indebtedness (or any portion thereof) or of performance of this Agreement, or any covenant contained herein, is impaired.

6. Rights and Remedies. In the event of a default hereunder, Secured Party shall have and shall otherwise be entitled to all rights and remedies provided for or allowed under law. In accordance with the foregoing, and without limitation, Secured Party shall be entitled to:

A. Take possession of and protect the Collateral, including the right to remove all persons from the Premises and take sole possession thereof.

B. If Secured Party is not then in possession of the Collateral, to require Debtor or any other

person in possession of the Collateral to assemble it at Debtor's expenses and make it available to Secured Party at a reasonably convenient place, to be designated by Secured Party.

C. Retain the Collateral in satisfaction of Debtor's obligations, or dispose of the Collateral by public or private sale (at which sale the Secured Party may be a buyer), or commence operation of the Business for Debtor's account. Any sale or operation of the Business shall be deemed to be on Debtor's account unless Secured Party gives Debtor written notice of intent to retain the Collateral in satisfaction of Debtor's obligations. The proceeds of sale or operation for Debtor's account shall be applied in total or partial satisfaction of Debtor's obligations to Secured Party and for Secured Party's costs incurred in proceeding under this paragraph. All proceeds shall be applied first to cover Secured Party's costs, and second to satisfy Debtor's obligations to Secured Party. To the extent there is still any deficiency in the amount Secured Party is owed, Secured Party may collect the same from Debtor, and, to the extent that any excess proceeds exist (after the application of such proceeds as provided for herein and under the law), Secured Party shall pay the same to Debtor.

D. Declare any and all amounts outstanding under the Note to be immediately due and payable.

E. Reduce any claim against Debtor to judgment and enforce any such judgment against Debtor.

F. Take such steps as it may deem appropriate to foreclose upon or otherwise enforce the security interest(s) and lien of this Agreement to secure payment and performance of the Debtor's obligations under this Agreement and the Note.

G. Exercise any and all other rights and remedies available at law or equity or otherwise to Secured Party under this Agreement or the Note.

7. Nonwaiver. No delay or omission to exercise any right, power, or remedy accruing to Secured Party upon any breach or default of Debtor under this Agreement shall impair any such right, power, or remedy of Secured Party, nor shall it be construed to be a waiver of any such breach thereafter occurring, nor shall any waiver of any single breach or default theretofore occurring be deemed a waiver of any other breach or default. Any waiver, permit, consent, or approval of any kind under this Agreement, or any waiver on the part of the Secured Party of any provision or condition of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law, or otherwise afforded to Secured Party, shall be cumulative and not alternative.

8. Notices. Unless otherwise specifically provided in this Agreement, all notices, demands, or other communications given hereunder will be in writing and pursuant to Section 21 of the Franchise Agreement.

9. Miscellaneous.

A. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the manners dealt with in this Agreement. In addition each party has had the opportunity to consult with experienced and knowledgeable legal counsel. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the parties and this Agreement.

B. In the event of any dispute arising out of this Agreement, or concerning the meaning or interpretation of any provision contained herein, the losing party shall pay the prevailing party's costs and expenses incurred in any action, arbitration, mediation, or litigation, including without limitation court costs and reasonable attorneys' fees and disbursements.

C. Any provisions of this Agreement which may be prohibited by law or otherwise held invalid shall be ineffective only to the extent of such prohibition or invalidity and shall not invalidate or otherwise render ineffective the remaining provisions of this Agreement.

D. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland. Sole and proper venue for any action shall be in the state and federal courts in Maryland.

E. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

DEBTOR:

By:_____

Its: _____

EXHIBIT A TO SECURITY AGREEMENT

Premises:

EXHIBIT C
RENEWAL ADDENDUM

RENEWAL ADDENDUM TO THE
MISTER SPARKY FRANCHISE AGREEMENT

THIS RENEWAL ADDENDUM ("**Addendum**") to the MISTER SPARKY Franchise Agreement dated as of _____ ("**Franchise Agreement**") by and between Mister Sparky Franchising SPE LLC, a Delaware limited liability company ("**Franchisor**"),_____, a [*state/entity type*] ("**Franchisee**"), and _____ ([collectively,] **Guarantor**"), is entered into simultaneously with the Franchise Agreement.

RECITALS

A. Franchisor and Franchisee are parties to a MISTER SPARKY Franchise Agreement dated _____ ("**Prior Agreement**") under which Franchisor granted Franchisee the right to operate the Franchised Business at the Approved Location. The term of the Prior Agreement has expired or will expire soon.

B. Franchisor and Franchisee are executing the Franchise Agreement to renew the rights granted to Franchisee under the Prior Agreement.

C. The individual(s) identified above as "Guarantor" are guarantying Franchisee's obligations under the Franchise Agreement (the "**Guaranty**").

D. The parties desire to modify certain provisions of the Franchise Agreement as reflected in this Addendum.

NOW THEREFORE, in consideration of the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. **Pre-Opening Obligations Deleted**. Since Franchisee has been operating the Franchised Business pursuant to the Prior Agreement, the parties acknowledge and agree that no provisions of the Franchise Agreement that relate to pre-opening obligations of either party shall be applicable. Franchisee remains required to comply with the conditions for renewal under the Prior Agreement.

2. **Term**. The text of Section 3 of the Franchise Agreement is deleted and replaced with the following:

> *"This Agreement will expire on the anniversary of the Agreement Date specified in the Brand Appendix (the "**Expiration Date**"). You will not have a contractual right to renew the franchise rights when the term expires. However, we may in our sole discretion offer you the opportunity to enter into a new agreement with us.*

3. **Renewal Fee**. Simultaneously with the execution of this Addendum, Franchisee shall pay Franchisor a renewal fee in the amount of _____.

4. **Indemnification**. The indemnification obligations under the Prior Agreement survive the expiration of the Prior Agreement.

5. **Release by Franchisee and Guarantor**. In order to induce Franchisor to renew the rights granted in the Prior Agreement, Franchisee (on behalf of itself and its parent, subsidiaries and affiliates and their respective past and present members, officers, directors, shareholders, agents, and employees, in their corporate and individual capacities) and Guarantor (each on behalf of themselves and their respective heirs,

representatives, successors and assigns) (collectively, "**Franchisee Releasors**") freely and without any influence, forever release and covenant not to sue Franchisor, its parent, subsidiaries and affiliates, and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively, "**Franchisor Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**"), that any Franchisee Releasor now owns or holds or may at any time have owned or held, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Prior Agreement, all other agreements existing between any Franchisee Releasor and any Franchisor Releasee before execution of the Franchise Agreement, the sale of other franchises to any Franchisee Releasor, the development and operation of the Franchised Business, and each Franchisor Releasee's performance of its obligations under the Prior Agreement and any other agreement between any Franchisor Releasee and any Franchisee Releasor. Franchisee and Guarantor (on behalf of themselves and the Franchisee Releasors) agree that fair consideration has been given by Franchisor for this release, and they fully understand that this is a negotiated, complete and final release of all of their claims.

FRANCHISEE AND GUARANTOR EACH, ON BEHALF OF ITSELF AND THE FRANCHISEE RELEASORS, WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED IN THIS AGREEMENT BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS THAT THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT.

IF THE FRANCHISE TO WHICH THIS RENEWAL ADDENDUM APPLIES OR IF ANY FRANCHISEE RELEASORS ARE LOCATED IN CALIFORNIA, THE FRANCHISEE RELEASORS EXPRESSLY WAIVE AND RELINQUISH ALL RIGHTS AND BENEFITS WHICH IT/HE/SHE MAY NOW HAVE OR IN THE FUTURE HAVE UNDER AND BY VIRTUE OF CALIFORNIA CIVIL CODE SECTION 1542. FRANCHISEE RELEASORS DO SO UNDERSTANDING THE SIGNIFICANCE AND CONSEQUENCE OF SUCH SPECIFIC WAIVER. SECTION 1542 PROVIDES THAT "[A]. GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY." FOR THE PURPOSE OF IMPLEMENTING A GENERAL RELEASE AND DISCHARGE AS DESCRIBED HEREIN, FRANCHISEE RELEASORS EXPRESSLY ACKNOWLEDGE THAT THIS AGREEMENT IS INTENDED TO INCLUDE IN ITS EFFECT, WITHOUT LIMITATION, ALL CLAIMS WHICH RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION HEREOF, AND THAT THIS AGREEMENT CONTEMPLATES THE EXTINGUISHMENT OF ANY SUCH CLAIMS.

THE RELEASE DOES NOT APPLY WITH RESPECT TO CLAIMS ARISING UNDER THE WASHINGTON FRANCHISE INVESTMENT PROTECTION ACT, RCW 19.100, AND THE RULES ADOPTED THEREUNDER.

6. **Capitalized Terms.** Any capitalized term that is not defined in this Addendum shall have the meaning given to it in the Franchise Agreement.

7. **Limited Modification.** Except as expressly modified by this Addendum, the Franchise Agreement and the Guaranty remain unmodified and in full force and effect.

8. **Counterparts**. The Parties may sign this Addendum in counterparts and each such counterpart may be delivered to the other parties by facsimile or by other electronic copy (such as an accurate PDF copy of the signature page sent by e-mail), and when taken together with all other identical copies of this Agreement also signed in counterpart, shall be considered as one agreement.

IN WITNESS WHEREOF, the parties have executed this Addendum, simultaneously with the Franchise Agreement.

FRANCHISOR:

MISTER SPARKY FRANCHISING SPE LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

[PRINT NAME OF COMPANY]

By: _____

Name: _____

Title: _____

Date: _____

GUARANTOR:

By: _____

Name: _____, in their individual capacity

Date: _____

EXHIBIT D
SAMPLE OF GENERAL RELEASE

SAMPLE OF RELEASE TO BE SIGNED WHEN YOU RENEW OR TRANSFER A FRANCHISED BUSINESS

Note: Where required by state law, this Release will be modified so that it does not apply to your rights under the state law. Please see Exhibit K to the disclosure document.

THIS GENERAL RELEASE DOES NOT APPLY WITH RESPECT TO CLAIMS ARISING UNDER THE WASHINGTON FRANCHISE INVESTMENT PROTECTION ACT, RCW 19.100, AND THE RULES ADOPTED THEREUNDER.

GENERAL RELEASE

THIS GENERAL RELEASE is signed by: (i) Mister Sparky Franchising SPE LLC ("**Franchisor**"); (ii) the MISTER SPARKY franchisee named at the end of the document ("**Franchisee**" or "**you**"); and (iii) Franchisee's owners (the "**Owners**") as an express condition of Franchisee and/or the Owners renewing or transferring their MISTER SPARKY franchise.

1. Release. You and each of the Owners, on behalf of yourselves and all past, present and future parents, subsidiaries, shareholders, members, partners, managers, directors, officers, employees, successors, assigns, agents and legal representatives, and any of the aforementioned persons' heirs, executors, administrators or personal representatives, and all other persons acting on your behalf or claiming under you (collectively, the "**Franchisee Parties**"), hereby release and forever discharge Franchisor, its affiliates, and their respective past and present officers, directors, shareholders, members, parents, subsidiaries, affiliates, agents, employees, attorneys, insurers, representatives, predecessors, successors, and assigns, and each of them, from any and all claims, debts, liabilities, demands, obligations, costs, expenses, suits, actions, and causes of action, of whatever nature, known or unknown, suspected or unsuspected, vested or contingent (collectively, "**Claims**") that the Franchisee Parties ever had, now have, or may in the future have, arising out of or relating to any act, omission or event occurring on or before the date of this General Release.

2. Risk of changed facts. You and the Owners understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts that you and the Owners now know or believe to be true. You and the Owners, on behalf of yourselves and all other Franchisee Parties, hereby accept the risk of the facts turning out to be different and agree that the release will nevertheless be effective and not subject to termination or rescission by virtue of any such difference in facts.

3. No prior assignment. You and the Owners, for yourselves and on behalf of all other Franchisee Parties, represent and warrant that the Franchisee Parties have not assigned or transferred, or purported to assign or transfer, any Claim released under Section 1 above to any person or business entity that is not a Franchisee Party.

4. Covenant not to sue. You and the Owners, for yourselves and on behalf of all other Franchisee Parties, promise not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum against any person or entity released under Section 1 with respect to any Claim released under Section 1.

5. Complete defense. You and each of the Owners: (i) acknowledges that this General Release will be a complete defense to any Claim released under Section 1 above; and (ii) consents to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. Authorization. You and the Owners represent and warrant that the person signing this General Release on behalf of Franchisee is authorized to do so. You and the Owners also represent and warrant that you and the Owners have the authority to enter into this General Release on behalf of the other Franchisee Parties.

7. California Acknowledgment. If you or the franchise to which this General Release relates is located in California, you and the Owners understand and agree that this release extends to all claims, and you and they expressly waive all rights under Section 1542 of the Civil Code of the State of California, which provides:

> "A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

8. Applicability. This General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

FRANCHISOR:

MISTER SPARKY FRANCHISING SPE LLC

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

[PRINT NAME OF COMPANY]

By: _____

Name: _____

Title: _____

Date: _____

OWNERS:

_____

_____

_____

_____

_____

_____

EXHIBIT E
QUESTIONNAIRE

DO NOT SIGN THIS QUESTIONNAIRE IF YOU ARE A RESIDENT OF MARYLAND OR THE BUSINESS IS TO BE OPERATED IN MARYLAND

QUESTIONNAIRE

(*TO BE COMPLETED BEFORE EXECUTING FRANCHISE AGREEMENT*)

(Not Applicable to Prospective Franchisees in CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA and WI)

You are about to enter into a Franchise Agreement with Mister Sparky Franchising SPE LLC ("**we**," "**us**," or "**our**"). The purpose of this Questionnaire is to confirm that you understand the terms of the agreement and that no unauthorized statements or promises have been made to you. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

Note: If you are purchasing an existing franchised business from an existing franchisee, you may have received information from the transferring franchisee, who is not our employee or representative. The questions below do not apply to any communications that you had with the transferring franchisee.

1. Did you receive our Franchise Disclosure Document with an Issuance Date of April 25, 2024, as amended August 28, 2024 (the "**FDD**~~")~~"), and deliver to us a signed and dated Receipt for such FDD? ~~____ Yes ____ No~~

Yes No

2. Has any person representing our company (either an employee or an outside person) given you information that is inconsistent with the information in the FDD concerning the investment necessary to start a MISTER SPARKY franchised business? If the answer is "yes," please (a) identify the person, and (b) describe the information you received from that person in detail below. If the answer is "no," please write "NONE" below:

_____

_____

_____

_____

_____

3. Has any person representing our company given you information that is inconsistent with the information in the FDD concerning the financial performance of MISTER SPARKY franchises? If the answer is "yes," please (a) identify the person, and (b) describe the information you received from that person in detail below. If the answer is "no," please write "NONE" below:

_____

_____

_____

4. Has any person representing our company given you any other information that is inconsistent with the FDD and is influencing your decision to sign the Franchise Agreement? If the answer is "yes," please (a) identify the person, and (b) describe the nature of that information in detail below. If the answer is "no," please write "NONE" below:

~~MISTER SPARKY – Active Franchisee List~~

_____

_____

_____

* * *

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

FRANCHISE APPLICANT

By: _____

Name: _____

Date: _____

~~MISTER SPARKY – Active Franchisee List~~

EXHIBIT F
FRANCHISEES AS OF DECEMBER 31, 2023

~~MISTER SPARKY – Active Franchisee List~~

Operational State	Last Name	First Name	Entity Name	Street Address	City	State	Zip Code	Phone	~~Unit~~Territory Count
Alabama	Blanchette	Chris	Service Minds, LLC	1 Chase Corporate Drive Suite 400	Hoover	Alabama	35244	(205) 313-6334	41[1]
Alabama	Stutts	Jesse (Jay)	JSI Residential Services, Inc.	2410 8th Street	Huntsville	Alabama	35805	(256) 513-6461	4
Arizona	Hagan	Aaron K	Crown Home Services, LLC	15525 E. 83rd Way, Suite #B-6	Scottsdale	Arizona	85260	(480) 561-0488	2
Arkansas	Conrade	Elisa	Conrade Services, LLC	9022 Landers Rd Ste G	North Little Rock	Arkansas	72117	(501) 660-4357	2
Arkansas	Hagan	Aaron	Peak Home Services, Inc.	250 Grant Place Suite A	Lowell	Arkansas	72745	(479) 419-5036	1
California	Chen	Paul	RMR Management & Consulting Inc.	43355 Sweetwood St.	Fremont	California	94538	(510) 674-3394	1
California	Clinton	Chris	N/A	22 Digital Dr., Suite 1	Novato	California	94949	(415) 328-4268	3
California	Flores	Jose	Bibble Bobble LLC	931 Washington Blvd., Ste. 105	Roseville	California	95678	(916) 229-6335	2
California	Lua	Daniel	Desert Elite Electric, Inc.	81920 Industrial Place	Indio	California	92201	(760) 565-1804	2
California	Miller	Mark	MGM Home Services	7343 EL CAMINO REAL #111	ATASCADERO	California	93422	(805) 623-0967	1
Delaware	Veney	Raleigh	N/A	310 Ruthar Dr Unit 15	Newark	Delaware	19711	(302) 946-0660	2
Florida	Wallerius	Jim	Bright Day Electric, LLC.	11290 St Johns Industrial Pkwy N #7	Jacksonville	Florida	32246	(904) 222-2121	4
Georgia	Brazil	Jeffery	Brazil Electric, LLC	5712 6th Ave.	Eastman	Georgia	31023	(478) 231-9072	1
Georgia	Duggan	Anthony W.	A.W. DUGGAN, INC.	1727 Fairview Ave	Augusta	Georgia	30904	(706) 733-8703	1
Georgia	Ritch-Reed	Betsy	Mrs. Electric, LLC	1111 – 14th Street	Columbus	Georgia	31901	(706) 575-4742	2
Georgia	Spooner	Richard	RSGT Holdings, LLC	710 S Thornton Ave STE E	Dalton	Georgia	30720	(706) 508-4040	9[2]
Illinois	Hinton	Charles	Charles Hinton Electric, LLC	155 Kirkland Circle, Suite 100	Oswego	Illinois	60543	(630) 340-5659	1
Louisiana	Kampen III	Theodore H.	MS15, LLC	1020 Justin Road	Metairie	Louisiana	70001	(504) 835-1234	1

[1] 40 Territories Operate in Florida
[2] 6 Territories Operate in Kentucky 2 Territories Operate in Tennessee

Operational State	Last Name	First Name	Entity Name	Street Address	City	State	Zip Code	Phone	~~Unit~~Territory Count
Louisiana	Matthews (MSE)	Joseph	Joseph Matthews Enterprises, LLC	11800 Industriplex BLVD Suite 5 Baton Rouge, LA 70809	Baton Rouge	Louisiana	70809	(504) 679-1166	1
Maryland	Calderon Ramos	Walter D	WME LLC	1402 Gordon Court	Glen Burnie	Maryland	21061	(443) 714-7318	2
Massachusetts	McMullen	Dave	Newport Electric Construction Corp.	200 High Point Ave, B5	Portsmouth	Rhode Island	02871	(401) 293-5715	2
Michigan	Michael	David	David Michael Plumbing, Inc.	1150 N OLD US 23	HOWELL	Michigan	48843	(810) 225-3192	1
Minnesota	Reller	Bob	Robert M. Reller	473 Pleasant Lane	Eden Prairie	Minnesota	55318	(360) 600-4579	1
Missouri	Hagan	Aaron K	Apex Home Services, LLC	1628 N. Corrington Avenue	Kansas City	Missouri	64120	(816) 319-2388	1
Nevada	Ferguson	Dan	T AND N CONSTRUCTION LLC	43 Avenida Arenas	Henderson	Nevada	89074	(617) 777-5617	2[3]
New Jersey	Horvath	Frank	HHS Electrical Services, LLC	1130 Ship Avenue	Beachwood	New Jersey	08722	(605) 548-4165	1
New Jersey	Quagliaro	Jacqueline	Plug It In LLC	25 Terence Drive	Manalapan	New Jersey	07726	(646) 884-4328	1
New Jersey	SWAN, JR.	STANLEY C.	N/A	100 N. Franklin Blvd.	Pleasantville	New Jersey	08232	(609) 641-7986	1
New York	Murdy	William	MRS21 Corp	3525 Lawson Boulevard	Oceanside	New York	11572	(516) 536-5706	3
North Carolina	Dawson	Hayden Rivers	Koves Electric LLC	7960 Chapel Hill Road	Cary	North Carolina	27513	(919) 377-1226	1
North Carolina	Kincaid	Dwayne	On Time Plumbing & Air Corp.	6721 Netherland Drive	Wilmington	North Carolina	28405	(910) 444-0669	1
North Carolina	Wise	Rusty	Wise Electric Control, Inc.	1242 Shelby Highway	Cherryville	North Carolina	28021	(704) 435-3060	1
North Carolina	Zack	Tony	AHSC, Inc.	2318 Highway 544	Wilmington	North Carolina	29526	(843) 347-9974	3[4]
Ohio	Gordon	Trisha	BTG Home Solutions, Inc.	125 W National Road	Englewood	Ohio	45322	(937) 998-3300	2
Ohio	Karrick	Bob	All Seasons Heating, Air Conditioning & Plumbing C	9665 S Compass Dr	Rossford	Ohio	43460	(419) 725-2141	1
Oklahoma	Burk	Jay R.	J Burk LLC	2012 NW Hoover Avenue	Lawton	Oklahoma	73507	(580) 354-0330	1

[3] 1 Territory Operates in Massachusetts 1 Territory Operates in Rhode Island
[4] 2 Territories Operate in South Carolina

Operational State	Last Name	First Name	Entity Name	Street Address	City	State	Zip Code	Phone	~~Unit~~Territory Count
Oklahoma	Hagan	Aaron	Pinnacle Home Services, LLC	801 S. E. 84th	Oklahoma City	Oklahoma	73149	(405) 735-9303	3
Oklahoma	Hagan	Aaron	Summit Home Services, LLC	9906 E 43rd Street Bld G	Tulsa	Oklahoma	74146	(479) 419-5036	2
Pennsylvania	Buckwalter	Matthew	TRC Electric, LLC	518 Running Pump Road	Lancaster	Pennsylvania	17601	(717) 299-7300	3
Pennsylvania	McCort	Patrick L.	Modomation LLC	1103 Fairfield Street	Pittsburgh	Pennsylvania	15201	(724) 272-6779	1
South Carolina	Dawson	Rivers	Dawsons Electric LLC	1200 Woodruff Rd Ste G16	Greenville	South Carolina	29607	(985) 778-3458	2
South Carolina	Mappus	Greg	MS28, LLC	1929 Belgrade Ave	Charleston	South Carolina	29407	(843) 556-1607	1
Tennessee	Harris	Barry (Mike) M.	Home Service Solutions, LLC	525 Alfred Thun Rd	Clarksville	Tennessee	37040	(931) 905-2356	1
Tennessee	Petrie	Randal	NASHVILLE CLASSIC AIR CARE, LLC	649 Horace Lewis Road	Cookeville	Tennessee	38506	(757) 412-9019	1
Texas	Bustos	Albert	Bustos Investments, LLC	4827 W. Royal Lane Ste. B	Irving	Texas	75063	(281) 353-4804	4
Texas	Bustos	Albert	Incredible Electric, LLC	21819 Katy Freeway Suite 104	Katy	Texas	77450-1806	(281) 353-4804	1
Texas	Gardner	Randall D.	RDAJ2600 LLC	6724 S Broadway Ave Ste. 200	Tyler	Texas	75703	(903) 201-0228	1
Texas	Hagan	Aaron K.	Spire Home Services LLC	3068 North Thompson	Springdale	Arkansas	72764	(816) 319-2388	8
Texas	Hodge	Richard	R & J Hodge Investments, LLC	21819 Katy Freeway	Katy	Texas	77450	(281) 647-2825	1
Texas	Hodge	Richard	RGRH Home Services, LLC	4827 W. Royal Lane Ste. B	Irving	Texas	75063	(972) 932-3953	8
Texas	Saldana	George	MJS Enterprises Inc.	7823 Marina Drive, #2	San Antonio	Texas	78250	(210) 680-4663	3
Texas	Tornabene	John	Texas Independence Electric, LLC	4807 FM646 # F	Texas City	Texas	77573	(281) 650-4737	1
Utah	Hagan	Aaron	Crest Home Services, LLC	112 W. 13775 S., Suite 4	Draper	Utah	84020	(479) 631-2278	9
Virginia	Hodges	Chris	Star Servco Inc.	13507 East Boundary Road, Suite E	Midlothian	Virginia	23112	(804) 325-1842	2

Operational State	Last Name	First Name	Entity Name	Street Address	City	State	Zip Code	Phone	~~Unit~~Territory Count
Virginia	Mitchell	Shawn	Modern Mechanical, LLC	21730 Red Rum Drive, Suite 182	Ashburn	Virginia	20147	(571) 291-3338	3
West Virginia	Lewis	Kristen	Lewis Electrical, LLC	547 Kale Road	Rock	West Virginia	24747	(304) 716-1513	1

FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT OPENED AS OF DECEMBER 31, 2023

Operational State	Last Name	First Name	Entity Name	Street Address	City	State	Zip Code	Phone	~~Unit~~Territory Count
California	Baumgartner	Michael	N/A	30515 Independence Avenue	Redlands	California	92374	(951) 741-1307	2
Colorado	DeArco	Christian	N/A	80 Talamine Court	Colorado Springs	Colorado	80907	(719) 822-2323	1
Illinois	Smith	Clark	N/A	5408 Janes Ave	Downers Grove	Illinois	60515	(630) 914-9060	2
Minnesota	Worwa	Brent	Worwa Family Holdings Inc.	3543 88th Ave NE, Ste. 300	Circle Pines	Minnesota	55014	(763) 458-5183	1
North Carolina	Mills	Chelsea	N/A	914 New Bern Avenue	Raleigh	North Carolina	27601	(919) 821-0180	2
North Carolina	Schwedler	Thomas J.	N/A	2709 Carsona Court	Apex	North Carolina	27502	(919) 267-1300	2
Ohio	Carson	Leon	Veteran Brands, LLC	1398 Leesland Dr.	Westerville	Ohio	43081	(618) 541-1931	2
Ohio	Feisel	Christian	N/A	5254 Hanover Close	New Albany	Ohio	43054	(614) 686-4445	3
Pennsylvania	McCort	Patrick L.	Modomation LLC	1103 Fairfield Street	Pittsburgh	Pennsylvania	15201	(724) 272-6779	1
Texas	Boswell	Russell	JIJ Electric, LLC	1017 S. Sam Rayburn Freeway	Sherman	Texas	75090	(903) 771-3277	1
Texas	Martinez	Monica	Build to Last Investments, LLC	2114 McCaleb Road, Suite 400F	Montgomery	Texas	77316	(936) 268-9999	2
Wisconsin	Juechter	Josh	N/A	450 S Curtis Road	West Allis	Wisconsin	53214	(414) 485-0704	1

EXHIBIT G
FRANCHISEES THAT EXITED A FRANCHISE IN 2023

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

FRANCHISEES THAT EXITED A FRANCHISE AS OF DECEMBER 31, 2023							
ST ME	ENTITY NAME	STREET ADDRESS	CITY	STATE	ZIP CODE	PHONE	TERRITORY COUNT
	Rahn Home Services, Inc.	1904 Vermillion Street	Hastings	Minnesota	55033	(651) 437-4177	3
	Eckles Generation Heating & Air Service, Inc.	5220 Forrest Bend Cove	Southaven	Mississippi	38672	(662) 671-0426	1
C.	Kingdom Comfort, LLC	14302 C. Circle	Omaha	Nebraska	68144	(402) 333-5000	1
dio	N/A	239 Lexington Ave	Mt. Kisko	New York	10549	(929) 265-9900	1

FRANCHISEES THAT EXITED A FRANCHISE AS OF DECEMBER 31, 2023 (TRANSFERS)							
RST ME	ENTITY NAME	STREET ADDRESS	CITY	STATE	ZIP CODE	PHONE	TERRITORY COUNT
ard ny)	Niceville Refrigeration & Air Conditioning, Inc.	506 Highway 85	Niceville	Florida	32578	(850) 279-1305	2
leen	Sparky Group, LLC	1231 Kapp Drive	Clearwater	Florida	33765	(727) 507-0884	6
	P.H.E. Inc.	14302 C. Circle	Omaha	Nebraska	68144	(402) 333-3923	1
	DHH Investments, LLC	14343 Murdoch Peak Drive	Herriman	Utah	84096	(801) 694-6637	2

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

EXHIBIT H
OPERATIONS MANUAL TABLE OF CONTENTS

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EXHIBIT I
FINANCIAL STATEMENTS

AB Assetco LLC and Subsidiaries

Consolidated Financial Statements
As of December 31, 2023 and 2022 and for the Years Ended December 31, 2023 and 2022 and for the Period From May 14, 2021 to December 31, 2021

AB Assetco LLC and Subsidiaries
Index to Consolidated Financial Statements
As of December 31, 2023 and 2022 and for the Years Ended
December 31, 2023 and 2022 and for the Period From May 14, 2021 to December 31, 2021

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Report of Independent Auditors

To the Board of Directors of Authority Brands Inc.

Opinion

We have audited the accompanying consolidated financial statements of AB Assetco LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, of changes in member's equity and of cash flows for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for goodwill in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of

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

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

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

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

PricewaterhouseCoopers LLP

April 15, 2024

AB Assetco LLC and Subsidiaries
Consolidated Balance Sheets
(In thousands)

	As of December 31,	
	2023	**2022**
Assets		
Current assets		
Cash and cash equivalents	$ 2,063	$ 217
Accounts receivable, net	23,790	21,716
Inventory, net	2,742	2,789
Prepaid expenses and other current assets	6,362	5,526
Total current assets	34,957	30,248
Property and equipment, net	32,492	32,039
Intangible assets, net	396,713	416,494
Goodwill, net	270,017	291,784
Other assets	11,940	9,547
Total assets	**$ 746,119**	**$ 780,112**
Liabilities and Member's Equity		
Current liabilities		
Accounts payable	$ 1,425	$ 1,714
Accrued and other liabilities	9,547	10,194
Deferred revenue	9,952	3,499
Total current liabilities	20,924	15,407
Other long-term liabilities	28,004	28,775
Total liabilities	**48,928**	**44,182**
Member's equity	697,191	735,930
Total liabilities and member's equity	**$ 746,119**	**$ 780,112**

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

AB Assetco LLC and Subsidiaries
Consolidated Statements of Operations
(In thousands)

	Years Ended December 31,		For the Period From
	2023	**2022**	**May 14, 2021 to December 31, 2021**
Revenues			
Franchise service fees	$ 172,290	$ 154,607	$ 85,659
Franchise sales fees	12,947	5,045	2,736
Other revenues	33,830	31,121	15,737
Total revenues	219,067	190,773	104,132
Costs and expenses			
Franchise support expenses	114,910	92,890	42,359
Franchise sales expenses	4,905	2,520	2,049
General and administrative expenses	23,962	23,692	20,103
Stock-based compensation expenses	3,817	4,409	5,950
Depreciation and amortization	63,526	30,882	19,306
Total costs and expenses	211,120	154,393	89,767
Operating income	7,947	36,380	14,365
Interest income	269	197	-
Interest expense, net	(36)	(12)	(25)
Net income	**$ 8,180**	**$ 36,565**	**$ 14,340**

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

AB Assetco LLC and Subsidiaries
Consolidated Statements of Changes in Member's Equity
Years Ended December 31, 2023 and 2022 and for the
Period From May 14, 2021 to December 2021
(In thousands)

	Total Member's Equity
Balances at May 14, 2021	**$ 10,000**
Contributions of assets and liabilities	684,482
Stock-based compensation	5,950
Distribution to Guarantor	(25,915)
Net income	14,340
Balances at December 31, 2021	**688,857**
Contributions of assets and liabilities	75,743
Stock-based compensation	4,409
Distribution to Guarantor	(69,644)
Net income	36,565
Balances at December 31, 2022	**735,930**
Contributions of assets and liabilities	17,915
Stock-based compensation	3,817
Distribution to Guarantor	(68,651)
Net income	8,180
Balances at December 31, 2023	**$ 697,191**

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

AB Assetco LLC and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2023	Year Ended December 31, 2022	For the Period From May 14, 2021 to December 31, 2021
Cash flows from operating activities			
Net income	$ 8,180	$ 36,565	$ 14,340
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation and amortization	73,928	37,282	20,460
Inventory reserve (reduction) increase	(37)	(41)	337
Bad debt expense	2,244	1,025	570
Stock-based compensation	3,817	4,409	5,950
Changes in assets and liabilities			
Accounts receivable	(4,111)	(2,037)	(5,961)
Inventory	83	49	(592)
Prepaid expenses and other current assets	(820)	(1,884)	842
Other assets	(2,393)	(785)	(1,515)
Accounts payable	(290)	421	220
Accrued liabilities	(644)	(3,838)	(2,754)
Other liabilities	(44)	6	(183)
Deferred revenue	3,002	2,528	1,915
Net cash provided by operating activities	82,915	73,700	33,629
Cash flows from investing activities			
Purchases of property and equipment	(770)	(491)	(7,021)
Capitalized software development costs	(11,648)	(11,517)	(2,524)
Net cash used in investing activities	(12,418)	(12,008)	(9,545)
Cash flows from financing activities			
Distribution to Guarantor	(68,651)	(69,644)	(25,915)
Net cash used in financing activities	(68,651)	(69,644)	(25,915)
Increase/(Decrease) in cash and cash equivalents	1,846	(7,952)	(1,831)
Cash and cash equivalents			
Beginning of year	$ 217	$ 8,169	$ 10,000
End of year	**$ 2,063**	**$ 217**	**$ 8,169**
Supplemental disclosures of cash flow information			
Interest paid	$ 36	$ 12	$ 7
Noncash investing and financing activities			
Capital expenditures included in accrued liabilities	715	860	1,049
Contribution of assets and liabilities, net of cash	17,695	75,564	684,482

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

AB Assetco LLC and Subsidiaries
Notes to Consolidated Financial Statements (in thousands of dollars)
Years Ended December 31, 2023 and 2022 and for the Period From May 14, 2021 to December 31, 2021

1. Organization and Description of Business

AB Assetco LLC and Subsidiaries ("the Company" or "AB Assetco"), a Delaware limited liability company, is the parent company of a number of franchisors and related businesses operating in the United States. On March 24, 2021, in contemplation of a whole business securitization (the "Securitization Transaction") which was completed on May 14, 2021 ("Securitization Transaction Date") see Note 2, fifteen wholly owned entities were established by Authority Brands Inc. (the "Parent), the entity controlling AB Assetco. The first three entities formed in conjunction with the planned Securitization Transaction were AB SPE Guarantor LLC and Subsidiaries ("Guarantor"), a direct, wholly-owned subsidiary of the Parent, AB Issuer LLC and Subsidiaries ("Issuer"), a newly formed special purpose Delaware limited liability company, which is directly and wholly owned by Guarantor, AB Assetco LLC and Subsidiaries, which is directly and wholly owned by Issuer.

AB Assetco wholly owns the following Special Purpose Entities ("SPE"):

- The Cleaning Authority Franchising SPE LLC ("The Cleaning Authority Franchisor")
- Homewatch CareGivers Franchising SPE LLC ("Homewatch Franchisor")
- Mosquito Squad Franchising SPE LLC ("Mosquito Squad Franchisor")
- ASP Franchising SPE LLC ("ASP Franchisor")
- Benjamin Franklin Franchising SPE LLC ("Benjamin Franklin Franchisor")
- Mister Sparky Franchising SPE LLC ("Mister Sparky Franchisor")
- One Hour Air Conditioning Franchising SPE LLC ("One Hour Air Conditioning Franchisor")
- Monster Franchising SPE LLC ("Monster Franchisor")
- STOP Franchising SPE LLC ("STOP Franchisor")
- DoodyCalls Franchising SPE LLC ("DoodyCalls Franchisor")
- BuyMax SPE LLC ("BuyMax SPE")
- Successware SPE LLC ("SuccessWare SPE")
- Junkluggers Franchising SPE LLC ("Junkluggers Franchising SPE") - formed in 2022
- Screenmobile Franchising SPE LLC ("Screenmobile Franchisor") - formed in 2023
- Authority Brands Payments SPE LLC ("AB Payments") - formed in 2023

The consolidated financial statements of the Company includes its wholly owned subsidiaries identified above. Guarantor and the Company are collectively referred to as Guarantors. Guarantor, Issuer, AB Assetco and its subsidiaries are collectively referred to as "Securitization Entities."

Concurrent with the Securitization Transaction, the Parent contributed assets and liabilities attributable to the Securitization Entities to Guarantor. Guarantor then contributed all its assets and liabilities to Issuer and Issuer contributed all its assets and liabilities received from Guarantor to AB Assetco. Following the initial contribution, subsequent franchises sold under the SPE trade names are sold by each individual SPE entity. As these transactions represented an asset transfer among entities under common control, the transfers were accounted for by the Company at historical carrying values on a prospective basis.

Other than a cash contribution of $10,000 from Parent, the Company had no significant activity from the date of formation to the Securitization Transaction Date. Accordingly, the Company and its subsidiaries commenced operations on May 14, 2021, and approximately seven and a half months of operating activity was included in the accompanying consolidated financial statements for the period from May 14, 2021 to December 31, 2021.

On November 30, 2022 (“HELOC Transaction Date”), Binford Aggregator LP, a Delaware limited partnership, ("the Buyer"), indirectly owned by affiliates of Apax Partners Fund X and British Columbia Investment Management Corp ("BCI"), became the sole limited partner of Authority Brands Inc.'s Parent, Villa Aggregator LP (the "Partnership" or the "Seller"), indirectly owned by Apax Partners Fund IX, whereby the Buyer acquired 100% of the issued and outstanding equity interests of Villa Aggregator LP (collectively the “HELOC Transaction”). The HELOC Transaction qualified as a change of control in accordance with ASC 805. However, the Company did not elect pushdown accounting as a result of the HELOC Transaction and accordingly, the acquisition is not reflected in these consolidated financial statements.

In connection with the HELOC Transaction, the Parent entered into the Binford Aggregator LP Executive Equity Incentive Plan (the "2022 Plan"). All awards granted and outstanding under the Villa Aggregator LP Amended and Restated Executive Equity Incentive Plan (the “2018 Plan”) vested as of the HELOC Transaction Date, as a result of the change in control, and were rolled over or settled in cash on the HELOC Transaction Date. As a result, the Parent allocated stock-based compensation expense for the awards attributed to the Company that vested on the HELOC Transaction Date. Refer to Note 11 Stock-based Compensation for further information.

The Company is a single member LLC and is governed by the March 24, 2021 Limited Liability Company Agreement of AB Assetco LLC, as subsequently amended and restated on May 14, 2021, the same date as the Company commenced operations. The Company’s fiscal year ends on December 31. Dollar values presented in the consolidated financial statements are in thousands of U.S. dollars, unless otherwise stated.

Franchised outlets as of December 31, 2023, 2022 and 2021 are summarized as follows:

	Franchises as of December 31, 2022	Acquired During the Period	Opened During the Period	Closed During the Period	Reacquired by Franchisor	Franchises as of December 31, 2023
Ben Franklin	275	-	64	(15)	-	324
Mister Sparky	138	-	31	(6)	-	163
One Hour	352	-	52	(19)	-	385
Homewatch	222	-	16	(25)	-	213
Mosquito Squad	213	-	15	(11)	-	217
The Cleaning Authority	218	-	13	(10)	-	221
America's Swimming Pool	364	-	38	(27)	-	375
Monster	247	-	15	(45)	-	217
DoodyCalls	72	-	17	(3)	-	86
Screenmobile	-	150	2	(7)	-	145
STOP/DRYmedic	27	-	19	(3)	-	43
Junkluggers	115	-	28	(8)	-	135
Total	**2,243**	**150**	**310**	**(179)**	**-**	**2,524**

	Franchises as of December 31, 2021	Acquired During the Period	Opened During the Period	Closed During the Period	Reacquired by Franchisor	Franchises as of December 31, 2022
Ben Franklin	255	-	24	(4)	-	275
Mister Sparky	115	-	23	-	-	138
One Hour	341	-	16	(5)	-	352
Homewatch	210	-	22	(10)	-	222
Mosquito Squad	221	-	5	(13)	-	213
The Cleaning Authority	211	-	10	(3)	-	218
America's Swimming Pool	348	-	37	(21)	-	364
Monster	244	-	12	(9)	-	247
DoodyCalls	53	-	22	(3)	-	72
STOP/DRYmedic	28	-	2	(3)	-	27
Junkluggers	-	97	29	(8)	(3)	115
Total	**2,026**	**97**	**202**	**(79)**	**(3)**	**2,243**

2. Contributed Assets and Liabilities

Screenmobile

On February 8, 2023, the Parent entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of The Screenmobile Corporation. Concurrent with the acquisition, the Parent formed Screenmobile Franchising SPE, LLC and legally contributed the assets and liabilities of The Screenmobile Corporation to the Company.

The following table summarizes the historical carrying values of the assets and liabilities contributed to the Company:

Cash	$	220
Accounts Receivables		198
Prepaid expenses and other current assets		25
Goodwill		8,403
Intangible assets, net		11,860
Deferred revenue		(2,652)
Other current liabilities		(139)
Total contribution to AB Assetco	**$**	**17,915**

Junkluggers

On December 14, 2022, the Parent entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of Junkluggers Franchising, LLC. Subsequent to the acquisition, on December 31, 2022, the Parent formed Junkluggers Franchising SPE, LLC and legally contributed the assets and liabilities of Junkluggers Franchising, LLC to the Company.

The following table summarizes the historical carrying values of the assets and liabilities contributed to the Company on December 31, 2022.

Cash	$	179
Accounts Receivables		399
Prepaid expenses and other current assets		103
Goodwill		42,913
Intangible assets, net		36,898
Deferred revenue		(8,089)
Other current liabilities		(1,405)
Total contribution to AB Assetco	**$**	**70,998**

DRYmedic

On November 4, 2022, the Parent entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of DRYmedic Restoration Services, LLC and its subsidiaries. Subsequent to the acquisition, on November 22, 2022, the Parent legally contributed the trademark of DRYmedic to STOP Franchisor with fair value of $4,745.

Securitization Transaction

Prior to the Securitization Transaction, Parent contributed cash of $10,000 to the Company. Additionally, on the Securitization Transaction Date, Parent and its subsidiaries contributed assets and liabilities attributable to the Company.

The following table summarizes the historical carrying values of the assets and liabilities contributed to the Company on May 14, 2021:

Accounts Receivables	$	14,914
Prepaid expenses and other current assets		4,382
Inventory		2,541
Property and equipment, net		19,621
Goodwill		249,072
Intangible assets, net		422,096
Other long term assets		7,225
Deferred revenue		(7,384)
Other current liabilities		(15,612)
Other long term liabilities		(12,373)
Total contribution to AB Assetco	**$**	**684,482**

3. Summary of Significant Accounting Policies

Financial Statement Preparation and Principles of Consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles and practices of the United States of America ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries outlined in Note 1. All intercompany accounts and transactions have been eliminated in consolidation. There is no other comprehensive income, and net income equals comprehensive income. Due to the Securitization Transaction, the accompanying consolidated financial statements are presented for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021.

Parent uses a centralized approach to payments and cash management. These arrangements are not reflective of the manner in which the Company would have operated had it been a stand-alone business separate from Guarantor and the Parent during the periods presented. Centralized payment arrangements, to the extent not settled, are reflected as due to Guarantor on the consolidated balance sheets. As of December 31, 2023 and 2022, there are no amounts due to Guarantor but rather, for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021, the Company made periodic distributions in excess of the amounts due to Guarantor. Net distributions in the amount of $68,651, $69,644 and $25,915 are reflected in the consolidated statements of changes in member's equity as

distribution to Guarantor for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021, respectively.

Parent provides a variety of services to the Company. The consolidated statements of operations include direct expenses, such as compensation and benefits for employees of the Company, that would have been incurred in the ordinary course of business if the Company had operated as a stand-alone company. Such direct expenses were included based on specific identification and are reflected primarily in franchise support expenses. The consolidated statements of operations also include expense allocations for services and certain support functions that are provided on a centralized basis by Parent such as legal, business development, human resources, corporate accounting and finance, treasury and various other Parent corporate functions. These parent expenses are allocated by either specific identification or based on revenue of the Company relative to the Parent's other subsidiaries and are reflected in the consolidated statements of operations primarily in general and administrative expenses.

For the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021, the Parent allocated $10,739, $10,191 and $7,050, respectively, of general and administrative expenses to the Company. For the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021, the Parent allocated $3,817, $4,409 and $5,950 of stock-based compensation expense, respectively, of which $2,453, $3,181 and $1,390 was specific identification by unit holder and $1,364, $1,228 and $4,560 was allocated based on revenue, respectively. Refer to Note 12 Related Parties for further information.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The areas that require the use of management estimates include stock-based compensation and the carrying value of goodwill. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized in accordance with Accounting Standards Codification ("ASC") 606 - Revenue from Contracts with Customers, using a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the entity satisfies a performance obligation.

The following describes principal activities from which the Company generates its revenues and the associated revenue recognition policies:

Franchise Revenue

Franchise revenue consists of royalty, national advertising, local advertising, software fees, call center and initial franchise fees charged to franchisees. The Company administers the national advertising fund ("NAF") which is funded by the franchisees and is used to pay for the costs of preparing and producing various advertising and marketing materials for the franchisees.

The Company's primary performance obligation under franchise agreements is granting rights to use the Company's intellectual property over the term of the franchise agreement. Brand royalty and NAF fees are primarily based on a percentage of franchisee sales and the Company recognizes revenue for these fees as they become billable when the underlying franchisee sales occur. These fees are generally billed on a monthly basis. Fixed franchise and NAF fees, which are included in certain brand franchise agreements, are recognized on a straight-line basis over the franchise agreement term. Initial franchise fees are not associated with a service distinct from the overall initial franchise right performance obligation and are therefore recognized on a straight-line basis over the franchise agreement term. The advertising funded through the NAF benefits the franchise brands overall, rather than the individual franchise owners, and therefore is not a performance obligation separate from the overall franchise right. Any underspending of NAF contributions is recorded as accrued and other liabilities on the consolidated balance sheets.

Local advertising, software and call center services provide a distinct benefit from the franchise right and are therefore separate performance obligations. Fees associated with these services are generally billed as a monthly fixed or usage-based amount and are recognized as revenue as the services are performed either on a straight-line basis over the contract term if the fee is fixed or as invoiced if the fee is based on usage.

Franchise revenue, except for initial franchise fees, is included in franchise services fees on the consolidated statements of operations. Initial franchise fees are included in franchise sales fees on the consolidated statements of operations.

Product Sales Revenue

The Company sells products to franchisee and non-franchisee customers. Revenue for product sales in which the Company has inventory risk is recognized at a point in time when control transfers to the buyer, which is generally when the product is shipped to the customer. Payment is due within a short period of time after the shipment.

The Company acts as an agent in respect of certain third-party products that are sold through the Company's online platform. The Company has no inventory risk on these products as they are drop shipped to the end customer and the third-party vendor is primarily responsible for fulfilling the order. The Company therefore recognizes revenue at an amount equal to the net fees received after payment to the third-party vendor.

The Company recognized $10,366, $9,588 and $5,620 of revenue from Product sales for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021, respectively in other revenues on the consolidated statements of operations.

Obligations arising for returns, refunds, and other assurance warranties are infrequent and are not significant to the consolidated financial statements for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021.

Revenue is recognized net of any taxes collected from customers which are subsequently remitted to taxing authorities. These taxes are recorded as a liability when the amounts are billed to franchisees and the liability is relieved when payments are made to the respective taxing authority.

Rebates

Rebates received from third-party vendors in return for the Company maintaining a buying program that connects the vendors with the Company's franchisee customers are recognized as revenue as they become due, which is generally on a monthly basis. Rebates are calculated as a percentage of third-party sales. The Company recognized $15,723, $15,906 and $7,399 of rebates in other revenue on the consolidated statements of operations for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021.

Software Service Revenue

Software service revenue consists of the Company's software and mobile product services that are provided on a continuous basis for the contractual period. Where the Company has determined that the customer obtains a right to access our software, the Company recognizes revenue on a straight-line basis over the contractual term beginning when the customer has access to the service. Software service revenue is typically billed on a monthly basis. The Company's performance obligation is satisfied evenly over time. The Company recognized $6,632, $7,084 and $6,752 of software service revenue for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021, respectively, in franchise service fees on the consolidated statements of operations.

Revenue is recognized net of any taxes collected from customers which are subsequently remitted to taxing authorities. These taxes are recorded as a liability when the amounts are billed to franchisees and the liability is relieved when payments are made to the respective taxing authority.

Contract Balances

Contract assets, which relate to fixed franchise and NAF fees for certain franchise agreements, are amounts for which revenue has been recognized but the Company's right to consideration is conditional upon performing further service. Current contract assets are included in prepaid expenses and other current assets. The long-term contract asset balance is included in other assets on the consolidated balance sheets.

Contract liabilities are amounts collected, or an unconditional right to consideration (receivable) in advance of delivery of goods or services. Contract liabilities are typically related to billed amounts for obligations that have not yet been satisfied and therefore may not be recognized until conditions of the contract are met. Contract liabilities consist of initial franchise fees. Initial franchise fees are collected near the execution date of the franchise agreement and recognized on a straight-line basis over the franchise agreement term. The current portion of contract liabilities is included in deferred revenue on the consolidated balance sheets. Long-term contract liabilities are included in other long-term liabilities on the consolidated balance sheets.

Contract assets and liabilities acquired in a business combination are accounted for in accordance with ASU 2021-08 – Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The Company accounts for the acquisition of contract assets and liabilities as if the Company had entered into the original contract at the same date and on the same terms as the seller. Therefore, contract assets and liabilities acquired are recognized at the same amount recorded by the seller.

The following table presents closing balances of contract assets and liabilities as of December 31, 2023 and 2022:

	Balance at December 31,		Location on the Consolidated Balance Sheets
	2023	2022	
Contract assets - short-term	$ -	$ 406	Prepaid expenses and other current assets
Contract liabilities - short-term	9,952	3,499	Deferred revenue
Contract liabilities - long-term	27,640	28,439	Other long-term liabilities

The Company recognized revenue of $7,557, $3,609 and $1,765 for amortization of initial franchise fees for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021 in franchise sales fees on the consolidated statements of operations, respectively.

Costs Incurred to Obtain a Contract with Customers
The Company capitalizes commissions paid to brokers that are a direct result of obtaining a new franchise agreement and amortizes these costs over the franchise agreement period. These costs are capitalized in prepaid expenses and other current assets and other assets on the consolidated balance sheets. The Company recognized $1,810, $675 and $334 of commission costs in franchise support expenses on the consolidated statements of operations for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021, respectively.

Accounts Receivable and Allowance for Doubtful Accounts
Accounts receivable are stated at the amount management expects to collect from outstanding balances. Accounts receivable balances are pooled based on similar risk characteristics and credit risk is assessed based on historical experience, current economic conditions, and reasonable and supportable forecasts of future economic conditions. Uncollectible accounts are written off against the allowance when collection of the amounts appears doubtful.

As of December 31, 2023 and 2022 the allowance for doubtful accounts was $4,425 and $2,356, respectively. For the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021, the Company recognized bad debt expense of $2,244, $1,025 and $570 and had write-offs of uncollectible accounts of $175, $403, and $29 respectively.

Cash and Cash Equivalents
The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents. Cash consists primarily of cash on hand and cash on deposit. The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

Inventory
Inventory consists of products, materials and equipment to be sold and is stated at the lower of cost or net realizable value, with cost determined using weighted-average, on a first-in, first-out method. Inventory is assessed on an annual basis for slow moving and obsolete items and as of December 31, 2023 and 2022, the Company had an inventory reserve of $379 and $416, respectively.

Property and Equipment
Property, and equipment is stated at historical cost and depreciated using the straight-line method over the estimated useful life of the assets. Additions and betterments are capitalized, maintenance and repairs which do not extend the useful life of the assets are expensed as incurred in general and administrative expenses on the consolidated statements of operations.

Capitalized Software, Net
The Company capitalizes certain costs incurred in the development of various internally used software platforms, in accordance with ASC 350-40, “Internal-Use Software”, which requires certain costs incurred during the application development stage be capitalized and other costs incurred during the preliminary project and post-implementation stages be expensed as they are incurred. The Company also develops software platforms and mobile applications to be sold and capitalizes costs in accordance with ASC 985-20, “Software - Cost of Software to be Sold, Leased or Marketed”, which requires development costs incurred in the research and development of new software products be expensed as incurred until technological feasibility, in the form of a working model, has been established, at which time such costs are capitalized until the product is available for general release to customers.

The Company capitalizes software development costs when the preliminary project stage is completed and the technological feasibility is established. Capitalized costs include personnel and related expenses for employees and third-party contractors who are directly associated with and who devote time to software projects. Any costs incurred to significantly upgrade or enhance the Company's software platform are also capitalized. Costs related to the preliminary project activities and post-implementation support activities are expensed as incurred. Amortization of capitalized software costs accounted for in accordance with ASC 350-40 and ASC 985-20 are recognized in depreciation and amortization and franchise support expenses, respectively, on the consolidated financial statements using a straight-line method over an estimated useful life of three to five years for mobile applications and software platforms, respectively.

Leases

Leases are not significant for the Company as the Parent is the primary obligor of the majority of lease contracts. Further, the Company does not lease any significant office space directly for its own benefit. As such, rent expense is allocated from the Parent to the Company and is recognized in general and administrative expenses on the consolidated statements of operations.

The Company adopted Topic 842 on January 1, 2022 using the modified retrospective transition approach, and as a result did not recast prior periods. Fiscal year 2021 amounts are presented under ASC 840. The Company applied the package of practical expedients permitted under the transition guidance which allows for the carry forward of historical lease identification, lease classification and initial direct costs for existing leases on the adoption date and does not require the assessment of existing lease contracts to determine whether the contracts contain a lease or initial direct costs. There was no cumulative effect adjustment to member's equity as a result of this adoption at January 1, 2022. The adoption of Topic 842 did not have a significant impact on the consolidated statements of operations or cash flows.

Under ASC 842, a lease is a contract, or part of a contract, that conveys the right to control the use of identified asset(s) for a period of time in exchange for consideration. Contracts determined to be or contain a lease include explicitly or implicitly identified assets where the Company has the right to substantially all of the economic benefits of the assets and the ability to direct how and for what purpose the assets are used during the lease term. Leases are classified as either operating or financing.

Finance and operating lease right-of-use ("ROU") assets and lease liabilities are recognized at the lease commencement date based on the present value of the future minimum lease payments over the lease term. The lease term represents the non-cancelable period of the lease, including any lessee options to renew, extend, or terminate which are considered to be reasonably certain of exercise. The Company did not include options to renew within the Company's lease terms as they are not reasonably certain to exercise.

For operating leases, the Company utilizes the private company practical expedient for discount rates and uses a risk-free rate when the discount rate is not readily determinable in the lease. The Company recognizes lease expense for fixed lease payments on operating leases on a straight-line basis over the lease term, while variable lease payments are recognized as incurred.

Assets held under finance leases are included in property and equipment on the consolidated balance sheets and are amortized over the lesser of the term of the related lease or the estimated useful life of the asset. For financing leases, the implied rate is utilized based on the monthly interest disclosed by vendors on monthly invoicing.

The Company applies the short term lease exemption and does not recognize ROU assets and lease liabilities for leases with a lease term less than 12 months for all asset classes. The Company has elected to not separate lease and non-lease components (such as common area maintenance) when amounts are fixed, determinable and combined within monthly lease payment.

The Company evaluates whether events and circumstances have occurred that indicate right-of-use assets have been impaired. Measurement of any impairment of such assets is based on their fair values. Once a right-of-use asset for an operating lease is impaired, the carrying amount of the right-of-use asset is reduced through expense and the remaining balance is subsequently amortized on a straight-line basis.

Intangible Assets

Intangible assets consist of trademarks, franchise relationships, software, proprietary processes, and noncompetition agreements. Intangible assets are stated at their estimated fair value at the date of acquisition. Amortization is computed over the estimated useful lives of the related intangible assets using the straight-line method.

Long-lived Assets

In accordance with ASC 360, Accounting for Impairment or Disposal of Long-Lived Assets, long-lived assets, such as property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to

estimated undiscounted future cash flows expected to be generated by the asset group. If not recoverable, the Company determines the fair value of the asset group using a discounted cash flow. If the carrying amount of an asset group exceeds its estimated discounted future cash flows, an impairment charge is recognized at the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. The Company did not recognize any impairment charges for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021.

Goodwill

Goodwill represents the excess of acquisition costs over the fair value of assets and liabilities acquired, including specifically identified intangible assets. Commencing on January 1, 2023, the Company adopted the private company alternative accounting approach for the subsequent accounting for goodwill as provided for in ASU 2014-02, Intangibles - Goodwill and Other (Topic 350): Accounting for Goodwill. As such, the Company amortizes goodwill on a straight-line basis over a period of ten years. The accounting alternative requires the Company to make an accounting policy decision to test goodwill for impairment at either the entity level or the reporting unit level. The Company tests goodwill for impairment at the entity level.

In accordance with ASU 2021-03 - "Accounting Alternative for Evaluating Triggering Events," the Company tests goodwill for impairment if the facts and circumstances at year end indicate a triggering event exists. In conducting impairment testing, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of a reporting unit is less than its carrying amount. If the Company performs a qualitative assessment and determines that the carrying value more likely than not exceeds the fair value, then the quantitative impairment test is performed, otherwise no further analysis is required. The Company also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test. The ultimate outcome of the goodwill impairment assessment will be the same whether the Company chooses to perform the qualitative assessment or proceed directly to the quantitative impairment test.

The Company did not identify any triggering events as of December 31, 2023 and 2022 and did not recognize any impairment charges for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021.

Member's Equity

The Company has one class of units. All items of income and loss are allocated to the Company and its subsidiaries as discussed in Note 1 and Note 3 above.

Income Taxes

Under the Internal Revenue Code, a limited liability company may be treated as a partnership for federal income tax purposes. As a direct result of the Securitization Transaction, the Securitization Entities are each a limited liability company that is disregarded as an entity separate from Parent for federal and state income tax purposes, and are not jointly and severally liable for any income taxes owned by the parent corporate entities. Further, no tax sharing agreement exists, or is expected to exist, between the Securitization Entities and Parent that would require the Securitization Entities to directly or indirectly reimburse Parent for taxes related to the operations of the Securitization Entities. Therefore, taxable income or loss is includable in the income tax returns of its members. Accordingly, no provision has been made for federal or state income taxes in the accompanying consolidated financial statements.

Stock-based Compensation

Upon the formation of the Parent in 2018, the Partnership established the Villa Aggregator LP Amended and Restated Executive Equity Incentive Plan (the "2018 Plan"), which governs certain stock-based and other incentive compensation with the employees. The Plan provides employees an opportunity to indirectly participate in the distribution of the future profits of the Company.

The awards issued under the 2018 Plan (known as Class B Profit Interest Units) are classified as equity awards. Compensation expense is estimated at the grant date based on an award's fair value as calculated by the Monte-Carlo simulation valuation model. Compensation expense is recognized using the graded vesting attribution method over the requisite service period of five years and is included in stock-based compensation expense on the consolidated statements of operations. The Company made a policy election to recognize forfeitures as they occur.

Parent also provides certain Company executives with ownership interests in the Partnership (known as Class A-2 Units) in exchange for promissory notes and rollover equity. The promissory notes only have recourse against the employee's Class A-2 units, as such they are considered to be a stock option in accordance with GAAP. In addition, the notes have an interest rate that is based on a third party indexed rate, and therefore the stock option is classified as a liability award by the Partnership. Liability classified awards are measured at each reporting date using the intrinsic value model with the related compensation expense recognized in stock-based compensation expense in the consolidated

statements of operations. Until the stock option is deemed to have been exercised through the repayment of the notes, any distributions on these shares will be deemed compensation expense.

The Company is not the legal obligor of the Class A-2 Unit awards. Therefore, the obligation (liability classified award) remains with the Partnership and any stock-based compensation charges incurred are recognized as additional paid-in capital through a noncash contribution with an offsetting charge to stock-based compensation expense.

In connection with the HELOC Transaction in November 2022, the Buyer established the Binford Aggregator LP Executive Equity Incentive Plan (the "2022 Plan"), which governs the Class B stock-based incentive compensation granted to certain employees. All remaining units available for issuance under the 2018 Plan and A-2 Units outstanding as of November 2022 were settled upon the close of the HELOC Transaction.

The 2022 Plan provides participants with an opportunity to indirectly participate in the distribution of the future profits of the Company. The awards issued under the 2022 Plan (known as Class B Profit Interest Units) are classified as equity awards. Compensation expense is estimated at the grant date based on an award's fair value as calculated by an options pricing model. Compensation expense is recognized using the graded vesting attribution method over the requisite service period of five years and is included in stock-based compensation expense on the consolidated statements of operations. The Company made a policy election to recognize forfeitures as they occur.

The Company recognized stock-based compensation expense related to the settlement of the awards issued under the 2018 Plan and the Class A-2 Unit awards in connection with the HELOC Transaction. Refer to Note 11 for further details.

Advertising Costs
The Company administers the NAF funded by the franchisees for which the associated revenue is recognized in franchise service fees on the consolidated statements of operations. The NAF pays for costs of preparing and producing various advertising and marketing materials for the franchisees.

The NAF advertising expenses are recognized as incurred and are included in franchise support expenses on the consolidated statements of operations. NAF expenses for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021 were $15,547, $14,972 and $8,613 respectively.

Non-NAF advertising expenses are recognized as incurred and included in both franchise sales expense and franchise support expenses on the consolidated statements of operations. For the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021, $3,151, $1,916 and $2,079 respectively, were expensed in the consolidated statements of operations.

Fair Value Measurements
The Company applies fair value accounting for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The carrying amounts of cash and cash equivalents, accounts receivable, inventory, prepaid expenses, accounts payable, accrued liabilities and deferred franchise fees approximate fair value because of the short maturity of the instruments.

Recently Issued Accounting Pronouncements

Credit Losses
In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses ("ASC 326"): Measurement of Credit Losses on Financial Instruments, which requires the application of a current expected credit loss ("CECL") impairment model to financial assets measured at amortized cost (including trade accounts receivable), net investments in leases, and certain off-balance-sheet credit exposures. Under the CECL model, lifetime expected credit losses on such financial assets are measured and recognized at each reporting date based on historical, current, and forecasted information. Furthermore, the CECL model requires financial assets with similar risk characteristics to be analyzed on a collective basis. ASC 326 is effective for private companies for fiscal years beginning after December 15, 2022 and interim periods within those years. The Company adopted the new accounting standard on January 1, 2023. The adoption of ASU. 2016-13 did not have a material impact on the consolidated financial statements.

4. Inventory, net

Inventory consisted of the following as of December 31, 2023 and 2022:

	2023		
	Gross	**Reserve**	**Net**
Products for sale	$ 3,121	$ (379)	$ 2,742
Total inventory	**$ 3,121**	**$ (379)**	**$ 2,742**

	2022		
	Gross	**Reserve**	**Net**
Products for sale	$ 3,205	$ (416)	$ 2,789
Total inventory	**$ 3,205**	**$ (416)**	**$ 2,789**

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Notes receivable	$ 1,376	$ 1,084
Prepaid expenses	4,383	3,981
Other current assets	603	461
Total prepaid expenses and other current assets	**$ 6,362**	**$ 5,526**

6. Property and Equipment

Property and equipment consisted of the following as of December 31, 2023 and 2022:

	Estimated Useful Life	2023	2022
Buildings and leasehold improvements	5 - 30 years	$ 2,658	$ 1,895
Software- for internal use	1 - 3 years	6,917	4,211
Software- to be sold	3 - 5 years	36,522	30,214
Vehicles	2 - 5 years	118	473
Office equipment and furniture	2 - 5 years	1,017	995
Machinery, equipment and tools	2 - 7 years	598	258
Land		143	143
Software in development		9,280	6,791
Total property and equipment		**57,253**	**44,980**
Less: Accumulated depreciation and amortization		(24,761)	(12,941)
Property and equipment, net		**$ 32,492**	**$ 32,039**

As of December 31, 2023 and 2022, software in development consisted of software for internal use of $2,849 and $2,680, respectively, and to be sold of $6,431 and $4,111, respectively.

Depreciation and amortization expense recognized in the consolidated statements of operations was $12,363, $8,207 and $2,340 for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021, of which $10,402, $6,401 and $1,154 for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31,2021 related to software to be sold and was included in franchise support expenses in the consolidated statements of operations.

7. Other Long-Term Assets

Other long-term assets consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Cost to obtain contracts - commissions	$ 10,729	$ 7,551
Prepaid customer incentive payments	744	957
Other	467	1,039
Total other long-term assets	**$ 11,940**	**$ 9,547**

8. Intangible Assets and Goodwill

Intangible Assets, Net

Intangible assets consisted of the following as of December 31, 2023 and 2022

	As of December 31, 2023				
	Estimated Useful Life	Gross Amount	Accumulated Amortization	Net Amount	Weighted Average Remaining Useful Life
Trademarks	15-25 years	$ 178,010	$ 28,685	$ 149,325	20.3
Franchise relationships	15 years	351,207	109,364	241,843	10.3
Software	10 years	7,500	3,500	4,000	5.3
Proprietary processes	10 years	2,449	1,133	1,316	4.7
Noncompetition agreements	5 years	701	472	229	2.6
Intangible assets, net		**$ 539,867**	**$ 143,154**	**$ 396,713**	

	As of December 31, 2022				
	Estimated Useful Life	Gross Amount	Accumulated Amortization	Net Amount	Weighted Average Remaining Useful Life
Trademarks	15-25 years	$ 169,610	$ 21,566	$ 148,044	21.9
Franchise relationships	15 years	347,807	85,974	261,833	10.8
Software	10 years	7,500	2,750	4,750	6.3
Proprietary processes	10 years	2,449	888	1,561	6.5
Noncompetition agreements	5 years	641	335	306	2.7
Intangible assets, net		**$ 528,007**	**$ 111,513**	**$ 416,494**	

Amortization expense was $31,641, $29,076 and $18,120, for the years ended December 31, 2023, 2022 and for the period from May 14, 2021 to December 31,2021.

Estimated amortization expense for the subsequent five years and thereafter is as follows:

2024	$ 31,669
2025	31,646
2026	31,572
2027	31,569
2028	31,558
Thereafter	238,699
	$ 396,713

Goodwill

Commencing on January 1, 2023, the Company adopted the private company alternative accounting approach for the subsequent accounting for goodwill. As such, the Company amortizes goodwill on a straight-line basis over a period of ten years.

Changes in the net carrying amount of goodwill for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Goodwill beginning of year	**$ 291,784**	**$ 248,871**
Contributions of assets and liabilities	8,157	42,913
Amortization	(29,924)	-
Goodwill, net end of year	**$ 270,017**	**$ 291,784**

The gross balance of the goodwill asset and accumulated amortization as of December 31, 2023 is shown in the table below:

	As of December 31, 2023				
	Estimated Useful Life	**Gross Amount**	**Accumulated Amortization**	**Net Amount**	**Weighted Average Remaining Useful Life**
Authority Brands	10 years	148,188	14,819	133,369	9 years
ASP	10 years	16,285	1,629	14,656	9 years
Mosquito Squad	10 years	12,422	1,242	11,180	9 years
Clockwork	10 years	44,664	4,466	40,198	9 years
Monster	10 years	17,378	1,738	15,640	9 years
DoodyCalls	10 years	6,191	619	5,572	9 years
Junkluggers	10 years	42,913	4,291	38,622	9 years
Screenmobile	10 years	8,403	770	7,633	9.08 years
Other acquisitions	10 years	3,497	350	3,147	9 years
Goodwill, net		**$ 299,941**	**$ 29,924**	**$ 270,017**	

Estimated amortization expense for the subsequent five years and thereafter is as follows

2024	$ 29,934
2025	29,934
2026	29,934
2027	29,934
2028	29,934
Thereafter	120,347
	$ 270,017

During the period presented, the Company did not record any goodwill impairment charges.

9. Accrued and Other Liabilities

Accrued and other liabilities consisted of the following as of December 31, 2023 and 2022:

	2023	**2022**
Employee expenses	$ 315	$ 476
Rebates	3,042	1,405
Advertising	4,508	6,234
Capital expenditures	715	860
Other	967	1,219
Total accrued and other liabilities	**$ 9,547**	**$ 10,194**

10. Other Long-Term Liabilities

Other long-term liabilities consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Deferred revenue	$ 27,640	$ 28,439
Other	364	336
Total other long-term liabilities	**$ 28,004**	**$ 28,775**

11. Stock-based Compensation

Class B Profit Interest Units

2018 Equity Plan

In connection with the HELOC Transaction, all of the Class B awards issued under the 2018 Plan vested and were settled pursuant to the change in control provisions provided for in the award agreement. The Company recognized $1,149 and $4,030 in stock-based compensation expense for the settlement of the time vesting and performance vesting awards, respectively, of which $3,244 was allocated by specific allocation (unit holder) and $1,935 was allocated based on revenue for the year ended December 31, 2022. Compensation expense related to the time vesting Class B interest units of $584 was recognized in stock-based compensation expense on the consolidated statements of operations, of which $275 was allocated by specific identification (unit holder) and $309 was allocated based on revenue for the period from May 14, 2021 to December 31, 2021.

Prior to closing of the HELOC Transaction, the Parent modified the terms of the Class B Profit Interests previously granted to five management team members to allow for continued vesting post-separation. As a result of these modifications, the Company recognized stock-based compensation expense of approximately $1,215 for the year ended December 31, 2022 based on the modification date fair value which is reflected in amounts disclosed above.

2022 Equity Plan

In November of 2022, in connection with the HELOC Transaction, the Parent entered into the Binford Aggregator LP Executive Equity Incentive Plan (the "2022 Plan").

The awards issued under the 2022 Plan are also referred to as Class B Profit Interest Units. For the 2022 Plan, 26.67% of Class B Profit Interest Units vest over time and are conditioned upon the participant's continued employment and the achievement of a set return on invested capital. Remaining awards vest as the Company achieves multiples of the invested capital and are conditioned upon occurrence of a change in control or a qualified leverage recapitalization (“change in control events”).

For the Class B Profit Interest Units granted under the 2022 Plan, for the years ended December 31, 2023 and 2022, the Company determined that it is not probable that any of the change in control events will occur and, as such, compensation expenses related to the portion of the awards conditioned upon occurrence of these events has not been recognized in the consolidated financial statements as of and for the years ended December 31, 2023 and 2022.

The awards that have a time-vesting component are earned in equal tranches upon each of the anniversaries over the period of five years which was determined to be the requisite service period. These awards will not vest until the return on invested capital condition is met or upon occurrence of the change in control events even as the time-vesting condition is met. As of December 31, 2023 and 2022 no units were vested.

The table below summarizes transactions for unit holders of the Company:

	Time-Vesting Units		
	Weighted Average Fair Value	Class B Profit Interest Units	Weighted Average Remaining Contractual Term
Units outstanding as of May 14, 2021	**$ 0.31**	**4,317,274**	**2.2 years**
Granted	0.49	716,970	
Forfeitures	-	-	
Units outstanding as of December 31, 2021	**$ 0.34**	**5,034,244**	**2.5 years**
Granted		-	
Forfeitures	-	-	
Vested due to Plan modification	0.34	**(5,034,244)**	
Units outstanding as of November 30, 2022	**$ -**	**-**	**N/A**
Granted under 2022 Plan	-	17,539,639	
Forfeitures	-	-	
Vested	-	-	
Units outstanding as of December 31, 2022	**$ 0.30**	**17,539,639**	**4.92 years**
Granted	0.31	4,019,918	
Forfeitures	0.30	(1,216,642)	
Vested	-	-	
Units outstanding as of December 31, 2023	**$ 0.30**	**20,342,915**	**4.01 years**

	Performance-Vesting Units		
	Weighted Average Fair Value	Class B Profit Interest Units	Weighted Average Remaining Contractual Term
Units outstanding as of May 14, 2021	**$ 0.17**	**8,634,547**	**2.2 years**
Granted	0.26	1,433,940	
Forfeitures	-	-	
Units outstanding as of December 31, 2021	**$ 0.18**	**10,068,487**	**2.5 years**
Granted	-	-	
Forfeitures	-	-	
Vested due to Plan modification	0.18	(10,068,487)	
Units outstanding as of November 30, 2022	**$ -**	**-**	**N/A**
Granted under 2022 Plan	0.22	48,225,786	
Forfeitures		-	
Vested	-	-	
Units outstanding as of December 31, 2022	**$ 0.22**	**48,225,786**	**4.92 years**
Granted	0.22	11,052,892	
Forfeitures	0.22	(3,345,194)	
Vested	-	-	
Units outstanding as of December 31, 2023	**$ 0.22**	**55,933,484**	**4.01 years**

The fair value of each option award is estimated on the date of the grant using the Black-Scholes options pricing model with the following assumptions for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021:

	2023	2022	2021
Dividend Yield	0%	0%	0%
Risk-free interest rate	3.8%	3.8%	1.6%
Expected life of options	5 years	5 years	5 years
Volatility	47.5%	47.5%	37.5%

Expected volatilities are based on the average volatilities of comparable companies over the expected term. The risk-free interest rate is based on the average of the five-year treasury rate on the grant date of the options.

For the year ended December 31, 2023, compensation expense related to time vesting Class B profit interest units of $3,817 was recognized in stock-based compensation expense under the 2022 Plan on the consolidated statements of operations, of which $2,453 was allocated by specific allocation (unit holder) and $1,364 was allocated based on revenue. For the year ended December 31, 2022, compensation expense related to time vesting Class B profit interest units of $310 was recognized in stock-based compensation expense under the 2022 Plan on the consolidated statements of operations, of which $190 was allocated by specific allocation (unit holder) and $120 was allocated based on revenue.

As of December 31, 2023 and 2022, the Company had $5,461 and $4,941 of unrecognized stock-based compensation expense related to unvested time vesting stock-based compensation arrangements. As of December 31, 2023 and 2022, the Company had $20,112 and $17,153 of unrecognized stock-based compensation expense related to unvested performance vesting stock-based compensation arrangements.

Class A-2 Units Issued to Certain Executives

The Partnership provided certain executives with ownership interests in the Partnership (known as Class A-2 Units) in exchange for promissory notes and rollover equity, in accordance with the Contribution, Rollover and Subscription agreement. Under the terms of this agreement, the Company's executives were provided ownership interests in the Partnership in exchange for promissory notes.

These agreements are in substance, compensation arrangements and are accounted for as instruments similar to a stock option. Compensation expense is recognized at each balance sheet date with the changes in value recorded in the consolidated statements of operations with the corresponding recognition of the noncash contribution from the Partnership in additional paid in capital in the consolidated balance sheets.

The Company elected to account for these awards using the intrinsic valuation technique which represents excess value of the employees' Class A-2 units that were exchanged for promissory notes over the exercise price (which represents the face value of the promissory notes plus accrued interest). 15,600,000 of A-2 units were granted on September 21, 2018 and the intrinsic value of these awards on the grant date was equal to the value of the award. There were no additional grants of these awards during 2022 or 2023. There were no forfeitures or exercises of these award during the years ended December 31, 2023 and 2022.

All Class A-2 units were settled as a result of the HELOC Transaction based on the Transaction Date fair value. As a result, the Company recognized a gain of $1,080 for the year ended December 31, 2022 in stock-based compensation expense on the consolidated statements of operations. For the period from May 14, 2021 to December 31, 2021, the Company recognized a stock-based compensation expense of $5,366 in the consolidated statements of operations. As of November 30, 2022 and December 31, 2021, the amount of (gain) expense allocated to the Company by specific identification (unit holder) amounted to $(253) and $1,115 and amount of expense allocated based on revenue amounted to $(827) and $4,251, respectively. There were no additional grants of these awards during 2021 or 2022. There were no forfeitures or exercises of these awards during the years ended December 31, 2022 and 2021

In December 2023, Binford Aggregator LP issued a new tranche of A-2 units to be provided to certain executives. As of December 31, 2023, there were approximately 476,190 A-2 units granted and the intrinsic value of this award on the grant date was equal to the value of the award. No stock-based compensation expense was recognized in the year ended December 31, 2023 and there were no forfeitures or exercises of these award during the year ended December 31, 2023.

12. Related Parties

The Company has related party transactions with the Parent and Guarantor, which for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021 consisted of a distribution to Guarantor related to the Parent's centralized cash management arrangement, general and administrative expenses and stock-based compensation allocated to the Company by the Parent (Note 3). The Company also has related party revenue with the Parent due to certain royalty and other contractual fees owed to the Company by the Parent. Related party transactions with Parent and Guarantor consisted of the following:

	Years ended December 31,		For the Period From
	2023	2022	May 14, 2021 to December 31, 2021
Parent			
Revenue	$ 14,914	$ 15,642	$ 5,417
Accounts receivable	820	1,213	520
General and administrative expenses	10,739	10,191	7,050
Stock-based compensation	3,817	4,409	5,950
Guarantor			
Distributions to Guarantor	$ 68,651	$ 69,644	$ 25,915

The Company has several agreements in place with related parties through common ownership by the Partnership, in the ordinary course of business as follows:

- Paycor, a HR and payroll solutions company, provided payroll support services to the Parent and related expenses were allocated to the Company for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021.

- Assured Partners, a national partnership of financial services firms, provided insurance and employee benefits services to the Parent and related expenses were allocated to the Company for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021.

- Thoughtworks, a software development and digital transformation company, provided software solutions to the Parent and related expenses were allocated to the Company for the years ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2021.

- Leadify, a digital marketing company, provided marketing lead generation services to the Company for the year ended December 31, 2023.

The Company also employs twenty-five individuals as of December 31, 2023 and twenty-seven individuals, as of December 31, 2022 and 2021 who own and operate franchises of wholly owned subsidiary businesses.

The Company recorded revenue and the corresponding accounts receivable related to these arrangements for the years ended December 31, 2023, 2022 and for the period from May 14, 2021 to December 31, 2021.

Related party transactions consisted of the following:

		Years ended December 31,		For the Period From
	Transaction	2023	2022	May 14, 2021 to December 31, 2021
Related parties through common ownership				
Paycor	Expenses paid	$ 189	$ 117	$ 64
Assured partners	Expenses paid	55	50	36
Thoughtworks	Expenses paid	1,608	1,694	5,088
Leadify	Expenses paid	200	-	-
Transactions with employees				
Revenue		$ 4,271	$ 4,973	$ 2,134
Accounts receivable		132	529	103

13. Contingencies

The Company is engaged in various legal proceedings incidental to its normal business activities. Management has determined that it is not probable that the Company has incurred any loss contingencies as defined in ASC Topic 450, Contingencies. Accordingly, no liabilities have been recorded for such matters as of December 31, 2023 and 2022. Management believes that the outcome of such matters will not have a material effect on the Company's consolidated financial statements.

14. Employee Benefit Plans

The Company sponsors a 401 (k) plan covering the majority of its employees meeting certain eligibility requirements. During the years ended December 31, 2023 and 2022, the Plan provides for matching contributions of 50% of employee contributions, up to 10% of the participating employee's contributions. During the period from May 14, 2021 to December 31, 2021, the Plan provided for matching contributions of 100% of employee contributions, up to 4% of the participating employee's contributions. The Company's contributions to the Plan totaled $1,159, $896 and $469 for the year ended December 31, 2023 and 2022 and for the period from May 14, 2021 to December 31, 2022, respectively.

15. Subsequent Events

The Company evaluated subsequent events and transactions for potential recognition and disclosure in the consolidated financial statements through April 15, 2024, the date the consolidated financial statements were available to be issued. The Company did not identify any matters.

GUARANTEE OF PERFORMANCE

For value received, AB Assetco LLC, a Delaware limited liability company located at 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046 (the "**Guarantor**"), absolutely and unconditionally guarantees to assume the duties and obligations of Mister Sparky Franchising SPE LLC, a Delaware limited liability company located at 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046 (the "**Franchisor**"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document issued April 25, 2024, as amended August 28, 2024, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Columbia, Maryland, on the 28th day of August, 2024.

Guarantor: AB Assetco LLC

By: _____

Print Name: Craig Donaldson
Title: President and Chief Executive Officer

Authority Brands Inc. and Subsidiaries

Consolidated Financial Statements
As of December 31, 2023 and 2022 and for the Three Years Ended December 31, 2023

Authority Brands Inc. and Subsidiaries
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As of December 31, 2023 and 2022
and for the three years ended December 31, 2023

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Report of Independent Auditors

To the Board of Directors of Authority Brands Inc.

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for goodwill in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of

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

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

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

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

PricewaterhouseCoopers LLP

April 15, 2024

Authority Brands Inc. and Subsidiaries
Consolidated Balance Sheets
(*In thousands*)

	As of December 31,	
	2023	**2022**
Assets		
Current assets		
Cash and cash equivalents	$ 27,119	$ 14,151
Restricted cash	3,314	3,216
Accounts receivable, net	33,238	31,519
Inventory, net	6,548	6,739
Prepaid expenses and other current assets	12,575	9,482
Total current assets	82,794	65,107
Property and equipment, net	56,407	50,459
Operating lease right-of-use assets	15,144	14,136
Intangible assets, net	437,885	463,026
Goodwill, net	414,349	429,385
Other assets	14,422	11,886
Total assets	**$ 1,021,001**	**$ 1,033,999**
Liabilities and Stockholder's Equity		
Current liabilities		
Accounts payable	$ 9,980	$ 10,968
Accrued and other liabilities	27,562	28,405
Deferred revenue	17,189	13,586
Operating lease liabilities, current portion	5,070	3,870
Current maturities on long-term debt	4,250	4,500
Total current liabilities	64,051	61,329
Operating lease liabilities, non-current portion	11,077	10,979
Long-term debt, net	550,949	513,058
Deferred tax liability, net	17,766	28,603
Other long-term liabilities	38,957	35,390
Total liabilities	**682,800**	**649,359**
Stockholder's equity	338,201	384,640
Total liabilities and stockholder's equity	**$ 1,021,001**	**$ 1,033,999**

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

Authority Brands Inc. and Subsidiaries
Consolidated Statements of Comprehensive Loss
(*In thousands*)

	Years Ended December 31,		
	2023	**2022**	**2021**
Revenues			
Franchise service fees	$ 170,280	$ 152,837	$ 129,084
Franchise sales fees	13,965	5,222	4,339
Residential services	211,880	186,266	133,347
Other revenues	33,399	31,031	23,967
Total revenues	429,524	375,356	290,737
Costs and expenses			
Franchise support expenses	125,437	101,662	71,316
Franchise sales expenses	5,125	2,355	4,259
Residential service expenses	175,217	148,881	112,523
General and administrative expenses	57,446	51,338	42,155
Stock-based compensation expenses	6,006	21,820	26,803
Management fees and expenses	500	345	-
Transaction costs	4,149	25,103	2,183
Depreciation and amortization	96,166	44,370	35,628
Total costs and expenses	470,046	395,874	294,867
Operating loss	(40,522)	(20,518)	(4,130)
Loss on extinguishment of debt	-	-	(9,715)
Interest expense, net	(31,831)	(18,902)	(22,696)
Loss before income taxes	(72,353)	(39,420	(36,541)
Income tax benefit	12,819	3,790	2,402
Net loss	**$ (59,534)**	**$ (35,630)**	**$ (34,139)**
Other comprehensive loss			
Change in foreign currency translation adjustment	14	-	(12)
Other comprehensive income (loss)	14	-	(12)
Comprehensive loss	**$ (59,520)**	**$ (35,630)**	**$ (34,151)**

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

Authority Brands Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholder's Equity
Three Years Ended December 31, 2023
(*In thousands*)

	Common Stock		Additional Paid	Accumulated	Comprehensive	Total Stockholder's
	Units	Amount	In Capital	Deficit	Income/(Loss)	Equity
Balances at December 31, 2020	**1**	**$ -**	**$ 437,418**	**$ (48,381)**	**$ (3)**	**$ 389,034**
Capital contributions	-	-	1,875	-	-	1,875
Stock-based compensation	-	-	26,803	-	-	26,803
Other comprehensive loss	-	-	-	-	(12)	(12)
Net loss	-	-	-	(34,139)	-	(34,139
Balances at December 31, 2021	**1**	**-**	**466,096**	**(82,520)**	**(15)**	**383,561**
Capital contributions	-	-	36,024	-	-	36,024
Stock-based compensation	-	-	21,820	-	-	21,820
Distributions to parent	-	-	(21,135)	-	-	(21,135)
Net loss	-	-	-	(35,630)	-	(35,630
Balances at December 31, 2022	**1**	**-**	**502,805**	**(118,150)**	**(15)**	**384,640**
Capital contributions	-	-	7,075	-	-	7,075
Stock-based compensation	-	-	6,006	-	-	6,006
Other comprehensive income	-	-	-	-	14	14
Net loss	-	-	-	(59,534)	-	(59,534)
Balances at December 31, 2023	**1**	**$ -**	**$ 515,886**	**$ (177,684)**	**$ (1)**	**$ 338,201**

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

Authority Brands Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(*In thousands*)

	Years Ended December 31,		
	2023	**2022**	**2021**
Cash flows from operating activities			
Net loss	$ (59,534)	$ (35,630)	$ (34,139)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities			
Depreciation and amortization	106,568	50,771	37,069
(Reduction)/increase in inventory reserve	(42)	(39)	339
Bad debt expense	3,123	1,637	1,290
Stock-based compensation	6,006	21,820	26,803
Gain on disposal of property and equipment	(391)	(305)	(288)
Amortization of deferred loan costs	1,650	1,692	1,976
Loss on extinguishment of debt	-	-	9,715
Deferred taxes	(13,180)	(4,278)	(2,984)
Other	-	-	308
Changes in assets and liabilities			
Accounts receivable	(4,383)	(3,845)	(5,836)
Inventory	589	(843)	(836)
Prepaid expenses and other current assets	(3,088)	(2,326)	(1,431)
Other assets	(3,185)	(1,572)	(1,518)
Accounts payable	(1,484)	1,815	1,819
Accrued liabilities	(3,273)	(6,254)	8,166
Other liabilities	(127)	138	59
Deferred revenue	162	3,365	4,588
Operating lease right-of-use assets and operating lease liabilities, net	290	145	-
Net cash provided by operating activities	29,701	26,291	45,100
Cash flows from investing activities			
Business acquisitions, net of cash acquired	(35,105)	(94,792)	(21,828)
Purchases of assets through asset acquisition	(325)	(1,570)	(26,414)
Purchases of property and equipment	(2,898)	(1,772)	(1,272)
Proceeds on disposal of property and equipment	1,234	332	257
Capitalized software development costs	(12,830)	(12,446)	(15,955)
Net cash used in investing activities	(49,924)	(110,248)	(65,212)
Cash flows from financing activities			
Distributions to parent	-	(21,135)	-
Capital contributions	675	-	275
Principal payments on finance lease obligations	(4,026)	(2,775)	(2,302)
Borrowings from long-term debt, net of deferred financing cost	47,890	103,869	445,943
Repayments of long-term debt	(11,250)	(7,525)	(409,982)
Net cash provided by financing activities	33,289	72,434	33,934
Increase/(decrease) in cash and cash equivalents	13,066	(11,523)	13,822
Cash, restricted cash and cash equivalents			
Beginning of year	$ 17,367	$ 28,890	$ 15,068
End of year	**$ 30,433**	**$ 17,367**	**$ 28,890**

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

Authority Brands Inc. and Subsidiaries
Consolidated Statements of Cash Flows, Continued
(*In thousands*)

	Years Ended December 31,		
	2023	**2022**	**2021**
Reconciliation of cash, restricted cash, and cash equivalents reported in the consolidated balance sheet			
Cash and cash equivalents	$ 27,119	$ 14,151	$ 26,889
Restricted cash	3,314	3,216	2,001
Total cash, restricted cash, and cash equivalents shown in the statement of cash flows	**$ 30,433**	**$ 17,367**	**$ 28,890**
Supplemental disclosures of cash flow information			
Interest paid	$ 27,794	$ 16,243	$ 18,830
Taxes paid, net of refunds	318	1,098	400
Noncash investing and financing activities			
Change in indemnification asset	-	-	1,060
Change in uncertain tax position	-	-	(1,060)
Capital expenditures included in accrued liabilities	770	906	1,227
Finance lease assets exchanged for lease liabilities	8,717	6,688	2,691
Noncash business acquisition consideration	(6,400)	(36,024)	(1,600)
Capital contribution – rollover equity	6,400	36,024	1,600

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

1. Organization and Description of Business

Authority Brands Inc. and Subsidiaries ("the Company" or "Authority Brands"), formerly known as Villa Bidco Inc. and Subsidiaries prior to the Company's name change on May 17, 2021, is the parent company of a number of franchisors and related businesses operating in the United States and internationally. The Company is wholly owned by Villa Aggregator LP (the "Partnership") through Villa TopCo Inc.

On March 24, 2021, in contemplation of a whole business securitization which was completed on May 14, 2021 (see Note 12), fifteen wholly owned entities were established by the Company. The first three entities formed were AB SPE Guarantor LLC and Subsidiaries ("Guarantor") a direct, wholly-owned subsidiary of the Company which directly and wholly owns AB Issuer LLC ("Issuer"), a newly formed special purpose Delaware limited liability company which directly and wholly owns AB Assetco LLC and Subsidiaries ("AB Assetco"), a Delaware limited liability company.

AB Assetco wholly owns the following Special Purpose Entity ("SPE") entities:

- The Cleaning Authority Franchising SPE LLC ("The Cleaning Authority Franchisor")
- Homewatch CareGivers Franchising SPE LLC ("Homewatch Franchisor")
- Mosquito Squad Franchising SPE LLC ("Mosquito Squad Franchisor")
- ASP Franchising SPE LLC ("ASP Franchisor")
- Benjamin Franklin Franchising SPE LLC ("Benjamin Franklin Franchisor")
- Mister Sparky Franchising SPE LLC ("Mister Sparky Franchisor")
- One Hour Air Conditioning Franchising SPE LLC ("One Hour Air Conditioning Franchisor")
- Monster Franchising SPE LLC ("Monster Franchisor")
- STOP Franchising SPE LLC ("STOP Franchisor")
- DoodyCalls Franchising SPE LLC ("DoodyCalls Franchisor")
- BuyMax SPE LLC ("BuyMax")
- Successware SPE LLC ("SuccessWare")
- Junkluggers Franchising SPE LLC ("Junkluggers Franchisor") – formed in 2022
- Screenmobile Franchising SPE LLC ("Screenmobile Franchisor") – formed in 2023
- Authority Brands Payments SPE LLC ("AB Payments") – formed in 2023

Guarantor and each of its subsidiaries other than Issuer are collectively referred to as Guarantors. Issuer and Guarantors are collectively referred to as "Securitization Entities."

The Company wholly owns the following remaining entities, collectively referred to as "Non Securitization Entities":

- Authority Brands Canada, Inc. ("AB Canada"), formerly known as The Cleaning Authority, Inc. prior to June 2, 2023
- The Cleaning Authority LLC ("The Cleaning Authority")
- Mighty Maids LLC ("TCA of Columbia, MD")
- Homewatch CareGivers LLC ("Homewatch CareGivers")
- Homewatch Canada, Inc. ("Homewatch Canada")
- Homewatch CareGivers International, Inc. ("Homewatch International")

- Pool Water Holdings LLC and its subsidiaries (“America’s Swimming Pool” or “ASP”) which includes: ASP Franchising LLC, ASP Aviation LLC and Greeneland LLC
- Clockwork Inc. and its subsidiaries (“Clockwork”), which includes: Successware, Inc., Benjamin Franklin Franchising LLC, Mister Sparky Franchising LLC, One Hour Air Conditioning Franchising LLC, Clockwork IP LLC, Quality A/C Service LLC, New Millenium Academy LLC, UWIN LLC and BuyMax LLC
- Authority Brands LLC
- Mosquito Squad Franchising LLC (“Mosquito Squad”)
- Monster Topco LLC and its subsidiaries (“Monster”) which includes Monster New Franchisor LLC and Monster New Tree Service LLC
- DoodyCalls Inc. and its affiliates DoodyCalls LLC, DoodyCalls Services LLC and DoodyCalls Intellectual Property LLC (“DoodyCalls”)
- STOP Franchising, Inc. (“STOP”)
- LMS LLC, LMSNH LLC, and LMSRI Inc. (“Macchia”)
- Color World Topco LLC and its subsidiaries ("Color World") which includes: Color World New Housepainting LLC and Color World New Franchise Systems LLC
- Woofie's TopCo LLC and its subsidiaries ("Woofie") which includes: Woofie's Leesburg LLC, Woofie's Ashburn LLC, Woofie's Pet Ventures LLC and Woofie's Mobile Pet Spa LLC
- DRYmedic Restoration Novi, LLC ("DRYmedic")
- DRYmedic Restoration Services LLC ("DRYmedic Restoration")
- Junkluggers Franchising LLC ("Junkluggers Franchising")
- JL TopCo Inc. and its subsidiaries ("Junkluggers") which includes Junkluggers LLC and Lug Life LLC
- The Screenmobile Corporation ("Screenmoblie")
- Lawn Squad Holdco Inc and its subsidiaries ("Lawn Squad") which includes Lawn Squad Franchising LLC (formed in 2023) and Weed Pro, Ltd ("Weed Pro").

Screenmobile and Weed Pro were acquired by the Company in 2023 (Note 3)

Color World, Woofie's, DRYmedic, DRYmedic Restoration, Junkluggers Franchising, and Junkluggers were acquired by the Company in 2022 (Note 3).

DoodyCalls and Macchia were acquired by the Company in 2021 (Note 3).

On November 30, 2022 (“Transaction Date”), Binford Aggregator LP, a Delaware limited partnership, (“the Buyer”), indirectly owned by affiliates of Apax Partners Fund X and British Columbia Investment Management Corporation (“BCI”), became the sole limited partner of the Company's parent company, Villa Aggregator LP (the "Partnership" or "Seller"), indirectly owned by Apax Partners Fund IX, whereby the Buyer acquired 100% of the issued and outstanding equity interests of Villa Aggregator LP (collectively the “HELOC Transaction”). The HELOC Transaction qualified as a change of control in accordance with ASC 805. However, the Company has not elected pushdown accounting and accordingly, the acquisition is not reflected in these consolidated financial statements. The Company paid $15,402 of Buyer transaction expenses on behalf of the Partnership, which have been recognized as a distribution to parent in the consolidated statements of stockholder’s equity for the year ended December 31, 2022. The Company incurred $20,790 of seller transaction expenses, which is recognized in transaction costs in the consolidated statements of comprehensive loss for the year ended December 31, 2022. In addition, the Company distributed $5,733 to the Partnership as a source of funds for the transaction.

In connection with the HELOC Transaction, the Company entered into the Binford Aggregator LP Executive Equity Incentive Plan (the "2022 Plan"). All awards granted and outstanding under the Villa Aggregator LP Amended and Restated Executive Equity Incentive Plan (the “2018 Plan”) vested as of the Transaction Date, as a result of the change in control, and were rolled over or settled in cash on the Transaction Date. As a result, the Company recognized stock-based compensation expense for the awards that vested on the Transaction Date. Refer to Note 14 Stock-Based Compensation for further information.

As of December 31, 2023 and 2022, the Company owned and operated 25 and 20 store locations, respectively. Expenses related to the management and operation of these owned businesses are included in the residential service expenses line in the consolidated statements of comprehensive loss for the years ended December 31, 2023, 2022 and 2021.

Franchised outlets as of December 31, 2023, 2022 and 2021 are summarized as follows:

	Franchises as of December 31, 2022	Acquired During the Period	Opened During the Period	Closed/Ceased During the Period	Reacquired by Franchisor	Franchises as of December 31, 2023
Ben Franklin	275	-	64	(15)	-	324
Mister Sparky	138	-	31	(6)	-	163
One Hour	352	-	52	(19)	-	385
Homewatch	222	-	16	(25)	-	213
Mosquito Squad	213	-	15	(11)	-	217
The Cleaning Authority	218	-	13	(10)	-	221
America's Swimming Pool	364	-	38	(27)	-	375
Monster	247	-	15	(45)	-	217
DoodyCalls	72	-	17	(3)	-	86
Screenmobile	-	150	2	(7)	-	145
STOP/DRYmedic	27	-	19	(3)	-	43
Junkluggers	115	-	28	(8)	-	135
Color World	50	-	12	(17)	-	45
Woofie's	9	-	31	(1)	-	39
Total	**2,302**	**150**	**353**	**(197)**	**-**	**2,608**

	Franchises as of December 31, 2021	Acquired During the Period	Opened During the Period	Closed/Ceased During the Period	Reacquired by Franchisor	Franchises as of December 31, 2022
Ben Franklin	255	-	24	(4)	-	275
Mister Sparky	115	-	23	-	-	138
One Hour	341	-	16	(5)	-	352
Homewatch	210	-	22	(10)	-	222
Mosquito Squad	221	-	5	(13)	-	213
The Cleaning Authority	211	-	10	(3)	-	218
America's Swimming Pool	348	-	37	(21)	-	364
Monster	244	-	12	(9)	-	247
DoodyCalls	53	-	22	(3)	-	72
STOP/DRYmedic	28	-	2	(3)	-	27
Junkluggers	-	97	29	(8)	(3)	115
Color World	-	56	8	(14)	-	50
Woofie's	-	2	7	-	-	9
Total	**2,026**	**155**	**217**	**(93)**	**(3)**	**2,302**

Dollar values presented in the consolidated financial statements are in thousands of US dollars, unless otherwise stated.

2. Summary of Significant Accounting Policies

Financial Statement Preparation and Principles of Consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles and practices of the United States of America ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries outlined in Note 1. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The areas that require the use of management estimates include purchase price allocation, deferred income taxes, the carrying value of goodwill and stock-based compensation. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized in accordance with Accounting Standards Codification ("ASC") 606 – Revenue from Contracts with Customers, using a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the entity satisfies a performance obligation.

The following describes principal activities from which the Company generates its revenues and the associated revenue recognition policies:

Franchise Revenue

Franchise revenue consists of royalty, national advertising, local advertising, software fees, call center and initial franchise fees charged to franchisees. The Company administers the national advertising fund ("NAF") which is funded by the franchisees and is used to pay for the costs of preparing and producing various advertising and marketing materials for the franchisees.

The Company's primary performance obligation under franchise agreements is granting rights to use the Company's intellectual property over the term of the franchise agreement. Brand royalty and NAF fees are primarily based on a percentage of franchisee sales and the Company recognizes revenue for these fees as they become billable when the underlying franchisee sales occur. These fees are generally billed on a monthly basis. Fixed franchise and NAF fees, which are included in certain brand franchise agreements, are recognized on a straight-line basis over the franchise agreement term. Initial franchise fees are not associated with a service distinct from the overall initial franchise right performance obligation and are therefore recognized on a straight-line basis over the franchise agreement term. The advertising funded through the NAF benefits the franchise brands overall, rather than the individual franchise owners, and therefore is not a performance obligation separate from the overall franchise right. Any underspending of NAF contributions is recorded as accrued and other liabilities on the consolidated balance sheets.

Local advertising, software and call center services provide a distinct benefit from the franchise right and are therefore separate performance obligations. Fees associated with these services are generally billed as a monthly fixed or usage-based amount and are recognized as revenue as the services are performed either on a straight-line basis over the contract term if the fee is fixed or as invoiced if the fee is based on usage.

Franchise revenue, except for initial franchise fees, is included in the franchise services fees on the consolidated statements of comprehensive loss. Initial franchise fees are included in franchise sales fees on the consolidated statements of comprehensive loss.

Company-Owned Store Revenue

Revenue from company-owned stores is generally recognized when the services are performed, which typically occurs on a single day. Payment is due within a short period of time after the service has been performed.

For fixed fee restoration services that may extend over a period of time, typically no more than 18 months, the Company recognizes revenue as performance obligations are satisfied and control of the promised good or service is transferred to the customer. Restoration service revenue is recognized over time using contract costs as a method to measure progress towards satisfaction of the underlying performance obligations. Contract costs include direct costs such as materials, labor and subcontractor costs, as well as indirect costs identifiable with, or allocable to, a specific contract that are expensed as incurred. Revenue is recognized based on the proportion of the contract costs incurred to the total estimated costs expected to be incurred upon completion of the underlying performance obligation. Changes in these estimates can occur for a variety of reasons and are recognized on a cumulative catch-up basis in the period when such changes are determinable and reasonably

estimable. If the estimate of contract profitability indicates an anticipated loss on a contract, the Company recognizes the total loss at the time it is identified. The Company recognized restoration services revenue of $8,909 and $696 during the years ended December 31, 2023 and 2022, respectively. Restoration services deferred revenue was $858 and $1,869 as of December 31, 2023 and 2022, respectively.

The Company also offers extended warranties and annual service plans. Revenue associated with these services is recognized on a straight-line basis over the contract term. Fees are generally billed annually in advance and are included in deferred revenue and other long-term liabilities on the consolidated balance sheets until revenue recognition occurs.

Company-owned store revenue is included in residential services on the consolidated statements of comprehensive loss.

Product Sales Revenue
The Company sells products to franchisee and non-franchisee customers. Revenue for product sales in which the Company has inventory risk is recognized at a point in time when control transfers to the buyer, which is generally when the product is shipped to the customer. Payment is due within a short period of time after the shipment.

The Company acts as an agent in respect of certain third-party products that are sold through the Company's online platform. The Company has no inventory risk on these products as they are drop shipped to the end customer and the third-party vendor is primarily responsible for fulfilling the order. The Company therefore recognizes revenue at an amount equal to the net fees received after payment to the third-party vendor.

The Company recognized $10,441, $9,913 and $9,320 of revenue from product sales for the years ended December 31, 2023, 2022 and 2021, respectively, in other revenues on the consolidated statements of comprehensive loss.

Obligations arising for returns, refunds, and other assurance warranties are infrequent and are not significant to the consolidated financial statements for the years ended December 31, 2023, 2022 and 2021.

Revenue is recognized net of any taxes collected from customers which are subsequently remitted to taxing authorities. These taxes are recorded as a liability when the amounts are billed to franchisees and the liability is relieved when payments are made to the respective taxing authority.

Rebates
Rebates received from third-party vendors in return for the Company maintaining a buying program that connects the vendors with the Company's franchisee customers are recognized as revenue as they become due, which is generally on a monthly basis. Rebates are calculated as a percentage of third-party sales. The Company recognized $17,865, $18,134 and $12,558 of rebates in other revenue on the consolidated statements of comprehensive loss for the years ended December 31, 2023, 2022 and 2021, respectively.

Software Service Revenue
Software service revenue consists of the Company's software and mobile product services that are provided on a continuous basis for the contractual period. Where the Company has determined that the customer obtains a right to access our software, the Company recognizes revenue on a straight-line basis over the contractual term beginning when the customer has access to the service. Software service revenue is typically billed on a monthly basis. The Company's performance obligation is satisfied evenly over time. The Company recognized $6,632, $7,084 and $6,752 of software service revenue for the years ended December 31, 2023, 2022 and 2021, respectively, in franchise service fees on the consolidated statements of comprehensive loss.

Revenue is recognized net of any taxes collected from customers which are subsequently remitted to taxing authorities. These taxes are recorded as a liability when the amounts are billed to franchisees and the liability is relieved when payments are made to the respective taxing authority.

Contract Balances
Contract assets, which relate to fixed franchise and NAF fees for certain franchise agreements, are amounts for which revenue has been recognized but the Company's right to consideration is conditional upon performing further service. Current contract assets are included in prepaid expenses and other current assets. The long-term contract asset balance is included in other assets on the consolidated balance sheets.

Contract liabilities are amounts collected, or an unconditional right to consideration (receivable) in advance of delivery of goods or services. Contract liabilities are typically related to billed amounts for obligations that have not yet been satisfied and therefore may not be recognized until conditions of the contract are met. Contract liabilities consist of initial franchise fees and service plans. Initial franchise fees are collected

near the execution date of the franchise agreement and recognized on a straight-line basis over the franchise agreement term. Fees for services plans are collected upfront and recognized over the life of the plan, which is generally one year. The current portion of contract liabilities is included in deferred revenue on the consolidated balance sheets. Long-term contract liabilities are included in other long-term liabilities on the consolidated balance sheets.

Contract assets and liabilities acquired in a business combination are accounted for in accordance with ASU 2021-08 – Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The Company accounts for the acquisition of contract assets and liabilities as if the Company had entered into the original contract at the same date and on the same terms as the seller. Therefore, contract assets and liabilities acquired are recognized at the same amount recorded by the seller.

The following table presents closing balances of contract assets and liabilities as of December 31, 2023 and 2022:

	Balance at December 31,		Location on the Consolidated Balance Sheets
	2023	2022	
Contract assets - short-term	$ -	$ 406	Prepaid expenses and other current assets
Contract liabilities - short-term	17,189	13,586	Deferred revenue
Contract liabilities - long-term	29,640	28,439	Other long-term liabilities

The Company recognized revenue of $7,982, $3,681 and $2,749 for amortization of initial franchise fees for the years ended December 31, 2023, 2022 and 2021 in franchise sales fees on the consolidated statements of comprehensive loss. The Company recognized revenue of $9,523, $8,101 and $6,584 for amortization of service plans for the years ended December 31, 2023, 2022 and 2021 in residential services on the consolidated statements of comprehensive loss.

Costs Incurred to Obtain a Contract with Customers
The Company capitalizes commissions paid to brokers that are a direct result of obtaining a new franchise agreement and amortizes these costs over the franchise agreement period. These costs are capitalized in prepaid expenses and other current assets and other assets on the consolidated balance sheets. The Company recognized $1,957, $689 and $479 of commission costs in franchise sales expenses on the consolidated statements of comprehensive loss for the years ended December 31, 2023, 2022 and 2021.

Accounts Receivable and Allowance for Doubtful Accounts
Accounts receivable are stated at the amount management expects to collect from outstanding balances. Accounts receivable balances are pooled based on similar risk characteristics and credit risk is assessed based on historical experience, current economic conditions, and reasonable and supportable forecasts of future economic conditions. Uncollectible accounts are written off against the allowance when collection of the amounts appears doubtful. As of December 31, 2023 and 2022, the allowance for doubtful accounts was $5,757 and $3,170, respectively. During the years ended December 31, 2023, 2022 and 2021, the Company recognized bad debt expense of $3,123, $1,637 and $1,290 and had write-offs of uncollectible accounts of $536, $403 and $77, respectively.

Cash and Cash Equivalents
The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents. Cash consists primarily of cash on hand and cash on deposit. The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

In accordance with Accounting Standards Update ("ASU") 2016-15 Statement of Cash Flows (Topic 230), cash payments made not soon after (defined as more than three months) the acquisition date of a business combination to settle any contingent consideration liabilities, the payments are separated and classified as cash outflows from financing activities and operating activities. Cash payments up to the amount of the contingent consideration liability recognized at the acquisition date (including measurement-period adjustments) are classified as financing activities; any excess is classified as operating activities. The Company paid contingent consideration of $1,000, $0 and $0 during the years ended December 31, 2023, 2022 and 2021.

Restricted Cash
As of December 31, 2023 and 2022, the Company held $3,314 and $3,216, respectively, in restricted cash under the requirements of certain corporate insurance plans and as collateral in connection with the purchasing card program.

Inventory
Inventory consists of products, materials and equipment to be sold and is stated at the lower of cost or net realizable value, with cost determined using weighted-average, on a first-in, first-out method. Inventory is assessed on an annual basis for slow moving and obsolete items. As of December 31, 2023 and 2022, the Company had an inventory reserve of $472 and $513, respectively.

Property and Equipment
Property and equipment is stated at historical cost and depreciated using the straight-line method over the estimated useful life of the assets. Additions and betterments are capitalized, maintenance and repairs which do not extend the useful life of the assets are expensed as incurred in general and administrative expenses on the consolidated statements of comprehensive loss.

Capitalized Software, Net
The Company capitalizes certain costs incurred in the development of various internally used software platforms, in accordance with ASC 350-40, "Internal-Use Software", which requires certain costs incurred during the application development stage be capitalized and other costs incurred during the preliminary project and post-implementation stages be expensed as they are incurred. The Company also develops software platforms and mobile applications to be sold and capitalizes costs in accordance with ASC 985-20, "Software – Cost of Software to be Sold, Leased or Marketed", which requires development costs incurred in the research and development of new software products be expensed as incurred until technological feasibility, in the form of a working model, has been established, at which time such costs are capitalized until the product is available for general release to customers.

The Company capitalizes software development costs when the preliminary project stage is completed and the technological feasibility is established. Capitalized costs include personnel and related expenses for employees and third-party contractors who are directly associated with and who devote time to software projects. Any costs incurred to significantly upgrade or enhance the Company's software platform are also capitalized. Costs related to the preliminary project activities and post-implementation support activities are expensed as incurred. Amortization of capitalized software costs accounted for in accordance with ASC 350-40 and ASC 985-20 are recognized in depreciation and amortization and franchise support expenses, respectively, on the consolidated financial statements using a straight-line method over an estimated useful life of three to five years for mobile applications and software platforms, respectively.

Leases
A lease is a contract, or part of a contract, that conveys the right to control the use of an identified asset(s) for a period of time in exchange for consideration. Contracts determined to be or contain a lease include explicitly or implicitly identified assets where the Company has the right to substantially all of the economic benefits of the assets and the ability to direct how and for what purpose the assets are used during the lease term. Leases are classified as either operating or financing.

The Company adopted Topic 842 on January 1, 2022 using the modified retrospective transition approach, and as a result did not recast prior periods. For 2021, amounts are presented under ASC 840. The Company applied the package of practical expedients permitted under the transition guidance which allows for the carry forward of historical lease identification, lease classification and initial direct costs for existing leases on the adoption date and does not require the assessment of existing lease contracts to determine whether the contracts contain a lease or initial direct costs. There was no cumulative effect adjustment to accumulated deficit as a result of this adoption at January 1, 2022. The adoption of Topic 842 did not have a significant impact on the consolidated statements of comprehensive loss or cash flows. See Note 15 Leases.

Finance and operating lease right-of-use ("ROU") assets and lease liabilities are recognized at the lease commencement date based on the present value of the future minimum lease payments over the lease term. The lease term represents the non-cancelable period of the lease, including any lessee options to renew, extend, or terminate which are considered to be reasonably certain of exercise. Some of the Company's leases include one or more options to renew and extend the lease term. The exercise of lease renewal options is at the Company's sole discretion and generally, a renewal option is not deemed to be reasonably certain to be exercised until such option is legally executed.

For operating leases, the Company utilizes the private company practical expedient for discount rates and uses a risk-free rate when the discount rate is not readily determinable in the lease. The Company recognizes lease expense for fixed lease payments on operating leases on a straight-line basis over the lease term, while variable lease payments are recognized as incurred.

Assets held under finance leases are included in property and equipment on the consolidated balance sheets and are amortized over the lesser of the term of the related lease or the estimated useful life of the asset. For financing leases, the implied rate is utilized based on the monthly interest disclosed by vendors on monthly invoicing.

The Company applies the short term lease exemption and does not recognize ROU assets and lease liabilities for leases with a lease term of 12 months or less for all asset classes. The Company has elected to not separate lease and non-lease components (such as common area maintenance) when amounts are fixed, determinable and combined within monthly lease payments.

The Company evaluates whether events and circumstances have occurred that indicate right-of-use assets have been impaired. Measurement of any impairment of such assets is based on their fair values. Once a ROU asset for a lease is impaired, the carrying amount of the right-of-use asset is reduced through expense and the remaining balance is subsequently amortized on a straight-line basis.

Intangible Assets
Intangible assets consist of trademarks, franchise and referral relationships, customer relationships, software, proprietary processes, and noncompetition agreements. Intangible assets are stated at their estimated fair value at the date of acquisition. Amortization is computed over the estimated useful lives of the related intangible assets using the straight-line method.

Long-Lived Assets
In accordance with ASC 360, Accounting for Impairment or Disposal of Long-Lived Assets, long- lived assets, such as property and equipment and intangible assets, are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If not recoverable, the Company determines the fair value of the asset group using a discounted cash flow. If the carrying amount of an asset group exceeds its estimated discounted future cash flows, an impairment charge is recognized at the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. The Company did not recognize any impairment charges for the years ended December 31, 2023, 2022 and 2021.

Goodwill
Goodwill represents the excess of acquisition costs over the fair value of assets and liabilities acquired, including specifically identified intangible assets. Commencing on January 1, 2023, the Company adopted the private company alternative accounting approach for the subsequent accounting for goodwill as provided for in ASU 2014-02, Intangibles - Goodwill and Other (Topic 350): Accounting for Goodwill. As such, the Company amortizes goodwill on a straight-line basis over a period of ten years. The accounting alternative requires the Company to make an accounting policy decision to test goodwill for impairment at either the entity level or the reporting unit level. The Company tests goodwill for impairment at the entity level.

In accordance with ASU 2021-03 - "Accounting Alternative for Evaluating Triggering Events," the Company tests goodwill for impairment if the facts and circumstances at year end indicate a triggering event exists. In conducting impairment testing, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of a reporting unit is less than its carrying amount. If the Company performs a qualitative assessment and determines that the carrying value more likely than not exceeds the fair value, then the quantitative impairment test is performed, otherwise no further analysis is required. The Company also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test. The ultimate outcome of the goodwill impairment assessment will be the same whether the Company chooses to perform the qualitative assessment or proceed directly to the quantitative impairment test.

The Company did not identify any triggering events as of December 31, 2023 and 2022 and did not recognize any impairment charges for the years ended December 31, 2023, 2022 and 2021.

Deferred Loan Costs
In accordance with ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"), the Company capitalizes and defers certain loan costs, which are presented on the consolidated balance sheets as a reduction of long-term debt or within other assets, when they relate to undrawn amounts from the Company's Class A-1 Notes and delayed draw facility. These costs are amortized over the term of the debt using the straight-line method, which approximates the effective interest method.

Stock-Based Compensation
Upon the formation of the Company in 2018, the Partnership established the Villa Aggregator LP Amended and Restated Executive Equity Incentive Plan (the "2018 Plan"), which governs certain stock-based and other incentive compensation with the employees. The Plan provides employees an opportunity to indirectly participate in the distribution of the future profits of the Company.

The awards issued under the 2018 Plan (known as Class B Profit Interest Units) are classified as equity awards. Compensation expense is estimated at the grant date based on an award's fair value as calculated by the Monte-Carlo simulation valuation model. Compensation expense

is recognized using the graded vesting attribution method over the requisite service period of five years and is included in stock-based compensation expense on the consolidated statements of comprehensive loss. The Company made a policy election to recognize forfeitures as they occur.

The Company also provides certain executives with ownership interests in the Partnership (known as Class A-2 Units) in exchange for promissory notes and rollover equity. The promissory notes only have recourse against the employee's Class A-2 units, as such they are considered to be a stock option in accordance with GAAP. In addition, the notes have an interest rate that is based on a third party indexed rate, and therefore the stock option is classified as a liability award by the Partnership. Liability classified awards are measured at each reporting date using the intrinsic value model with the related compensation expense recognized in stock-based compensation expense in the consolidated statements of comprehensive loss. Until the stock option is deemed to have been exercised through the repayment of the notes, any distributions on these shares will be deemed compensation expense.

The Company is not the legal obligor of the Class A-2 Unit awards. Therefore, the obligation (liability classified award) remains with the Partnership and any stock-based compensation charges incurred are recognized as additional paid-in capital through a noncash contribution with an offsetting charge to stock-based compensation expense.

In connection with the HELOC Transaction in November 2022, the Company established the Binford Aggregator LP Executive Equity Incentive Plan (the "2022 Plan"), which governs the Class B stock-based incentive compensation granted to certain employees. All remaining units available for issuance under the 2018 Plan and A-2 Units outstanding as of November 2022 were settled upon the close of the HELOC Transaction.

The 2022 Plan provides participants with an opportunity to indirectly participate in the distribution of the future profits of the Company. The awards issued under the Plan (known as Class B Profit Interest Units) are classified as equity awards. Compensation expense is estimated at the grant date based on an award's fair value as calculated by an options pricing model. Compensation expense is recognized using the graded vesting attribution method over the requisite service period of five years and is included in stock-based compensation expense on the consolidated statements of comprehensive loss. The Company made a policy election to recognize forfeitures as they occur.

The Company recognized stock-based compensation expense related to the settlement of the awards issued under the 2018 Plan and Class A-2 Units in connection with the HELOC Transaction. Refer to Note 14 for further details.

Taxes

The Company is subject to federal and state income taxes. Accordingly, an income tax provision has been recognized for federal and state income taxes. AB Canada and Homewatch Canada are Canadian corporations that are subject to Canadian income taxes. For 2023, 2022 and 2021, income taxes for AB Canada and Homewatch Canada were insignificant.

The Company provides for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for financial reporting and for income tax reporting. The deferred tax assets or liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

For balance sheet presentation purposes, the Company nets its deferred tax asset and deferred tax liability positions by tax jurisdiction and classifies the resulting net deferred tax asset and/or net deferred tax liability as noncurrent in accordance with ASU 2015-17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes on the consolidated balance sheets.

The Company utilizes a two-step approach for recognizing and measuring uncertain tax positions accounted for in accordance with the asset and liability method. The first step is to evaluate the tax position for recognition by determining whether evidence indicates that it is more likely than not that a position will be sustained if examined by a taxing authority. The second step is to measure the tax benefit as the largest amount that is 50% likely to be realized upon settlement with a taxing authority. Income taxes are accounted for on an accrual basis.

Advertising Costs

The Company administers the NAF funded by the franchisees for which the associated revenue is recognized in franchise service fees on the consolidated statements of comprehensive loss. The NAF pays for costs of preparing and producing various advertising and marketing materials for the franchisees.

The NAF advertising expenses are recognized as incurred and are included in franchise support expenses on the consolidated statements of comprehensive loss. NAF expenses for the years ended December 31, 2023, 2022 and 2021 were $15,854, $15,008, and $12,858, respectively.

Non-NAF advertising expenses are recognized as incurred and included in both franchise sales expense and residential service expenses on the consolidated statements of comprehensive loss. For the years ended December 31, 2023, 2022 and 2021, $23,099, $16,970, and $15,904 respectively, were expensed in the consolidated statements of comprehensive loss.

Foreign Currency Translation

The assets and liabilities of foreign operations in Canada, whose functional currency is other than the U.S. dollar, are translated to U.S. dollars at the period end exchange rates and revenues and expenses are translated at average exchange rates for the period. Differences arising from this translation are included in the foreign currency translation adjustment component of accumulated other comprehensive (loss) income.

For all operations, the monetary items denominated in currencies other than the functional currency are remeasured at period-end exchange rates and transaction gains and losses are included in general and administrative expense in the consolidated statements of comprehensive loss.

Nonmonetary items are remeasured at historical rates. Impacts resulting from the foreign currency fluctuations were not significant to the consolidated financial statements as of and during the periods presented.

Fair Value Measurements

The Company applies fair value accounting for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Inputs that are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability.

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, inventory, prepaid expenses, accounts payable, accrued liabilities and deferred franchise fees approximate fair value because of the short maturity of the instruments. The carrying value of long-term debt approximates fair value as the stated interest rates are at market rates.

Recently Issued Accounting Pronouncements

Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses ("ASC 326"): Measurement of Credit Losses on Financial Instruments, which requires the application of a current expected credit loss (“CECL”) impairment model to financial assets measured at amortized cost (including trade accounts receivable), net investments in leases, and certain off-balance-sheet credit exposures. Under the CECL model, lifetime expected credit losses on such financial assets are measured and recognized at each reporting date based on historical, current, and forecasted information. Furthermore, the CECL model requires financial assets with similar risk characteristics to be analyzed on a collective basis. ASC 326 is effective for private companies for fiscal years beginning after December 15, 2022 and interim periods within those years. The Company adopted the new accounting standard on January 1, 2023. The adoption of ASU 2016-13 did not have a material impact on the consolidated financial statements.

3. Acquisitions

Asset Acquisitions

Macchia

On December 30, 2021, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of LMS, LLC, LMSRI, Inc., and LMSNH, LLC for a purchase price of $24,726. The businesses represent a group of retail operations of Mosquito Squad. The purchase price was allocated to customer relationships intangible assets in the amount of $27,766, which will be amortized on straight line basis over its useful life of 5 years, vehicles and equipment in the amount of $1,500, deferred tax liability of $5,490 and other liabilities in the amount of $1,000. The transaction was funded with cash held on the seller's balance sheet of $1,950 and cash held by the Company.

In accordance with guidance issued by the FASB for asset acquisitions, the purchase price was allocated to the assets acquired and liabilities assumed at cost. As such, no goodwill was recognized.

Other

During 2023, 2022 and 2021, the Company entered into several purchase and sale agreements to acquire 100% of the assets of other retail operations for an aggregate purchase price of $325, $1,570 and $3,638, respectively. The acquisitions were funded with cash held by the Company. In accordance with guidance issued by the FASB for asset acquisitions, the purchase price was allocated to the assets acquired and liabilities assumed at cost. As such, no goodwill was recognized. The purchase price was allocated as follows:

Assets acquired	**2023**	**2022**	**2021**
Current assets	$ -	$ 145	$ -
Property and equipment	102	270	405
Intangible assets and other assets	223	1,243	3,312
Assets acquired	325	1,658	3,717
Other liabilities assumed	-	(88)	(79)
Purchase price	**$ 325**	**$ 1,570**	**$ 3,638**

The acquired intangible assets had a preliminary useful life of 4 years.

As a result of the above transactions, the Company did not incur significant transaction costs during the years ended December 31, 2023 and December 31, 2022. During the year ended December 31, 2021, the Company incurred transaction costs of $445.

Business Combinations

WeedPro

On March 31, 2023, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of Weed Pro, Ltd. for a purchase price of $24,126. Weed Pro provides lawn care services including fertilization, weed control, aeration, seeding and more and has been acquired to allow for the expansion of the Company's presence within its home servicing franchising platform. The acquisition was funded with rollover equity of $5,500 and borrowings from the Company's 2022 A-1 loan. Goodwill largely consists of strategic and synergistic opportunities resulting from combining Weed Pro with the Company's existing business. The goodwill resulting from this acquisition is tax deductible.

As a result of the transaction, the Company incurred and expensed transaction costs of $845, which are included in transaction costs on the consolidated statements of comprehensive loss.

The Company accounted for the acquisition as a business combination pursuant to ASC 805. In accordance with ASC 805, fair values are assigned to tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date based on the information that was available as of the acquisition date.

The Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of purchase price over the aggregate fair values was recorded as goodwill.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

Assets acquired		
Current assets	$	914
Operating lease right-of-use assets		322
Property and equipment		840
Goodwill		19,941
Intangible assets and other assets [(1)]		5,499
Assets acquired		27,516
Operating lease liabilities		(322)
Deferred revenue		(1,989)
Other liabilities assumed		(1,079)
Purchase Price	**$**	**24,126**

(1) Identifiable intangible assets acquired include customer relationships and non-competition agreements which will be amortized on a straight-line basis over their preliminary useful lives of 4 and 5 years, respectively.

Screenmobile

On February 8, 2023, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of The Screenmobile Corporation for a purchase price of $17,915. Screenmobile is national mobile screen repair service. Screenmobile was acquired to allow for the expansion of the Company's presence within its home servicing franchising platform. The acquisition was funded with rollover equity of $900 and borrowings from the Company's 2022 A-1 loan. Goodwill largely consists of strategic and synergistic opportunities resulting from combining Screenmobile with the Company's existing business. The goodwill resulting from this acquisition is not expected to be tax deductible.

As a result of the transaction, the Company incurred and expensed transaction costs of $1,052, which are included in transaction costs on the consolidated statements of comprehensive loss.

The Company accounted for the acquisition as a business combination pursuant to ASC 805. In accordance with ASC 805, fair values are assigned to tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date based on the information that was available as of the acquisition date.

The Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of purchase price over the aggregate fair values was recorded as goodwill.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

Assets acquired		
Current assets	$	443
Operating lease right-of-use assets		125
Goodwill		10,746
Intangible assets and other assets [(1)]		11,860
Assets acquired		23,174
Deferred tax liability		(2,343)
Operating lease liabilities		(125)
Deferred revenue		(2,652)
Other liabilities assumed		(139)
Purchase Price	**$**	**17,915**

(1) Identifiable intangible assets acquired include trademarks, franchise relationships and non-competition agreements which will be amortized on a straight-line basis over their preliminary useful lives of 25 years, 15 years and 5 years, respectively.

Junkluggers

On December 14, 2022, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of Junkluggers Franchising, LLC, Junkluggers, LLC and LugLife, LLC for a purchase price of $79,202. Junkluggers is an eco-friendly junk removal franchise company that focuses on utilizing sustainable practices to divert waste from landfills. Junkluggers was acquired to allow for the expansion of the Company's presence within its home services franchising platform. The acquisition was primarily funded with rollover equity of $16,000 and cash held by the Company. Goodwill largely consists of strategic and synergistic opportunities resulting from combining Junkluggers with the Company's existing businesses. The goodwill resulting from this acquisition is tax deductible.

As a result of the transaction, the Company incurred and expensed transaction costs of $2,084, which are included in transaction costs on the consolidated statements of comprehensive loss.

The Company accounted for the acquisition as a business combination pursuant to ASC 805. In accordance with ASC 805, fair values are assigned to tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date based on the information that was available as of the acquisition date. During the year ended December 31, 2023, there were no material changes to the purchase price allocation for Junkluggers Acquisition.

The Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the purchase price over the aggregate fair values was recorded as goodwill.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

Assets acquired		
Current assets	$	3,139
Operating lease right-of-use assets		1,115
Property and equipment		716
Goodwill		49,394
Intangible assets and other assets [(1)]		38,055
Deferred tax assets		458
Assets acquired		92,877
Operating lease liabilities		(1,115)
Deferred revenue		(8,089)
Other liabilities assumed		(4,471)
Purchase price	**$**	**79,202**

(1) Identifiable intangible assets acquired include referral relationships, trademarks, franchise relationships and non-competition agreements which will be amortized on a straight-line basis over their preliminary useful lives of 15 years, 25 years, 15 years and 1 years, respectively.

DRYmedic

On November 4, 2022, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of DRYmedic Restoration Services, LLC and its subsidiaries for a purchase price of $45,556. DRYmedic provides disaster restoration services with a focus on water damage restoration, fire damage repair and mold removal and has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. The acquisition was funded with rollover equity of $18,984 and borrowings from the Company's 2022 A-1 loan. Goodwill largely consists of strategic and synergistic opportunities resulting from combining DRYmedic with the Company's existing businesses. The goodwill resulting from this acquisition is tax deductible.

As a result of the transaction, the Company incurred and expensed transaction costs of $1,077, which are included in transaction costs on the consolidated statements of comprehensive loss. The Company accounted for the acquisition as a business combination pursuant to ASC 805. In accordance with ASC 805, fair values are assigned to tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date based on the information that was available as of the acquisition date. During the year ended December 31, 2023, there were no material changes to the purchase price allocation for DRYmedic Acquisition.

The Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the purchase price over the aggregate fair values was recorded as goodwill.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

Assets acquired		
Current assets	$	5,038
Operating lease right-of-use assets		175
Property and equipment		276
Goodwill		25,963
Intangible assets and other assets [(1)]		17,113
Deferred tax assets		231
Assets acquired		48,796
Deferred revenue		(2,210)
Operating lease liabilities		(175)
Other liabilities assumed		(855)
Purchase price	**$**	**45,556**

(1) Identifiable intangible assets acquired include referral relationships, trademarks and non-competition agreements which will be amortized on a straight-line basis over their preliminary useful lives of 15 years, 25 years and 3 years, respectively.

Woofie's

On January 21, 2022, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of Woofie's, LLC and its subsidiaries Woofie's Mobile Pet Spa, LLC and Woofie's Pet Venture, LLC for a purchase price of $5,043. Woofie's is a professional pet care franchise company that provides pet sitting, training, walking as well as mobile pet spa services and was acquired to allow for the expansion of the Company's presence within its home services franchising platform. The acquisition was funded with rollover equity of $1,040 and cash held by the Company. Goodwill largely consists of strategic and synergistic opportunities resulting from combining Woofie's with the Company's existing businesses. No goodwill related to this acquisition is expected to be deductible for income tax purposes.

As a result of the transaction, the Company incurred and expensed transaction costs of $248, which are included in transaction costs on the consolidated statements of comprehensive loss.

The Company accounted for the acquisition as a business combination pursuant to ASC 805. In accordance with ASC 805, fair values are assigned to tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date based on the information that was available as of the acquisition date. During the year ended December 31, 2023, there were no material changes to the purchase price allocation for Woofie's Acquisition.

The Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the purchase price over the aggregate fair values was recorded as goodwill.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

Assets acquired		
Current assets	$	514
Operating lease right-of-use assets		989
Property and equipment		328
Goodwill		1,942
Intangible assets and other assets [(1)]		2,423
Assets acquired		6,196
Operating lease liabilities		(989)
Other liabilities assumed		(164)
Purchase price	**$**	**5,043**

(1) Identifiable intangible assets acquired include customer relationships, trademarks and franchise relationships which will be amortized on a straight-line basis over their preliminary useful lives of 4 years, 25 years and 15 years, respectively.

Color World

On January 10, 2022, the Company entered into a purchase and sale agreement to acquire 100% of the assets of Color World Franchise Systems, LLC, and Color World Housepainting Inc. for a purchase price of $4,386. Color World is a paint service franchising company that has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. The acquisition was funded with cash held by the Company. Goodwill largely consists of strategic and synergistic opportunities resulting from combining Color World with the Company's existing businesses. Goodwill related to this acquisition is expected to be deductible for income tax purposes.

As a result of the transaction, the Company incurred and expensed transaction costs of $197, which are included in transaction costs on the consolidated statements of comprehensive loss.

The Company accounted for the acquisition as a business combination pursuant to ASC 805. In accordance with ASC 805, fair values are assigned to tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date based on the information that was available as of the acquisition date. During the year ended December 31, 2023, there were no material changes to the purchase price allocation for Color World Acquisition.

The Company allocated the purchase price of the acquisition to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the purchase price over the aggregate fair values was recorded as goodwill.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

Assets acquired		
Current assets	$	33
Operating lease right-of-use assets		263
Property and equipment		33
Goodwill		2,647
Intangible assets and other assets [(1)]		2,154
Assets acquired		5,130
Operating lease liabilities		(263)
Other liabilities assumed		(481)
Purchase price	**$**	**4,386**

(1) Identifiable intangible assets acquired include customer relationships, trademarks and franchise relationships which will be amortized on a straight-line basis over their preliminary useful lives of 4 years, 25 years and 15 years, respectively.

DoodyCalls

On February 17, 2021, the Company entered into a purchase and sale agreement to acquire 100% of the outstanding equity interests of DoodyCalls, Inc. and its affiliates DoodyCalls LLC, DoodyCalls Intellectual Property LLC for a purchase price of $23,428. DoodyCalls is a franchising company that provides pet waste removal services for homeowners and has been acquired to allow for the expansion of the Company's presence within its home services franchising platform. The acquisition was funded with rollover equity of $1,600 and borrowings from the Company's delayed draw credit facility. All goodwill that has been recognized in the acquisition relates to intangible assets that do not qualify for separate recognition. The goodwill resulting from this acquisition is tax deductible.

As a result of the transaction, the Company incurred and expensed transaction costs of $751, which are included in transaction costs on the consolidated statements of comprehensive loss.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as follows:

Assets acquired	
Current assets	$ 1,163
Property and equipment	462
Goodwill	7,761
Intangible assets and other assets [(1)]	14,321
Assets acquired	23,707
Liabilities assumed	(279)
Purchase price	**$ 23,428**

(1) Identifiable intangible assets acquired include customer relationships, trademarks, non-competition agreements and franchise relationships which will be amortized on a straight-line basis over their preliminary useful lives of 4 years, 25 years, 5 years and 15 years, respectively.

4. Inventory, net

Inventory consisted of the following as of December 31, 2023 and 2022**:**

	2023		
	Gross	**Reserve**	**Net**
Products for sale	$ 3,123	$ (341)	$ 2,782
Materials	2,822	(99)	2,723
Equipment	1,075	(32)	1,043
Total inventory	**$ 7,020**	**$ (472)**	**$ 6,548**

	2022		
	Gross	**Reserve**	**Net**
Products for sale	$ 3,382	$ (416)	$ 2,966
Materials	2,604	(59)	2,545
Equipment	1,266	(38)	1,228
Total inventory	**$ 7,252**	**$ (513)**	**$ 6,739**

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following as of December 31, 2023 and 2022:

	2023	**2022**
Notes receivable	$ 1,550	$ 1,081
Prepaid insurance	1,633	469
Prepaid advertising	3,324	2,598
Prepaid expenses - other	4,785	4,225
Other current assets	1,283	1,109
Total prepaid expenses and other current assets	**$ 12,575**	**$ 9,482**

6. Property and Equipment

Property and equipment consisted of the following as of December 31, 2023 and 2022:

	Estimated Useful Life	2023	2022
Buildings and leasehold improvements	5 - 30 years	$ 5,794	$ 4,667
Software- for internal use	1 - 3 years	8,900	5,568
Software- to be sold	3 - 5 years	36,522	30,214
Vehicles	2 - 5 years	26,404	20,548
Office equipment and furniture	2 - 5 years	4,157	3,255
Machinery, equipment and tools	2 - 7 years	2,965	1,813
Land		143	143
Software in development		10,290	7,242
Total property and equipment		**95,175**	**73,450**
Less: Accumulated depreciation and amortization		(38,768)	(22,991)
Property and equipment, net		**$ 56,407**	**$ 50,459**

As of December 31, 2023, software in development consisted of software for internal use and software to be sold of $3,859 and $6,431, respectively. As of December 31, 2022 software in development consisted of software for internal use and software to be sold of $3,131 and $4,111, respectively.

Depreciation and amortization expense recognized in the consolidated statements of comprehensive loss was $18,459, 12,548 and 5,846, for the years ended December 31, 2023, 2022 and 2021, respectively, of which, $10,402, $6,401 and 1,441 for the years ended December 31, 2023, 2022 and 2021 related to software to be sold was included in franchise support expenses in the consolidated statement of comprehensive loss.

7. Other Long-Term Assets

Other long-term assets consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Cost to obtain contracts - commissions	$ 11,870	$ 7,974
Prepaid customer incentive payments	744	957
Deferred financing cost	1,052	1,811
Other	756	1,144
Total other long-term assets	**$ 14,422**	**$ 11,886**

8. Intangible Assets and Goodwill

Intangible Assets, Net

Intangible assets consisted of the following as of December 31, 2023 and 2022:

	As of December 31, 2023				
	Estimated Useful Life	Gross Amount	Accumulated Amortization	Net Amount	Weighted Average Remaining Useful Life
Trademarks	15-25 years	$ 179,232	$ 28,779	$ 150,453	21
Franchise relationships	15 years	353,475	110,374	243,101	10.6
Referral relationships	15 years	12,626	248	12,378	13.8
Software	10 years	7,500	3,500	4,000	5.3
Customer relationships	4-5 years	48,479	22,656	25,823	3
Proprietary processes	10 years/7 years	2,449	1,133	1,316	5.5
Noncompetition agreements	5 years	2,000	1,186	814	3
Intangible assets, net		**$ 605,761**	**$ 167,876**	**$ 437,885**	

	As of December 31, 2022				
	Estimated Useful Life	Gross Amount	Accumulated Amortization	Net Amount	Weighted Average Remaining Useful Life
Trademarks	15-25 years	$ 170,832	$ 21,611	$ 149,221	21.9
Franchise relationships	15 years	350,075	86,114	263,961	11.5
Referral relationships	15 years	12,626	129	12,497	14.8
Software	10 years	7,500	2,750	4,750	6.3
Customer relationships	4-5 years	43,156	13,280	29,876	3.8
Proprietary processes	10 years	2,449	888	1,561	6.5
Noncompetition agreements	1-5 years	1,541	381	1,160	2
Intangible assets, net		**$ 588,179**	**$ 125,153**	**$ 463,026**	

Amortization expense was $42,723, $38,223 and 31,223, for the years ended December 31, 2023, 2022 and 2021, respectively.

Estimated amortization expense for the subsequent five years and thereafter is as follows:

2024	$ 42,608
2025	41,185
2026	39,739
2027	33,562
2028	32,568
Thereafter	248,223
	$ 437,885

Goodwill

Commencing on January 1, 2023, the Company adopted the private company alternative accounting approach for the subsequent accounting for goodwill. As such, the Company amortizes goodwill on a straight-line basis over a period of ten years.

Changes in the net carrying amount of goodwill for the years ended December 31, 2023 and 2022 are as follows:

	2022
Goodwill at December 31, 2021	**$ 349,439**
Color World	2,647
Woofie's	1,942
DRYmedic	25,963
Junkluggers	49,394
Goodwill at December 31, 2022	**$ 429,385**

	2023	2022
Goodwill beginning of year	**$ 429,385**	**$ 349,439**
Acquisitions	30,350	79,946
Amortization	(45,386)	-
Goodwill, net end of year	**$ 414,349**	**$ 429,385**

The gross balance of the goodwill asset and accumulated amortization as of December 31, 2023 is shown in the table below:

	As of December 31, 2023				
	Estimated Useful Life	**Gross Amount**	**Accumulated Amortization**	**Net Amount**	**Weighted Average Remaining Useful Life**
Authority Brands	10 years	$ 154,146	$ 15,415	$ 138,731	9 years
ASP	10 years	16,285	1,629	14,656	9 years
Mosquito Squad	10 years	12,422	1,242	11,180	9 years
Clockwork	10 years	126,296	12,630	113,666	9 years
Monster	10 years	28,786	2,878	25,908	9 years
DoodyCalls	10 years	7,761	776	6,985	9 years
DRYmedic	10 years	25,963	2,596	23,367	9 years
Junkluggers	10 years	49,394	4,940	44,454	9 years
Weed Pro	10 years	19,941	1,496	18,445	9.25 years
Screenmobile	10 years	10,746	985	9,761	9.08 years
Other acquisitions	10 years	7,995	799	7,196	9 years
Goodwill, net		**$ 459,735**	**$ 45,386**	**$ 414,349**	

During the periods presented, the Company did not record any goodwill impairment charges.

Estimated amortization expense for the subsequent five years and thereafter is as follows:

2024	$ 45,974
2025	45,974
2026	45,974
2027	45,974
2028	45,974
Thereafter	184,479
	$ 414,349

9. Accrued and Other Liabilities

Accrued and other liabilities consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Employee expenses	$ 4,174	$ 8,118
Rebates	2,938	1,285
Accrued interest	5,439	3,355
Advertising	4,972	6,621
Capital expenditures	770	906
Finance lease obligations	4,941	2,742
Other	4,328	5,378
Total accrued and other liabilities	**$ 27,562**	**$ 28,405**

10. Taxes

Income tax benefit consisted of the following for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Current			
Federal	$ -	$ -	$ -
State	361	488	582
Total current income tax expense	361	488	582
Deferred			
Federal	(2,626)	(3,441)	(2,411)
State	(10,554)	(837)	(573)
Total deferred income tax benefit	(13,180)	(4,278)	(2,984)
Total income tax benefit	**$ (12,819)**	**$ (3,790)**	**$ (2,402)**

Deferred income taxes consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Deferred tax assets		
Net operating losses and credits	$ 20,645	$ 19,966
Deferred revenue	8,684	8,047
Interest limitation	14,396	7,237
Lease obligation liability	3,353	2,249
Operating lease liabilities	4,029	3,705
Accrued expenses	512	1,319
Allowance for doubtful accounts	1,423	780
Gross deferred tax asset	53,042	43,303
Deferred tax liabilities		
Intangibles	(43,449)	(43,665)
Goodwill	(19,409)	(22,130)
Operating lease right-of-use asset	(3,778)	(3,527)
Property and equipment	(4,133)	(2,578)
Other	(39)	(6)
Gross deferred tax liability	(70,808)	(71,906)
Total deferred tax liability	**$ (17,766)**	**$ (28,603)**

As of December 31, 2023 and 2022, the Company has net operating loss ("NOL") carryforwards for U.S. federal tax purposes of $82,561 and $80,083, respectively. The federal NOL carryforwards have no expiration. As of December 31, 2023 and 2022, the Company has NOL carryforwards of approximately $62,769 and $61,762, respectively, for state income tax purposes. The state NOL carryforwards expire at various dates through 2043. As of December 31, 2023 and 2022, the Company has cumulative interest limitation carryforwards for U.S. federal tax purposes of $57,700 and $29,006, respectively.

The Company believes that it is more likely than not that the reversal of current deferred tax liabilities and the results of future operations will be sufficient to realize the deferred tax assets and has not recorded a valuation allowance as of December 31, 2023 and 2022.

Tax year 2020 and forward are open to examination by the Internal Revenue Service and various state tax authorities.

11. Other Long-Term Liabilities

Other long-term liabilities consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Deferred revenue	$ 29,640	$ 28,439
Finance lease obligation	8,410	6,600
Other	907	351
Total other long-term liabilities	**$ 38,957**	**$ 35,390**

12. Long-Term Debt

Long-term debt consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Securitization		
Class A-1 2021 Notes	$ 41,500	$ 15,500
Class A-1 2022 Notes	106,330	91,330
Class A-2 Notes	417,563	421,813
Total debt	**565,393**	**528,643**
Less: Current portion	4,250	4,500
Less: Unamortized deferred loan costs	10,194	11,085
Long-term debt	**$ 550,949**	**$ 513,058**

	Original Principal	Rate	Maturity
Terms Loans			
Class A-2 Notes	$ 425,000	3.734%	7/30/2051
Other			
Class A-1 2022 Notes	$ 200,000	3.25%+ (1)	10/31/2052
Class A-1 2021 Notes	$ 10,400	2.625% + SOFR	7/30/2051

(1) The interest rate for purposes of the Series 2022-1 Class A-1 Notes is equal to the sum of 3.25% plus the greater of (i) the Series 2022-1 Prime Rate in effect, (ii) the Federal Funds Rate in effect on such day plus 0.50% and (iii) Term SOFR for one-month tenor plus 1.00%.

As of December 31, 2023 and 2022, interest rates were as follows:

	As of December 31,	
	2023	2022
Class A-1 2021 Notes	8.12%	7.08%
Class A-1 2022 Notes	9.62%	8.89%
Class A-2 Notes	3.73%	3.73%

Debt Issuance costs related to undrawn amounts from the Company's Class A-1 Notes and delayed draw facility were $1,052 and $1,811 as of December 31, 2023 and 2022, respectively, and included within other assets on the consolidated balance sheets. Other deferred financing costs related to debt of $10,194 and $11,085 as of December 31, 2023 and 2022 respectively, are netted in long term debt on the consolidated balance sheets. Amortization of deferred financing costs of $1,676, $1,692 and 1,976 is included in interest expense on the consolidated statements of comprehensive loss for the years ended December 31, 2023, 2022 and 2021, respectively.

The outstanding debt has a final legal maturity of July 2051 for Class A-2 and Class A-1 2021 Notes and October 2052 for Class A-1 2022 Notes. The Company expects to make principal payments on the Class A-2 Notes of $4,250 in the next year and has such amount in the current portion of long-term debt as of December 31, 2023.

Securitization

On May 14, 2021 ("Closing Date"), the Issuer completed a financing transaction (the "Securitization Transaction") resulting in the issuance of the $5,000 in maximum principal amount Advance Funding Facility (the "Advance Funding Facility" or "AFF"), $50,000 in maximum principal amount of Series 2021-1 Variable Funding Senior Notes, Class A-1 (the "VFN" or the "Class A-1 2021 Notes") and $425,000 of Series 2021-1 3.734% Fixed Rate Senior Secured Notes, Class A-2 (the "Term Notes" or "Class A-2 Notes") and, together with the Advance Funding Facility and VFN, (the "Series 2021-1 Notes"). Additionally, on November 7, 2022, the Issuer completed an additional financing transaction resulting in the issuance of $200,000 in maximum principal amount of Series 2022-1 Variable Funding Senior Notes (the "Class A-1 2022 Notes").

As part of Securitization Transaction, the Company capitalized and deferred costs of $12,663, of which $11,863 were recorded as contra-liability to debt and $800 were recorded within other assets as they relate to undrawn amounts from the Company's Class A-1 Notes as of December 31, 2021.

Advance Funding Facility

The Advance Funding Facility, which was undrawn as of December 31, 2023 and 2022, provides for a maximum outstanding principal amount of $5,000. Under the provisions of the AFF, any outstanding advances under the AFF bear interest at a variable rate, Prime Rate + 3%, and the Issuer is obligated to pay a commitment fee related to undrawn amounts. The Company paid a commitment fee of $121, $150, and $130 which is recognized in interest expense in the consolidated statements of comprehensive loss for the years ended December 31, 2023, 2022 and 2021, respectively. Prime Rate means the rate of interest publicly announced from time to time by a commercial bank mutually agreed upon by the Manager and the Advance Funding Administrative Agent as its reference rate, base rate or prime rate. The AFF will terminate upon the earlier of the (i) the payment in full of all obligations relating to the Class A-2 Notes and (ii) payment in full of all interest on and principal of all AFF advances. The AFF is not a revolving facility and, accordingly, advances made and repaid are not permitted to be reborrowed.

Class A-1 2021 Notes

The Class A-1 2021 Notes provide for a maximum outstanding principal amount of $50,000. On the Closing Date, $10,400 was drawn in the form of advances and $5,076 in the form of letters of credit. Under the provisions of the Class A-1 2021 Notes, any outstanding LIBOR borrowings bear interest quarterly at a variable rate of 2.625% plus LIBOR, and the Issuer is obligated to pay fees of 0.50% accrued daily and paid quarterly related to undrawn amounts and any outstanding letters of credit. The anticipated repayment date for the Class A-1 2021 Notes is July 2026, subject to two one- year extensions upon the satisfaction of certain conditions. The final legal maturity date of the Class A-1 2021 Notes is July 2051. There are no principal payments due on the Class A-1 2021 Notes in the ordinary course, but the Class A-1 2021 Notes will be subject to rapid amortization if not paid in full by the anticipated repayment date. As of December 31, 2022, the Company had repaid a cumulative $10,400 (of which $5,400 was repaid during year ended December 31, 2022) of the advance and withdrew an additional $15,500, resulting in an outstanding balance of $15,500 as of December 31, 2022. During the year ended December 31, 2023, the Company withdrew an additional $26,000, resulting in an outstanding balance of $41,500 as of December 31, 2023.

Class A-1 2022 Notes

On November, 7 2022 the Company entered into the Class A-1 2022 Notes purchase agreement. The Class A-1 2022 Notes provide for a maximum outstanding principal amount of $200,000. On the closing date, no amounts were drawn. The transaction was treated as issuance of new debt and not a modification or extinguishment to the Class A-1 2021 Notes and does not impact the borrowing capacity of terms of the Company's previous notes. Under the provisions of the Class A-1 2022 Notes, the Advance shall bear interest at (i) the base rate or (ii) if the required notice has been given for any SOFR interest accrual period, the term SOFR rate applicable to such SOFR interest accrual period for such advance. The base rate is defined as a rate per annum equal to the sum of (i) 3.25% plus (ii) the greater of (a) the series 2022-1 prime rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus .50%, and (c) Term SOFR for a one-month tenor in effect on such day plus 1.00%. The anticipated start of principal payments for the Class A-1 2022 Notes is October 2024, subject to three one-year extensions upon the satisfaction of certain conditions. The Company intends to exercise the extension options and expects the subsequent repayment date to be October, 2027. The final legal maturity date of the Class A-1 2022 Notes is October 2052. There are no principal payments due on the Class A-1 2022 Notes in the ordinary course, but the Class A-1 2022 Notes will be subject to rapid amortization if not paid in full by the anticipated repayment date. As of December 31, 2022, the Company had withdrawn $91,330 which remained outstanding as of December 31, 2022. During the year ended December 31, 2023, the Company withdrew an incremental $22,000 and repaid $7,000 resulting in an outstanding balance of $106,330 as of December 31, 2023. As a result of the 2022 transaction, the Company incurred costs of $2,528, of which $1,476 were recorded as contra-liability to debt as of December 31, 2022 and $1,052 were recorded within other assets as they relate to undrawn amounts.

Class A-2 Notes

The Class A-2 Notes were issued in the amount of $425,000. The Class A-2 Notes have an anticipated repayment date of July 2028 and a legal final maturity date of July 2051. Interest is due quarterly, with 3 months of interest and commitment fees on the Class A-2 Notes, Class A-1 2021 Notes and Class A-1 2022 Notes required to be on deposit at all times in an interest reserve account. Interest on the A-2 notes accrues at 3.734% per annum and is due and payable on a quarterly basis. Principal payments of 0.25% of the initial principal amount of the Class A-2 Notes is payable on a quarterly basis (unless a non-amortization test is satisfied, as defined in the agreement governing the Class A-2 Notes).

The Series 2021-1 Notes are collateralized by substantially all of the assets of Issuer and collateralized by substantially all of the assets of and guaranteed by the Guarantor. The Series 2021-1 Notes are not secured, collateralized or guaranteed by any entities other than the SPE entities as defined in Note 1. The net proceeds from the Securitization Transaction, after transaction expenses, in the amount of $397,737 were distributed by the Issuer to the Company to repay all of its previously outstanding term and revolving debt and to terminate all commitments thereunder.

During the years ended December 31, 2023 and 2022, the Company made principal payments of $4,250 and $2,125, respectively, resulting in an outstanding balance of $417,563 as of December 31, 2023.

Letters of Credit

The Company has three letters of credit outstanding in an aggregate face amount of $7,300 and $6,165 as of December 31, 2023 and 2022, respectively, for interest reserve requirements required by the Securitization Transaction. Interest reserve estimate as of December 31, 2023 reflects 3 months of interest on the Class A-2 Notes amount of $418,000, 3 months of interest and commitment fees on the 2021 Class A-1 Notes assuming an estimated usage of $41,500, and 3 months of interest and commitment fees on the 2022 Class A-1 Notes assuming an estimated usage of $113,000. Interest reserve estimate as of December 31, 2022 reflects 3 months of interest on the Class A-2 Notes amount of $421,000, 3 months of interest and commitment fees on the 2021 Class A-1 Notes assuming an estimated usage of $25,000, and 3 months of interest and commitment fees on the 2022 Class A-1 Notes assuming an estimated usage of $95,333.

The Series 2021-1 Notes agreements require, among other things, maintenance by the Company of principal and interest debt service coverage ratios, debt to EBITDA ratios and debt to net cash flows of Securitized entities ratios. As of December 31, 2023 and 2022, the Company was in compliance with these covenants.

13. Stockholder's Equity

As of December 31, 2023 and 2022, the Company had 1,000 shares of common stock issued, authorized and outstanding. The Company issued all 1,000 fully paid, nonassessable shares of the common stock at a par value of $0.001 per share, in exchange for aggregate subscription consideration of $1 US Dollar.

In accordance with the Certificate of Incorporation, the Company had a total of 1,000 shares of common stock to which it has the authority to issue with a par value of $0.001 per share.

Distributions to Parent were made totaling $21,135 in 2022 in connection with the HELOC Transaction, refer to Note 1 for details. No dividends or distributions were paid in 2023 or 2021.

14. Stock-Based Compensation

Class B Profit Interest Units

2018 Equity Plan

In connection with the HELOC Transaction, all of the Class B awards issued under the 2018 plan vested and were settled pursuant to the change in control provisions provided for in the award agreement. The Company recognized $1,416 and $5,450 in stock-based compensation expense for the settlement of the time-vesting and performance-vesting awards, respectively, for the year ended December 31, 2022. Compensation expense related to the time-vesting Class B interest units of $1,502 was recognized in stock-based compensation expense on the consolidated statements of comprehensive loss for the year ended December 31, 2021. No units were vested as of December 31, 2021.

Prior to closing of the HELOC transaction, the Company modified the terms of the Class B Profit Interests previously granted to five management team members to allow for continued vesting post-separation. As a result of these modifications, the Company recognized stock-based compensation expense of $18,004 for the year ended December 31, 2022 based on the modification date fair value.

2022 Equity Plan

In November of 2022, in connection with the HELOC Transaction, the Company entered into the Binford Aggregator LP Executive Equity Incentive Plan (the "2022 Plan"). The Company had 249,963,605 Class B Profit Interest Units authorized for issuance under the 2022 Plan and 195,498,874 and 175,724,414 shares were outstanding as of December 31, 2023 and 2022, respectively.

The awards issued under the 2022 Plan are also referred to as Class B Profit Interest Units. For the 2022 Plan, 26.67% of Class B Profit Interest Units vest over time and are conditioned upon the participant's continued employment and the achievement of a set return on invested capital. Remaining awards vest as the Company achieves multiples of the invested capital and are conditioned upon occurrence of a change in control or a qualified leverage recapitalization (“change in control events”).

For the Class B Profit Interest Units granted under the 2022 Plan, for the years ended December 31, 2023 and 2022, the Company determined that it is not probable that any of the change in control events will occur and, as such, compensation expenses related to the portion of the awards

conditioned upon occurrence of these events has not been recognized in the consolidated financial statements as of and for the year ended December 31, 2023 and 2022.

The awards that have a time-vesting component are earned in equal tranches upon each of the anniversaries over the period of five years which was determined to be the requisite service period. These awards will not vest until the return on invested capital condition is met or upon occurrence of the change in control events even as the time-vesting condition is met. As of December 31, 2023 and 2022 no units were vested.

The table below summarizes transactions under the Company's stock-based compensation plans:

	Time-Vesting Units		
	Weighted Average Fair Value	Class B Profit Interest Units	Weighted Average Remaining Contractual Term
Units outstanding as of December 31, 2020	**$ 0.31**	**18,197,559**	**3.19 years**
Granted	0.59	1,216,609	
Forfeitures	-	-	
Units outstanding as of December 31, 2021	**$ 0.33**	**19,414,168**	**2.57 years**
Granted	0.02	964,876	
Forfeitures	0.28	(964,876)	
Vested due to change of control	0.32	(19,414,168)	
Units outstanding as of November 30, 2022	**$ -**	**-**	**N/A**
Granted under 2022 Plan	0.30	46,865,701	
Forfeitures	-	-	
Vested	-	-	
Units outstanding as of December 31, 2022	**$ 0.30**	**46,865,701**	**4.92 years**
Granted	0.31	10,920,399	
Forfeitures	0.30	(5,646,550)	
Vested	-	-	
Units outstanding as of December 31, 2023	**$ 0.30**	**52,139,550**	**4.05 years**

	Performance-Vesting Units		
	Weighted Average Fair Value	Class B Profit Interest Units	Weighted Average Remaining Contractual Term
Units outstanding as of December 31, 2020	**$ 0.17**	**36,395,119**	**3.19 years**
Grants	0.32	2,433,219	
Forfeitures	-	-	
Units outstanding as of December 31, 2021	**$ 0.18**	**38,828,338**	**2.57 years**
Granted	0.02	9,663,251	
Forfeitures	0.15	(3,618,889)	
Vested due to Plan modification	0.13	(44,872,700)	
Units outstanding as of November 30, 2022	**$ -**	**-**	**N/A**
Granted under 2022 Plan	0.22	128,858,713	
Forfeitures	-	-	
Vested	-	-	
Units outstanding as of December 31, 2022	**$ 0.22**	**128,858,713**	**4.92 years**
Granted	0.23	30,025,978	
Forfeitures	0.22	(15,525,367)	
Vested	-	-	
Units outstanding as of December 31, 2023	**$ 0.24**	**143,359,324**	**4.05 years**

The fair value of each option award is estimated on the date of the grant using the Black-Scholes options pricing model with the following assumptions for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Dividend Yield	0%	0%	0%
Risk-free interest rate	3.8%	3.8%	1.6%
Expected life of options	5 years	5 years	5 years
Volatility	47.5%	47.5%	37.5%

Expected volatilities are based on the average volatilities of comparable companies over the expected term. The risk-free interest rate is based on the average of the five-year treasury rate on the grant date of the options.

Compensation expense related to time-vesting Class B profit interest units of $6,006 and $535 was recognized in stock-based compensation expense under the 2022 Plan on the consolidated statements of comprehensive loss during the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the Company had $8,820 and $13,525 of unrecognized stock-based compensation expense related to unvested time-vesting stock-compensation arrangements. As of December 31, 2023 and 2022, the Company had $32,198 and $28,642 of unrecognized stock-based compensation expense related to unvested performance-vesting stock-compensation arrangements.

Class A-2 Units Issued to Certain Executives

The Partnership provided certain executives with ownership interests in the Partnership (known as Class A-2 Units) in exchange for promissory notes and rollover equity, in accordance with the Contribution, Rollover and Subscription agreement. Under the terms of this agreement, the Company's executives were provided ownership interests in the Partnership in exchange for promissory notes.

These agreements are in substance, compensation arrangements and are accounted for as instruments similar to a stock option. Compensation expense is recognized at each balance sheet date with the changes in value recorded in the consolidated statements of comprehensive loss with the corresponding recognition of the noncash contribution from the Partnership in additional paid in capital in the consolidated balance sheet.

The Company elected to account for these awards using the intrinsic valuation technique which represents excess value of the employees' Class A-2 units that were exchanged for promissory notes over the exercise price (which represents the face value of the promissory notes plus accrued interest). 15,600,000 of A-2 units were granted on September 21, 2018 and the intrinsic value of these awards on the grant date was equal to the value of the award.

All Class A-2 units issued in 2018 were settled as a result of the HELOC Transaction based on the Transaction Date fair value. As a result, the Company recognized a gain of $3,585 for the year ended December 31, 2022 in stock-based compensation expense on the consolidated statements of comprehensive loss. For the year ended December 31, 2021, the Company recognized a stock-based compensation expense of $25,301 in the consolidated statements of comprehensive loss, which represents the change in the fair value of these awards. There were no additional grants of these awards during 2021 or 2022. There were no forfeitures or exercises of these awards during the years ended December 31, 2022 and 2021.

In December 2023, Binford Aggregator LP issued a new tranche of A-2 units to be provided to certain executives. As of December 31, 2023, there were approximately 476,190 A-2 units granted and the intrinsic value of this award on the grant date was equal to the value of the award. No stock-based compensation expense was recognized in the year ended December 31, 2023 and there were no forfeitures or exercises of these award during the year ended December 31, 2023.

15. Leases

The Company leases office and retail space for its corporate employees, retail operations and vehicles.

Supplemental balance sheet information related to our finance and operating leases are as follows:

	Classification	2023	2022
Assets			
Operating leases	Operating lease right-of-use assets	$ 15,144	$ 14,136
Finance leases	Property and equipment, net	14,392	9,122
Total leased assets		**29,536**	**23,258**
Liabilities			
Current portion:			
Operating leases	Operating lease liabilities, current portion	5,070	3,870
Finance leases	Accrued and other liabilities	4,941	2,742
Non-current portion:			
Operating leases	Operating lease liabilities, non-current portion	11,077	10,979
Finance leases	Other long-term liabilities	8,410	6,600
Total lease liabilities		**29,498**	**24,191**
Weighted average remaining lease term (in years):			
Operating leases		5.02	6.15
Finance leases		3.81	2.36
Weighted average discount rate:			
Operating leases		2.49%	1.68%
Finance leases		6.70%	6.33%

The Company's total operating and finance lease cost are comprised of the following for the years ended December 31, 2023 and 2022:

	Years Ended December 31,	
	2023	**2022**
Operating lease expense	$ 4,851	3,675
Finance lease expense		
Depreciation expense	3,908	2,138
Interest on lease liabilities	1,074	261
Variable lease expense	1,148	643

Operating lease expense is recognized as a component of general and administrative expenses in the consolidated statements of comprehensive loss. There was no material short-term lease expense for the years ended December 31, 2023 and 2022. The Company excludes variable payments, such as common area maintenance, and operating expenses such as real estate taxes and insurance, from lease ROU assets and lease liabilities, to the extent not considered fixed, and instead expenses these costs as incurred.

Prior to the adoption of ASC 842, rent expense was $3,070 for the year ended December 31, 2021. Minimum capital lease payments were accounted for as principal and interest payments. Interest expense for all capital leases was $80 for the year ended December 31, 2021.

The following table describes the future maturities of the Company's operating and finance lease liabilities at December 31, 2023:

	Finance Leases	**Operating Leases**
2024	$ 4,489	$ 4,213
2025	4,038	3,284
2026	3,363	2,865
2027	2,456	2,381
2028	705	1,841
Thereafter	-	2,147
Total minimum lease payments	15,051	16,731
Less: Amount representing interest and fees	1,700	584
Total lease liabilities	$ **13,351**	$ **16,147**

Future lease payments related to the Company's finance leases for leased vehicles include maintenance and administrative fees and interest.

Supplemental cash flow information related to leases was as follows:

	2023	**2022**
Cash paid, net, for lease liabilities		
Operating cash flows from operating leases	$ 4,624	$ 3,529
Financing cash flows from finance leases	4,026	2,775
ROU assets obtained in exchange for lease liabilities in non-cash transactions:		
Operating leases [(1)]	4,781	319
Finance leases	8,717	6,688

(1) Amount represents ROU assets obtained in exchange for lease liabilities in non-cash transactions for new leases during the year and excludes the impact of the ASC 842 adoption and leases acquired through acquisitions.

16. Related Parties

The Company has several agreements in place with related parties through common ownership by the Partnership, in the ordinary course of business as follows:

- Paycor, a HR and payroll solutions company, provided payroll support services to the Company for the years ended December 31, 2023 and 2022
- Assured Partners, a national partnership of financial services firms, provided insurance and employee benefits services to the Company for the years ended December 31, 2023 and 2022
- Thoughtworks, a software development and digital transformation company, provided software solutions to the Company for the years ended December 31, 2023 and 2022.
- Leadify, a digital marketing company, provided marketing lead generation services to the Company for the year ended December 31, 2023.

Board fees were paid to stockholders who provided services through membership on the Company board.

The Company also employs twenty-six individuals as of December 31, 2023 and twenty-seven as of both December 31, 2022 and 2021, who own and operate franchises of wholly owned subsidiary businesses. The Company recorded revenue and the corresponding accounts receivable related to these arrangements for the years ended December 31, 2023 and 2022, respectively. For the years ended December 31, 2023, 2022 and 2021, the Company paid rent expenses of $587, $556, and $56 respectively, for a property owned by an employee and there were no corresponding accounts payable related to these arrangements.

Related party transactions consisted of the following:

	Transaction	2023	2022	2021
Related parties through common ownership				
Paycor	Expenses paid	$ 430	$ 293	$ 223
Assured partners	Expenses paid	125	125	125
Thoughtworks	Expenses paid	1,608	1,694	7,675
Leadify	Expenses paid	1,056	-	-
Stockholders				
Board members	Board fees	$ 250	$ 150	$ 214
Transactions with employees				
Revenue		$ 4,277	$ 4,973	$ 4,028
Accounts receivable		132	529	103
Rent expenses paid		587	556	56

17. Contingencies

The Company is engaged in various legal proceedings incidental to its normal business activities. Management has determined that it is not probable that the Company has incurred any loss contingencies as defined in ASC Topic 450, Contingencies. Accordingly, no liabilities have been recorded for such matters as of December 31, 2023 and 2022. Management believes that the outcome of such matters will not have a material effect on the Company's consolidated financial statements.

18. Employee Benefit Plans

The Company sponsors a 401 (k) plan covering the majority of its employees meeting certain eligibility requirements. During the years ended December 31, 2023 and 2022, the Plan provides for matching contributions of 50% of employee contributions, up to 10% of the participating employee's contributions. During the year ended December 31, 2021, the Plan provided for matching contributions of 100% of employee contributions, up to 4% of the participating employee's contributions. The Company's contributions to the Plan totaled $2,790, $2,309, and $1,653 for the years ended December 31, 2023, 2022 and 2021, respectively.

19. Subsequent Events

The Company evaluated subsequent events and transactions for potential recognition and disclosure in the consolidated financial statements through April 15, 2024, the date the consolidated financial statements were available to be issued. The Company did not identify any matters.

EXHIBIT J
STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500/Toll Free: (866) 275-2677 Email: ASK.DFPI@dfpi.ca.gov Website: http://www.dfpi.ca.gov	**NEW YORK** NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Fl New York, NY 10005 (212) 416-8222
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, Fourteenth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Division of Insurance Securities Regulation 124 South Euclid Avenue, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7567	**WASHINGTON** Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, Washington 98504-1200 (360) 902-8760
MINNESOTA Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	**WISCONSIN** Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents in some of the states listed.

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500/Toll Free: (866) 275-2677 Email: ASK.DFPI@dfpi.ca.gov Website: http://www.dfpi.ca.gov	**NEW YORK** New York Secretary of State One Commerce Plaza 99 Washington Avenue Albany, NY 12231 (518) 473-2492
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Commissioner State Capitol Department 414 600 East Boulevard Avenue, Fourteenth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Division of Insurance Director of the Securities Regulation 124 South Euclid Avenue, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7567	**WASHINGTON** Director of Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760

MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	**WISCONSIN** Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

EXHIBIT K
STATE DISCLOSURES AND CONTRACT ADDENDA

INFORMATION REQUIRED
BY THE STATE OF CALIFORNIA

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

SEE THE COVER PAGE OF THE DISCLOSURE DOCUMENT FOR OUR WEBSITE ADDRESS. 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.**

Item 3, Additional Disclosure.

Neither we nor any person in Item 2 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 parties from membership in such association or exchange.

Item 17, Additional Disclosures.

California Business and Professions Code Sections 20000 through 20043 provide rights to California franchisees concerning transfer, termination, 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. § 101 *et seq.*).

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code § 1671, certain liquidated damages clauses are unenforceable.

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

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

The Franchise Agreement requires binding arbitration. The arbitration will occur at Columbia, Maryland with the costs being borne equally by the parties.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

You must sign a general release if you renew or transfer the franchise. This provision may not be enforceable under California law. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

Each owner of the franchise is required to execute a personal guarantee. Doing so could jeopardize the marital assets of non-owner spouses domiciled in a community property state such as California.

Item 22, Additional Disclosures.

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.

Exhibit E to the Franchise Disclosure Document (*Questionnaire to be Completed Before Executing Franchise Agreement*) is not applicable in California.

INFORMATION REQUIRED BY THE STATE OF ILLINOIS

Cover Page, Additional Disclosures.

THE GOVERNING LAW, VENUE AND JURISDICTION REQUIREMENTS IN THE DISCLOSURE DOCUMENT AND THE FRANCHISE AGREEMENT ARE SUBJECT TO THE PROVISIONS OF THE ILLINOIS FRANCHISE DISCLOSURE ACT, AND NOTHING IN THESE DOCUMENTS SHALL BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE ILLINOIS FRANCHISE DISCLOSURE ACT.

Item 17, Additional Disclosures.

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

Pursuant to Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement that designates jurisdiction or venue for litigation in a forum outside of Illinois is void.

The Illinois Franchise Regulations, Section 200.608, require that Illinois law govern franchise agreements entered into in Illinois.

Item 22, Additional Disclosures.

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.

Exhibit E to the Franchise Disclosure Document (*Questionnaire to be Completed Before Executing Franchise Agreement*) is not applicable in Illinois.

ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT

This Addendum relates to franchises sold in Illinois and is intended to comply with Illinois statutes and regulations. The parties agree to modify the Franchise Agreement as follows:

1. Key Accounts. Section 2.5 is amended by adding the following:

   A National Account customer is a customer responsible for a business in more than one location. The franchisor has the exclusive right to negotiate and enter into agreements to provide services to National Account customers. You may be offered the opportunity to service a National Account. If you decline or are unable to service the account, the franchisor, an affiliate or another franchisee may provide the service with no compensation to you (even if the service is provided within your territory).

2. Termination. Section 16 is amended by adding the following:

   If anything in this Section concerning termination is inconsistent with Section 19 of the Illinois Franchise Disclosure Act of 1987, then the Act shall apply.

3. Renewal. Section 19 is amended by adding the following:

   If anything in this Section concerning non-renewal is inconsistent with Section 20 of the Illinois Franchise Disclosure Act of 1987, then the Act shall apply.

4. Governing Law. Section 23.1 is deleted. The Illinois Franchise Regulations, Section 200.608, require that Illinois law govern franchise agreements entered into in Illinois.

5. Venue for Litigation. Section 23.6 is amended by adding the following:

   Section 4 of the Act states that any provision in a franchise agreement that designates jurisdiction or venue for litigation in a forum outside of Illinois is void with respect to any action which is otherwise enforceable in Illinois.

6. Time Limit on Filing. Section 23.5 is amended by adding the following:

   Notwithstanding the foregoing, any claims arising under the Act shall be commenced within the period of limitation established in Section 27 of the Act.

7. Section 41 of the Illinois Franchise Disclosure Act of 1987 states that any condition, stipulation, or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of the Act or any other law of Illinois is void. Section 41 will control over any inconsistent provisions in the Franchise Agreement.

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

9. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Franchisor and you satisfy all of the jurisdictional requirements of the Illinois Franchise Disclosure Act of 1987, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

MISTER SPARKY FRANCHISING SPE LLC	**FRANCHISEE (Print name of company):**
	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

INDIANA ADDENDUM TO THE FRANCHISE AGREEMENT

This Addendum relates to franchises sold in Indiana and is intended to comply with the Indiana statutes and regulations. The parties agree to supplement the Franchise Agreement as follows:

1. Pursuant to Section 23.2-2.7-1 of the Indiana Code, it is unlawful for any franchise agreement entered into between any franchisor and a franchisee who is either a resident of Indiana or a nonresident who will be operating a franchise in Indiana to contain any of the following provisions:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or services or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by this chapter or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subdivision does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subdivision.

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subdivision includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any:

(A) advertising campaign or contest;

(B) promotional campaign;

(C) promotional materials; or

(D) display decorations or materials;

at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

2. If the Franchise Agreement contains a provision that is inconsistent with the Indiana Code, the provisions of the Indiana Code will supersede the Franchise Agreement.

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

4. This Addendum will have effect only if the Franchise Agreement and/or the relationship between you and Franchisor satisfy all of the jurisdictional requirements of the Indiana Code, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

MISTER SPARKY FRANCHISING SPE LLC	**FRANCHISEE (Print name of company):**
	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

INFORMATION REQUIRED
BY THE STATE OF MARYLAND

Item 5 , Additional Disclosures.

Based on the financial condition of our guarantor, AB Assetco LLC, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

Item 17, Additional Disclosures.

The Franchise Agreement requires you to sign a general release as a condition of renewal or transfer of the franchise. This release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

Item 22, Additional Disclosure.

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.

Exhibit E to the Franchise Disclosure Document (*Questionnaire to be Completed Before Executing Franchise Agreement*) is not applicable in Maryland.

MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT

In recognition of the Maryland Franchise Registration and Disclosure Law, Maryland Stat. §§ 14-201 to 14-233, and the Rules and Regulations promulgated thereunder, the parties agree to modify the Franchise Agreement as follows:

1. Franchise Fee. Section 7.1 is amended by adding the following:

   Based on the financial condition of franchisor's guarantor, AB Assetco LLC, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisee shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement.

2. Releases. Section 15.2.4 and Section 19.1.7 are each amended to add the following:

   This release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Entire Agreement. Section 22.12 is amended by adding the following:

   Notwithstanding anything to the contrary in this Agreement, you are not required to waive any of your rights under the Maryland Franchise Registration and Disclosure Law with regard to our prior representations.

4. Governing Law. Section 23.1 is amended by adding the following sentence:

   Notwithstanding the foregoing, the Maryland Franchise Registration and Disclosure Law shall govern any claim arising under that law.

5. Time Limit on Filing. Section 23.5 is amended by adding the following:

   The foregoing limitation on the period of time arbitration and/or litigation claims must be brought shall not act to reduce the 3-year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

6. Venue. Section 23.6 is amended by adding the following sentence:

   Any choice of forum for litigation is subject to your right to bring an action under the Maryland Franchise Registration and Disclosure Law in Maryland.

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

8. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Franchisor and you satisfy all of the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

MISTER SPARKY FRANCHISING SPE LLC	**FRANCHISEE (Print name of company):**
	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

INFORMATION REQUIRED
BY THE STATE OF MICHIGAN

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

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.*

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

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

Any questions regarding these Additional Disclosures shall be directed to the Department of the Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7717.

*** NOTE: NOTWITHSTANDING PARAGRAPH (f) ABOVE, WE INTEND TO, AND YOU AGREE THAT WE AND YOU WILL, ENFORCE FULLY THE PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (f) IS UNCONSTITUTIONAL AND CANNOT PRECLUDE US FROM ENFORCING THE ARBITRATION PROVISIONS.**

INFORMATION REQUIRED
BY THE STATE OF MINNESOTA

Item 13, Additional Disclosure.

We will indemnify you against liability to a third party resulting from claims that your use of the Marks infringes trademark rights of the third party, provided that your use of the Marks is in accordance with the requirements of the Franchise Agreement and the System.

Item 17, Additional Disclosures.

We will comply with Minnesota Statutes Section 80C.14, subdivisions 3, 4, and 5, which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

Minnesota Statutes § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring you to waive your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes §§ 80C.01 - 80C.22.

Minnesota Rule 2860.4400J prohibits us from requiring you to waive your rights to a trial or to consent to liquidated damages, termination penalties, or judgment notes. This rule does not bar a voluntary arbitration of any matter.

Item 22, Additional Disclosures.

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.

Exhibit E to the Franchise Disclosure Document (*Questionnaire to be Completed Before Executing Franchise Agreement*) is not applicable in Minnesota.

MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT

In recognition of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01-80C.22, and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, the parties agree to modify the Franchise Agreement as follows:

1. Releases. The following sentence is added to Section 15.2.4 and Section 19.1.7:

Notwithstanding the foregoing, Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes.

2. Term and Successor Franchise Agreement; Default and Termination. Sections 3, 16, and 19 are each amended by adding the following:

Notwithstanding anything to the contrary in Sections 3, 16, and 19, Franchisor will comply with Minnesota Statutes Clause 80C.14, Subdivision 3, 4, and 5, which require, except in certain cases, that Minnesota franchisees be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

3. Licensed Marks and Copyrights. Section 11.6 is amended by adding the following:

Franchisor will indemnify you against liability to a third party resulting from claims that your use of the Marks or the Works infringes trademark rights of the third party, provided that your use is in accordance with the requirements of the Franchise Agreement and the System.

4. Entire Agreement. Section 22.12 is amended by adding the following:

Pursuant to Minn. Stat. § 80C.21 and Minn. Rule Part 2860.4400J, nothing in the Agreement shall in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.

5. Time Limit on Filing. Section 23.5 is amended to add the following:

Notwithstanding anything to the contrary in this Section, any claim or action arising out of or relating to the Minnesota Franchises Law must be commenced within three (3) years from the occurrence of the facts giving rise to the claim or action, or the claim or action is barred.

6. Jurisdiction and Venue. Section 23.6 is amended to add the following:

Under Minnesota Statutes Section 80C.21, this section will not in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, including the right to submit matters to the jurisdiction of the courts in Minnesota. Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota.

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

8. This Addendum will have effect only if the Franchise Agreement and/or the relationship between you and Franchisor satisfy all of the jurisdictional requirements of Minnesota Statutes §§ 80C.01 - 80C.22. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

MISTER SPARKY FRANCHISING SPE LLC	**FRANCHISEE (Print name of company):**
	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

INFORMATION REQUIRED
BY THE STATE OF NEW YORK

Cover page, Additional Disclosures.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT J OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

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

Item 3, Additional Disclosures.

Except as provided above in this Item, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4, Additional Disclosure.

Except as described in this Item, neither Franchisor, its affiliates, its predecessors, officers, nor general partners, during the ten-year period immediately before the date of the disclosure document: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or any foreign bankruptcy laws; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code or any foreign bankruptcy laws; or (c) was a principal officer of a company or general partner of a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or any foreign bankruptcy laws, or that obtained a discharge of its debts under the U.S. Bankruptcy Code or any foreign bankruptcy laws during or within one year after the officer or general partner of Franchisor held this position in the company or partnership.

Item 5, Additional Disclosure.

We use the initial franchise fee to defray our costs of offering franchises and assisting franchisees to start business. A portion of the initial franchise fee may be profit to us.

Item 17, Revised Disclosures.

1. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for Our approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

2. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

You may also terminate the Franchise Agreement on any grounds available by law.

3. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by Us":

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

4. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

Item 22, Additional Disclosures.

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.

Exhibit E to the Franchise Disclosure Document (*Questionnaire to be Completed Before Executing Franchise Agreement*) is not applicable in New York.

Receipts, Additional Disclosure

Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

NEW YORK ADDENDUM TO THE FRANCHISE AGREEMENT

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties agree to modify the Franchise Agreement as follows:

1. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Sections 680 – 695 may not be enforceable.

2. Releases. Section 15.2.4 and Section 19.1.7 are each amended to add the following:

   The foregoing release of claims against Franchisor does not release any claim you may have under New York General Business Law, Article 33, Sections 680-695.

3. Assignment by Franchisor. Section 15.8 is amended by adding the following:

   Franchisor will not assign its rights under the Franchise Agreement except to an assignee who in Franchisor's good faith judgment is willing and able to assume Franchisor's obligations under the Franchise Agreement.

4. Termination by Franchisee. Section 16 is amended by adding the following:

   You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. Governing Law. Section 23.1 is amended by adding the following:

   Notwithstanding the foregoing, the New York General Business Law shall govern any claim arising under that law.

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

7. This Addendum will have effect only if the Franchise Agreement and/or the relationship between Franchisor and you satisfy all of the jurisdictional requirements of New York General Business Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

[Signatures on Following Page]

MISTER SPARKY FRANCHISING SPE LLC	**FRANCHISEE (Print name of company):**
	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

INFORMATION REQUIRED
BY THE STATE OF NORTH DAKOTA

Item 17, Additional Disclosures. The following statements are added to Item 17:

The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

I. Limitation of Claims: Requiring North Dakota franchisees to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

J. Enforcement of Agreement: Requiring North Dakota franchisees 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.

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.

Exhibit E to the Franchise Disclosure Document (Questionnaire to be Completed Before Executing Franchise Agreement) is not applicable in North Dakota.

Each provision of the Additional Disclosures shall be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law, with respect to each such provision, are met independent of the Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, and the policies of the North Dakota Securities Commission, the parties agree to modify the Franchise Agreement as follows:

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Franchise agreements which specify that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

I. Limitation of Claims: Requiring North Dakota franchisees to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

J. Enforcement of Agreement: Requiring North Dakota franchisees 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.

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

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the North Dakota Franchise Investment Law, with respect to each such provision, are met independently of this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

MISTER SPARKY FRANCHISING SPE LLC	**FRANCHISEE (Print name of company):**
	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

RHODE ISLAND ADDENDUM TO THE FRANCHISE AGREEMENT

In recognition of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties agree to modify the Franchise Agreement as follows:

1. Governing Law. Section 23.1 is amended by adding the following:

   Notwithstanding the foregoing, Rhode Island law governs any claim arising under the Rhode Island Franchise Investment Act.

2. Jurisdiction and Venue. Section 23.6 is amended by adding the following:

   Notwithstanding the foregoing, you have the right to file any litigation under the Rhode Island Franchise Investment Act in Rhode Island.

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.

4. This Addendum will have effect only if the Franchise Agreement and/or the relationship between you and Franchisor satisfy all of the jurisdictional requirements of the Rhode Island Franchise Investment Act, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

MISTER SPARKY FRANCHISING SPE LLC	**FRANCHISEE (Print name of company):**
	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

INFORMATION REQUIRED
BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for use in the Commonwealth of Virginia is amended to add the following:

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

Item 22, Additional Disclosures.

> 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.
>
> Exhibit E to the Franchise Disclosure Document (*Questionnaire to be Completed Before Executing Franchise Agreement*) is not applicable in Virginia.

INFORMATION REQUIRED
BY THE STATE OF WASHINGTON

In recognition of the restrictions contained in the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 – 19.100.940 (the "Act"), the Franchise Disclosure Document for use in the State of Washington is amended to add the following:

RCW 19.100.180 may supersede the Franchise Agreement in your relationship with us, 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 us, including the areas of termination and renewal of your franchise.

In the event of a conflict of laws between the Act and the law chosen in the Franchise Agreement, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

A release or waiver of rights executed by a franchisee will 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 Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those that 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.

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.

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

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

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

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

of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Exhibit E to the Franchise Disclosure Document (*Questionnaire to be Completed Before Executing Franchise Agreement*) is not applicable in Washington.

WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT

In recognition of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 – 19.100.940 (the "Act"), the parties agree to modify the Franchise Agreement as follows:

1. Section 19.100.180 of the Act may supersede this Agreement in your relationship with us, including in the areas of termination and renewal of your franchise. There also may be court decisions that may supersede this Agreement in your relationship with us, including in the areas of termination and renewal of your franchise.

2. In the event of a conflict of laws, the provisions of the Act shall prevail.

3. You may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Act, in Washington.

4. A release or waiver of rights executed by you may not include rights under the 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.

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

6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of yours, 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 yours 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.

7. RCW 49.62.060 prohibits us from restricting, restraining, or prohibiting you from (i) soliciting or hiring any employee of a franchisee of ours or (ii) soliciting or hiring any employee of ours. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

8. Section 20 of the Franchise Agreement is hereby amended by adding the following: "In Washington, Franchisees have no obligation to indemnify or hold harmless an indemnified party for losses to the extent that they are determined to have been caused solely and directly by the indemnified party's negligence, willful misconduct, strict liability, or fraud."

~~8.~~9. 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

~~9.~~10. This Addendum will have effect only if the Franchise Agreement and/or the relationship between you and the Franchisor satisfy all of the jurisdictional requirements of the Washington Franchise Investment Protection Act, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

MISTER SPARKY FRANCHISING SPE LLC	**FRANCHISEE (Print name of company):**
	_____
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This disclosure document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
California	April 25, 2024, *as amended*
Hawaii	Not Filed
Illinois	April 25, 2024, *as amended*
Indiana	April 26, 2024, *as amended*
Maryland	May 1, 2024, *as amended*
Michigan	April 26, 2024, *as amended*
Minnesota	May 29, 2024, *as amended*
New York	April 25, 2024, *as amended*
North Dakota	April 29, 2024, *as amended*
Rhode Island	April 29, 2024, *as amended*
South Dakota	April 26, 2024, *as amended*
Virginia	April 25, 2024, *as amended*
Washington	~~*See Washington specific FDD*~~August 8, 2024, *as amended*
Wisconsin	April 26, 2024, *as amended*

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT
(Our Copy)

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. **New York** requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship. **Michigan** requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. **Iowa** requires that we give you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit J.

Issuance Date: April 25, 2024, as amended August 28, 2024

The franchisor is Mister Sparky Franchising SPE LLC, 7120 Samuel Morse Drive, Suite 300, Columbia, Maryland 21046, tel. (410) 740-1900. The franchise sellers for this offering are Mark Dawson, Lance Sinclair, Michael Green, Dan Mock, Heather McLeod, Jordan Wilson, David Montanez, Joshua Minturn, Shae Ananda, Karen Riker, and Beth Williams at the above business address. Any other franchise sellers will be provided to you separately before you sign a Franchise Agreement: _____

_____

_____

We authorize the respective state agencies identified in Exhibit J to receive service of process for us in the particular state.

I received a disclosure document dated April 25, 2024, as amended August 28, 2024, that included the following exhibits:

A. Franchise Agreement (including multiple attachments) B. Promissory Note, Guaranty and Security Agreement C. Renewal Addendum D. Sample of General Release E. Questionnaire	F. Franchisees as of December 31, 2023 G. Franchisees Who Exited a Franchise in 2023 H. Operations Manual Table of Contents I. Financial Statements J. List of State Administrators and Agents for Service of Process K. State Addenda/State Franchise Agreement Amendments

_____ _____

Date Received Signature of Prospective Franchisee

_____

Name (please print)

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If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. **New York** requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the Franchise Agreement or other agreement or the payment of any consideration that relates to the franchise relationship. **Michigan** requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. **Iowa** requires that we give you this disclosure document at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit J.

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Date Received Signature of Prospective Franchisee

_____

Name (please print)

SIGN THIS COPY AND KEEP FOR YOUR RECORDS