

FRANCHISE DISCLOSURE DOCUMENT



REALTY EXECUTIVES INTL. SVCS. LLC
An Arizona limited liability company
4343 E. Outlier Blvd., Suite 123
Phoenix, Arizona 85008
Phone: 800-252-3366
E-Mail: info@REALTYEXECUTIVES.com
Website: www.realtyexecutives.com

REALTY EXECUTIVES INTL. SVCS. LLC offers franchises for the operation of a real estate brokerage that offers a variety of real estate services to the general public.

The total investment necessary to begin operation of your REALTY EXECUTIVES franchise ranges from \$47,700 (which assumes a virtual office) to \$400,500 (which assumes a physical office). This includes \$30,000 that must be paid to us.

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 government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the franchisor at 4343 E. Outlier Blvd., Suite 123, Phoenix, Arizona 85008, or by phone at 800-252-3366 or by emailing Franchising@RealtyExecutives.com.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or 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 (the "FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or go to your state's securities website for other sources of information on franchising.

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

Issuance Date: April 19, 2024

How to Use this Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or EXHIBIT “F”.
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 “G” 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 Realty Executives 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 Realty Executives franchisee?	Item 20 or EXHIBIT “F” lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

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

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful 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.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

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

To simplify the language in this Disclosure Document, “we”, “us” and “the Company” mean REALTY EXECUTIVES INTL. SVCS. LLC - the franchisor. “You” means the person who buys a REALTY EXECUTIVES franchise - the franchisee, and includes your partners if you are a partnership, your shareholders if you are a corporation and your members if you are a limited liability company. Your “Office(s)” means the office that you will operate if we grant you a REALTY EXECUTIVES franchise.

Corporate Information

REALTY EXECUTIVES INTL. SVCS. LLC is an Arizona limited liability company that was organized on April 1, 2014. Our principal business address is 4343 E. Outlier Blvd., Suite 123, Phoenix, Arizona 85008, and our telephone number is 800-252-3366. Our agent for service of process is disclosed in Exhibit “B” to this Disclosure Document. We do not do business under any names other than “REALTY EXECUTIVES INTL. SVCS. LLC” and the trade names “Realty Executives International”, “Realty Executives” and “REI”.

Business History

We began offering REALTY EXECUTIVES franchises in May of 2015. We are not engaged in any business other than offering the REALTY EXECUTIVES franchises described in this Disclosure Document and administering the REALTY EXECUTIVES franchise system. We have never offered franchises in any other line of business. We have never directly operated a REALTY EXECUTIVES brokerage. However, our affiliates have owned and operated REALTY EXECUTIVES brokerages in various states since September 2017.

Parents, Affiliates and Predecessors

We have the following direct and indirect parent companies:

PARENT COMPANIES	
Name	Principal Business Address
New REI Holdings, LLC	Same as ours
TNC REI LLC	Same as ours
Outlier Holdings LLC	4343 E. Outlier Blvd., Suite 300 Phoenix, Arizona 85008

Our predecessor is Realty Executives International, Inc. (“Predecessor”). Predecessor’s principal business address is located at 4343 E. Outlier Blvd., Suite 123, Phoenix, Arizona 85008. Predecessor never directly operated a REALTY EXECUTIVES brokerage. Predecessor offered REALTY EXECUTIVES franchises from March of 1987 until April of 2015. Predecessor also offered REALTY EXECUTIVES regional development franchises from February of 1990 through March of 2011 under a separate Disclosure Document. During that time, Predecessor sold a total of 22 regional development franchises. Regional Developers are responsible for offering, selling, developing, servicing and supporting REALTY EXECUTIVES subfranchises within an exclusive territory. On April 14, 2014, we entered into a transaction with Predecessor pursuant to which we acquired specified assets of Predecessor, including all of the franchise agreements of Predecessor.

We do not have any affiliates that: (a) offer goods or services to our franchisees; or (b) offer (or have ever offered) franchises for REALTY EXECUTIVES businesses. The following table lists each of our affiliates that offers, or has ever offered, franchises in other lines of business. None of the affiliates listed below has ever operated a REALTY EXECUTIVES business.

AFFILIATE FRANCHISING COMPANIES				
Name	Principal Business Address	Business Franchised*	Time Offered	Number Sold (12/31/2023)
Pump It Up Holdings, LLC	4343 E. Outlier Blvd. Suite 220 Phoenix, AZ 85008	Pump It Up®	2015 to present	75
BounceU Holdings, LLC	4343 E. Outlier Blvd. Suite 220 Phoenix, AZ 85008	BounceU®	2009 to present	15
Passport Health, LLC	4343 E. Outlier Blvd. Suite 220 Phoenix, AZ 85008	Passport Health®	2014 to present	19

- * Pump It Up is an entertainment business that features supersized branded equipment, other active and creative games, merchandise, food and services and is identified by the trade name and service mark “Pump It Up®”.
- * BounceU is an open-play and party service business featuring interactive games and inflatable play equipment and activities identified by the trade name and service mark “BounceU®”.
- * Passport Health is a travel health and immunization business that specializes in administering a variety of vaccines, providing travel immunizations and information, selling related products and supplies, and performing associated services such as physical exams under the brand name Passport Health®.

Description of Franchised Business

We grant franchises to operate real estate offices under the REALTY EXECUTIVES name using our unique system, which includes the “original 100% Commission Concept” as well as our distinctive logos, promotional materials, operating systems and proprietary Intranet portal (collectively, the “System”). We offer franchises to franchisees that operate pre-existing real estate businesses as well as franchisees that have no prior experience in operating a real estate business. We will train you how to utilize our System in operating a real estate office that provides a variety of real estate services, including leasing, listing, purchasing, referrals, selling, trading and other services of a similar nature (your “Business”). We will also share best business practices, invite you to collaborate with us and other franchise owners, and provide you with other resources and support that you can utilize in operating your Business. We do not show you how to operate a real estate business.

We will grant you a license to use certain trademarks, service marks, logos and trade names, including the REALTY EXECUTIVES name (collectively, the “Marks”) relating to the operation of your Business. We will provide you with access to our proprietary intranet site which includes information regarding the operational aspects of a REALTY EXECUTIVES franchise. We may also provide you with operational information through other formats, including training videos, digital presentations, documents and other training resources. The Disclosure Document collectively refers to all of this information as the “Manual”. You will operate your REALTY EXECUTIVES franchise as an independent business using the Marks, the System, the REALTY EXECUTIVES name, as well as the support, guidance and other methods and materials provided or developed by us. You will offer and provide real estate services to the general public under the terms and conditions contained within the franchise agreement (the “Franchise Agreement”) and the Manual. The form of Franchise Agreement is attached to this Disclosure Document as Exhibit “C”. You may offer no other goods or services in conjunction with the System or the Marks without our prior written approval.

Market and Competition

The market of potential customers of a REALTY EXECUTIVES business is comprised primarily of members of the general public who are buying and selling real property, along with the sale of operating businesses and property management services. If you operate a REALTY EXECUTIVES franchise, your competition will primarily consist of other licensed real estate brokerage firms, including real estate firms that are affiliated with other national real estate franchise systems. You will also compete with independent real estate brokerage firms and individuals that are buying or selling real estate on their own behalf.

Laws and Regulations

You must comply with all federal, state and local laws and regulations relating to the operation of your Business. Most states have a regulatory agency that regulates the activities of local real estate brokers and salespersons, and you must comply with any rules or regulations issued by such regulatory agencies. In addition, your local regulatory agency may require that your business be licensed as a real estate broker and that you and certain of your employees be individually licensed or registered as real estate brokers or real estate salespersons. Your business may also be subject to the federal law entitled the “Real Estate Settlement Procedures Act.” There may be other federal, state and/or local laws or regulations pertaining to your Business with which you must comply. You may wish to investigate these laws before buying a REALTY EXECUTIVES franchise.

ITEM 2 BUSINESS EXPERIENCE

Chairman and CEO - Dave Tedesco

Mr. Tedesco has served as our Chairman since April 2014 and CEO since December 2016. From April 2014 through the present, Mr. Tedesco has also served as Executive Chairman and Board Member of our Predecessor, as well as Chairman and a member of the board of managers of New REI Holdings, LLC. Mr. Tedesco has been Managing Director and Chief Executive Officer of Outlier, a Phoenix-based private investment firm, since September 2006.

President - Patrick van den Bossche

Mr. van den Bossche has served as our President since January 2018. He is also a licensed Arizona real estate agent since 2005.

Chief Financial Officer – Shelly Jagers

Ms. Jagers has served as our Chief Financial Officer since January of 2022. From May 2007 to December 2021, Ms. Jagers served as Controller for us (and prior to that, our Predecessor).

VP of Training and Product Development - David Celaya

Mr. Celaya has served as our VP of Training and Product Development since June 2016. From July 2011 through May 2016, Mr. Celaya Director of Training for us (and prior to that, our Predecessor).

VP of Franchise Services - Alysia Heun

Ms. Heun has served as our VP of Franchise Services since June 2017. From June 2013 to June 2017, Ms. Heun served as Franchise Support Specialist for us (and prior to that, our Predecessor).

ITEM 3 LITIGATION

REALTY EXECUTIVES INTL. SCVS., LLC V. BCC MOUNTAIN RESORTS MANAGEMENT, INC., Case No. 136614, In The Supreme Court of British Columbia, Filed March 3, 2023.

On March 3, 2023, we filed a lawsuit in the Supreme Court of British Columbia, Kelowna Registry against a former franchisee, BCC Mountain Resorts Management, Inc. The lawsuit arose from breaches of the franchisee's franchise agreement due to (a) failure to meet quote of licensed salespersons; (b) improper use of REI's marks; (c) failure to maintain a registered broker as required by local statute; (d) failure to pay all amounts due under the franchise agreement on a timely basis; and (e) causing damage to REI's brand due to public and ongoing disputes with third parties. When BCC Mountain failed to cure those defaults, REI terminated the franchise agreement and filed its lawsuit, seeking damages for (a) arrears of fees in the amount of \$9,106.96; (b) lost future fees of \$72,273.28; and (c) damages for breach of the duty of fair dealing in the amount of \$50,000, along with interest and costs. This lawsuit has been long delayed due to the failure of the franchisee to properly or adequately participate in the litigation, as well as the timing of process of the legal system in British Columbia. The parties are currently participating in the disclosure and discovery process. There is no trial date set.

REALTY EXECUTIVES INTL. SVCS., LLC V. WHALEY REALTY CRL, LLC AND KRYSTAL WHALEY; Case No. CV2023-001036, Maricopa County (Arizona) Superior Court, Filed on January 20, 2023.

On January 20, 2023, we filed a lawsuit in the Maricopa County Superior Court for the State of Arizona against a former franchisee, Whaley Realty CRL, LLC, and its owner, Krystal Whaley. The lawsuit arose from breaches of the franchisee's franchise agreement as to Whaley Realty, and breach of the personal guaranty by Ms. Whaley. We have alleged that Whaley Realty breached the Franchise Agreement by, among other things: (a) failure to comply with the books and records request that was made under Section 10.2; (b) failure to meet the Salesperson quota under Section 9; (c) failure to maintain the required designated/principal broker for each office location, as required under Section 8.6; and (d) the existence of complaints made to the Tennessee Real Estate Commission which causes negative and/or harmful public perceptions of the REALTY EXECUTIVES brand and has adversely affected the reputation of and/or the goodwill associated with its Marks. On October 10, 2023, Default Judgment was entered against Whaley Realty CRL LLC in the principal amount of \$228,922.72, along with interest accruing at 18% per annum and court costs. On December 4, 2023, Default Judgment was entered against Krystal Whaley in the principal amount of \$228,922.72, along with interest accruing at 18% per annum and court costs.

Realty Executives Intl. Svcs., LLC v. Realty Executives Lifestyle Group, LLC, Thomas Clark, Karen Ann Murphy Clark, Larry J. Spann, and Southeastern Real Estate Associates, LLC; Case No. CV2022-004288, Maricopa County (Arizona) Superior Court, filed on April 6, 2022.

On April 6, 2022, we filed a lawsuit in the Maricopa County Superior Court for the State of Arizona against a former franchisee, Realty Executives Lifestyle Group, LLC ("Franchisee"), and its owners, Thomas Clark, Karen Ann Murphy Clark and Larry J. Spann, along with its successor-in-interest, Southeastern Real Estate Associates, LLC ("SREA"). The lawsuit arose from the non-payment of fees by the Franchisee under its Franchise Agreements and Amending Agreement. The Complaint also alleged that Mr. Clark engaged in fraud when he entered into the Amending Agreement, sought relief against Mr. Clark for breach of a Promissory Note, and sought a finding that SREA was the successor-in-interest of the Franchisee. On or around October 19, 2022, the parties reached an agreement with respect to settlement, and on December 6, 2022, the settlement agreement was fully executed. Under the settlement agreement, Mr. Spann agreed to pay, and has paid, \$1,000 to us. The settlement agreement also calls for Mr. Clark to pay us the total amount of \$104,600 over a period of approximately 3.5 years, including an initial payment of \$50,000. As of the date of this Disclosure Document, Mr. Clark is not in compliance with his payment obligations under the settlement agreement.

Realty Executives Intl. Svcs., LLC v. Struzan Holdings LTD., Dwight Streu and Bernie Molzan, Court File Number 2001-00239, Court of Queen's Bench of Alberta, filed on January 7, 2020.

On January 7, 2020, we filed a lawsuit against a former franchisee and its owners for the territory of the Provinces of Alberta and British Columbia for breach of their franchise agreement. Defendants advised us that they did not intend to renew the franchisee's real estate brokerage license, which would result in breach of the franchise agreement and abandonment of the franchised business despite 5 years remaining under the term. The Complaint also alleged that Mr. Streu and Mr. Molzan breached the noncompetition and non-solicitation covenants under their franchise agreement by joining a competing real estate brokerage and soliciting and recruiting former REALTY EXECUTIVES agents to work with them. This case and all claims related to it were resolved by settlement, with a discontinuance of claim filed on January 19, 2022. As part of the settlement, the defendants agreed to pay us an undisclosed amount in full satisfaction of our claims for lost future royalties and past amounts due.

Realty Executives Intl. Svcs., LLC v. IBJ, Inc. et. al.; Case No. CV2019-005351, Maricopa County (Arizona) Superior Court, filed on March 15, 2019

On March 15, 2019, we filed a lawsuit and request for Preliminary Injunction in the Maricopa County Superior Court for the State of Arizona against former franchisee, IBJ, Inc. and its owners Badar Mansoor, Julian Lopez, Leah Mitchell and Irfan Nazir. The lawsuit was filed in response to Defendants apparently opening and operating a competing real estate business from the same facility as Defendants' REALTY EXECUTIVES office in a seeming effort to divert money, business and goodwill away from us. The complaint alleged:

- (i) trademark infringement and false designation due to Defendants improperly utilizing our trademarks in connection with the competing business;
- (ii) breach of contract due to Franchisee's operation of a competitive business in violation of the non-competition covenants imposed under the Franchise Agreement and failure to pay ongoing transaction fees owed to us; and
- (iii) breach of the implied covenant of good faith and fair dealing based on the conduct alleged in the breach of contract claim.

The franchise agreement was terminated, and we sought recovery of damages and a preliminary injunction relating to Defendants' alleged trademark infringement, false designation and improper accounting. In response, Defendants filed counterclaims against us alleging breach of contract and breach of the implied covenant of good faith and fair dealing for our alleged failure to provide certain support required under the franchise agreement. We denied all of the Defendants' claims and provided controverting evidence. This case and all claims related to it were resolved by settlement, and all matters were dismissed with prejudice on January 15, 2021, with the defendants agreeing to pay \$150,000 to REI as part of the final settlement.

Realty Executives Intl. SVCS, LLC v. Bill Tarrabain, Philippe Roy, Rick Roswell, Gary Kirkham, and Devonshire Western Canada Ltd.; Court File No. 1701-08015, Court of Queen's Bench of Alberta, filed on June 16, 2017; Realty Executives Intl. Svcs., LLC, v. Devonshire Western Canada Ltd, a Canadian entity, Bill Tarrabain and Najat Tarrabain, Philippe Roy and Jane Doe Roy, Richard Rowswell and Stella Rowswell, and Gary Kirkham, Case No. 2:17-CV-02671-PHX-DJH, Filed August 8, 2017

On June 16, 2017, we filed a lawsuit seeking injunctive relief in the Court of Queen's Bench of Alberta in Calgary, Alberta against our former regional developer and its owners for the territory of the Province of Alberta in connection with their alleged breach of the non-competition and non-solicitation covenants contained in their regional development agreement resulting from their entering into or causing the subfranchisees in the Province of Alberta owned or controlled by them to enter into agreements with

Maxwell Realty Inc., a competitive chain of real estate brokerages. The regional developer agreement was terminated, and we sought injunctive relief prohibiting Defendants from competing and soliciting our franchisees and their agents and personnel in violation of Defendants' regional developer agreement. On June 22, 2017, the court dismissed this case in response to REI's motion so that REI could pursue its claims in Arizona instead of Alberta.

On August 8, 2017, we refiled suit in US District Court for the State of Arizona, again alleging breach of contract and in particular breach of non-competition and non-solicitation covenants in the regional development agreement. Defendants filed counterclaims, which they later withdrew, and the parties filed cross-motions for summary judgment. The trial court judge granted Defendants' motion for summary judgment as to portions of the case, which ruling we promptly appealed to the Ninth Circuit Court of Appeals. While that appeal was pending and prior to resumption of the remaining aspects of the case in District Court, we commenced an additional case against certain parties included among or closely related to the Defendants by filing a complaint before the American Arbitration Association setting forth allegations similar to those in the District Court action, on additional contractual grounds. The arbitration action defendants filed a motion seeking to have the arbitration case dismissed on various grounds, which motion was denied.

In January, 2022, before a resolution of the Appeal in the Ninth Circuit or of the Arbitration before the American Arbitration Association, the parties reached a confidential, mutually agreed resolution of their disputes and the various legal actions brought and pursued by us against the Devonshire-associated entities and individuals in multiple venues since 2015. In connection with the settlement and dismissal of all actions, the Defendants agreed not to contest \$1,000,000 of our total overall damages claim and to abandon any theory of claim or offset for seeking any portion of the approximately \$1,300,000 in legal fees expended by the Defendants in the actions overall.

Realty Executives Intl. SVCS, LLC v. FJM Corporation, Charles J. Moore, Frances E Moore and Brokers Holdings, LLC; Case No. CIV2:16-cv-01511-RFB-NJK, United States District Court, District of Nevada, filed on June 24, 2016

On June 24, 2016, we filed a lawsuit and request for Preliminary Injunction in the United States District Court in the District of Nevada against our franchisee FJM Corporation, Inc. ("FJM"), franchise owners Charles Jeffery Moore and Frances E. Moore, and Brokers Holdings, LLC ("Brokers Holdings"), following the sale of FJM's stock to Brokers Holdings. We alleged that: (i) the sale violated our franchise agreement with FJM; and (ii) Defendants engaged in trademark infringement by continued use of our Marks after the transfer of the franchise business to Brokers Holdings. The Court entered a preliminary injunction in our favor prohibiting Defendants from using our Marks. The preliminary injunction expired October 10, 2016. Our claims (for breach of contract and infringement) were compelled to arbitration pursuant to the arbitration clause in the franchise agreement. This case and all related actions were resolved by settlement and all matters were dismissed with prejudice on July 24, 2017, with the defendants agreeing to pay damages as part of the final settlement and refrain from any further use of our Marks.

Other than these 7 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.

ITEM 5 INITIAL FEES

Initial Franchise Fee

You must pay us a non-refundable initial franchise fee of \$30,000. However, if we believe an adjustment is warranted, we may waive, reduce or change the amount or the payment date for the initial franchise fee.

There is no formula for these adjustments and each situation is evaluated on a case-by-case basis. Relevant factors may include: (a) larger or more experienced prospective franchisees; (b) prospective franchisees with whom we or our affiliates have had prior business experience; (c) prospective franchisees departing from other franchise or licensing systems; and (d) prospective franchisees in other unique circumstances. In 2023, some franchisees negotiated discounted initial franchise fees ranging from \$1,100 to \$8,000.

The entire amount of the initial franchise fee is due in full at the time you sign the Franchise Agreement unless we finance all or a portion of the fee. See Item 10 for a discussion of the financing we offer. The initial franchise fee is not refundable under any circumstances and is uniformly imposed except as otherwise discussed above.

Initial Training Fee

We will provide our initial training program for your Managing Principal (defined in Item 15) and 2 additional trainees at no charge. If you register more than 3 people to our initial training program, we may charge you an initial training fee of \$750 for each person that attends initial training (other than the 3 people that may attend at no additional charge). The initial training fee for the additional employees is due 10 days after invoicing. The initial training fee is uniformly imposed and nonrefundable.

ITEM 6 OTHER FEES

TYPE OF FEE ^{1 & 2}	AMOUNT	DUE DATE	REMARKS
Monthly Service Fee	Varies based on fee structure you choose	15 th day of the month	See Notes 3 and 9.
Territory Fee	Varies based on Territory population	15 th day of the month	See Notes 4, 5 and 9.
Marketing Fees	\$300 multiplied by the greater of: (a) your Salesperson Count; or (b) your Salesperson Quota	15 th day of the month	See Notes 7 and 9.
Marketing, Training & Educational Materials	Our cost to produce and deliver the materials	As invoiced	None.
Technology Fees	Varies based on fee structure and whether you choose to purchase optional tools. See Note 8 for a description of the technology tools and services and associated pricing	Billed directly to your credit card on the same date each month, which is the date that you signed up for the service	The concierge support team will help you set up your website. See Note 8 for additional information.
Training Fees	<u>Initial Training</u> : \$750 per person for initial training <u>Other Training</u> : Up to \$1,000 per person per program depending on program	10 days after invoicing	We provide initial training for 3 individuals at no additional charge. You must pay us a training fee of \$750 for each additional person that attends initial training (whether before or after opening). We may also charge training fees for periodic ongoing training programs that we offer. The training fees range from \$0 to \$1,000 depending on the program.

TYPE OF FEE ^{1 & 2}	AMOUNT	DUE DATE	REMARKS
Annual Meeting Fee	Ranges from \$350 to \$1,500 per person (currently \$399 per person)	At time of registration for annual meeting	Each year, you must attend at least 1 national, regional, or REI qualifying event that we approve (either the Principal Symposium or a national or regional conference). You must pay the meeting fee cost for 1 person if you fail to attend any qualifying event in that year.
Transfer Fee	\$10,000	Prior to transfer of franchise	None.
Audit Fee	\$6,500 plus the actual cost of the audit or inspection, including reasonable accounting and attorney's fees and travel and living expenses	10 days after invoicing	Payable if the audit reveals underpayment or understatement of fees owed to us by 3% or more; otherwise we will bear the cost of the audit. Past due amounts are immediately due together with applicable late fees (i.e., default interest).
Late Payment Charge	Lesser of 24% of amount past due (prorated on a daily basis) or the highest rate allowed by applicable law	Upon demand	Payable with respect to all past due amounts.
Declined Payment Fee	\$65 for each returned check or declined ACH or credit card payment	Upon demand	None.
Extension Fee	Monthly fee equal to the sum of (a) \$500 per month (for an administrative fee) plus (b) \$65 multiplied by your Salesperson Count (does not vary based on your fee structure or a Salesperson's fee type designation)	15 th day of the month	If you fail to timely exercise your renewal option but you continue to operate your Business, then the Franchise Agreement will, at our option, but without notice to you, renew automatically for a 6-month period. During the 6-month period (and any additional interim term extension period), you will pay us the Extension Fee in addition to all other fees due to us under the Franchise Agreement. See Note 9 regarding increases in this fee.
Supplier Review Costs	Actual costs we incur to review suppliers or products you propose	As incurred	If you propose the use of a non-approved supplier, we may charge you our costs that we incur in reviewing the supplier and its products or services.
Taxes	Actual amount of gross receipts, sales, use or other tax or assessment we pay	As incurred	See Note 10.
Attorneys' Fees	Actual attorneys' fees incurred by us	As incurred	See Note 11.

TYPE OF FEE ^{1 & 2}	AMOUNT	DUE DATE	REMARKS
Indemnity	Actual amount of damages we incur	As incurred	You must indemnify us if we suffer damages or incur any liability based on your actions, the marketing or operation of your Business, or your breach of the Franchise Agreement.
Required Purchases and Licenses	Costs vary depending on the circumstances. Currently there are no required purchases or licenses from us beyond the Technology Fees	As invoiced	You must purchase certain products according to our standards and specifications or from approved or designated suppliers, which may include us or our affiliates. We also may require that you license software or technology from us.
Liquidated Damages for Know-How Misappropriation	\$250,000 for each unauthorized use of Know-How	Immediately upon demand	Payable only if you or your owners or employees misappropriate our know-how.

Notes:

1. **Definitions.** For purposes of the fee table and elsewhere in this Disclosure Document, the following defined terms have the meanings given to them below:

“Billing Date” means the day of each month we specify when we calculate your Monthly Fees and send you the associated invoice. The current Billing Date is the 20th day of each month. Monthly Fees are due the 15th day of the following month. We may change the Billing Date upon at least 30 days’ prior written notice.

“Monthly Fees” means and includes the Monthly Service Fee, Territory Fee, Marketing Fee and Extension Fee.

“Monthly Sales Commissions” means the total compensation earned by a Salesperson from all Transactions closed by such Salesperson during a given month.

“Office” means and includes dedicated brick-and-mortar Realty Executives offices, shared office space, executive suites, virtual offices and any other location from which business is conducted or that qualifies as an “Office” (or the equivalent) under the terms of the Franchise Agreement.

“PrimeAgent” refers to PrimeAgent.com, which is our proprietary portal.

“Referral Salesperson” means any person who (a) holds a license or similar authority (if such license or authority is required by applicable law) issued by a state, commonwealth or province authorizing such person to buy or sell or assist others with the buying or selling of real estate; (b) does not actively assist others with the buying or selling of real estate; (c) solely acts in a referral capacity for potential customers to other active Salespersons; and (d) is associated with your business in any capacity.

“Salesperson” means any person who (a) holds a license or similar authority (if such license or authority is required by applicable law) issued by a state, commonwealth or province authorizing such person to buy or sell or assist others with the buying or selling of real estate and (b) is associated with your Business in any capacity, including, but not limited to, any licensed owner, broker, agent or assistant.

“Salesperson Count” means the actual number of Salespersons and Referral Salespersons associated with your Business as of the relevant Billing Date according to information you have inputted into PrimeAgent.

“Salesperson Quota” means the minimum number of Salespersons that are required to be associated with your Business as of the relevant Billing Date. Your Salesperson Quota will be described in Attachment “F” to your Franchise Agreement.

“Transaction” means any completed real estate transaction or service for which a Salesperson earns compensation. The closing date for a Transaction is deemed to be the date on which the Salesperson earns the compensation, regardless whether or when the Salesperson actually collects the compensation. For purposes of calculating Monthly Service Fees, a Transaction means one “side” of a completed Transaction between a buyer and seller. If a Salesperson represents both the buyer and the seller in a closed Transaction, then the closing of the Transaction counts as 2 closed Transactions for the Salesperson. On the other hand, if a Salesperson represents only the buyer or the seller (but not both), then the closing of the Transaction counts as 1 closed Transaction for the Salesperson.

“Transaction Reporting Date” means the day of each month we specify on or before which you must report, through PrimeAgent, all Transactions closed during the immediately preceding month by Salespersons you designate as “percentage-based”. The current Transaction Reporting Date is the 15th day of each month. We may periodically change the Transaction Reporting Date upon at least 30 days’ prior written notice.

2. **Nature of Fees and Method of Payment.** All fees are imposed by and payable to us. All fees are nonrefundable. We may collect and pay a portion of the Technology Fees to various third-party licensors on your behalf. All fees are uniformly imposed except as otherwise provided below. We may require that you pay us ongoing fees by electronic debit from your designated checking account and sign an ACH Authorization form to enable us to do so, or alternatively, provide us with a credit card for all payments due and owing, and authorize us to run that credit card on a monthly basis. When you pay by credit card, we may charge you an additional credit card processing fee of not more than 3% per transaction. Our current ACH Authorization form is attached to the Franchise Agreement as Attachment “G”. You must ensure sufficient funds are available for withdrawal or credit (if paying on a credit card) before each due date. We currently require that you pay the Technology Fees by credit card.
3. **Monthly Service Fee.** Your Monthly Service Fee may vary depending on the fee structure you select. You may choose between our Flat Fee Model, Flex Model or All-Inclusive Model (each described below in more detail). The Monthly Service Fee structure you select will be identified in your Franchise Agreement at least 7 days before you sign it.

Flat Fee Model

Under the Flat Fee Model (the Original 100% Commission Concept), you pay us a Monthly Service Fee equal to the greater of:

- (a) \$325 multiplied by the greater of: (i) your Salesperson Count; or (ii) your Salesperson Quota; or
- (b) \$550.

Flex Model

Under the Flex Model, the Monthly Service Fee varies depending on whether you designate a given Salesperson as “flat fee-based” or “percentage-based”. Each month you pay us a Monthly Service Fee equal to the greater of:

- (a) the sum of (i) \$320 multiplied by the total number of Salespersons that are included in your Salesperson Count and you designate as “flat fee-based” plus (ii) 6% of the aggregate Monthly Sales Commissions earned during the immediately preceding month by all Salespersons you designate as “percentage-based”; or

(b) \$550.

Once you designate a Salesperson as flat fee-based or percentage-based, you must notify us in writing at least 90 days before changing their designation. We reserve the right to limit the number of percentage-based Salespersons and the length of time those Salespersons may have the percentage-based designation.

All-Inclusive Model

Under the All-Inclusive Model, you pay us a Monthly Service Fee calculated as the sum of: (a) a fixed “base fee” of \$472 per month (which includes access to PrimeAgent and a broker website); plus (b) a variable “transaction fee” for each Salesperson associated with your Business. The “transaction fee” for a given Salesperson is determined from: (a) the sales price associated with each Transaction closed by the Salesperson; and (b) the total number of Transactions closed by the Salesperson in a given calendar year. The base fee and transaction fees are listed below:

Monthly Base Fee	Transaction Fee	
	Sales Price	Transaction Fee*
\$472 per month (includes PrimeAgent and broker website fee)	\$0 to \$99,999	\$250 per Transaction (fewer than 13 Transactions in year)
	\$100,000 to \$499,999	\$350 per Transaction (fewer than 13 Transactions in year)
	\$500,000 to \$999,999	\$450 per Transaction (fewer than 13 Transactions in year)
	\$1,000,000 and above	\$550 per Transaction (fewer than 13 Transactions in year)
	Any Sales Price	\$25 per Transaction (13 th or subsequent Transaction in year)

* Each transaction fee includes \$100 that is paid for the Salesperson’s access to technology tools plus an additional amount that varies depending on the final home selling price. The transaction fee that varies based on sales price applies to the initial 12 Transactions by the Salesperson in a calendar year. Any additional Transactions closed by the Salesperson during that calendar year are subject to a flat \$25 transaction fee per Transaction. The number of Transactions under the All-Inclusive Model resets to 0 at the start of each calendar year.

By way of example, if a Salesperson with fewer than 12 Transactions during a calendar year closes a Transaction with a final selling price of \$90,000, then you pay us a transaction fee of \$250, which is calculated as \$150 plus a \$100 fee for the Salesperson’s access to the technology tools.

Reporting Obligations Under All-Inclusive Model and Flex Model

If you operate under the All-Inclusive Model or the Flex Model, then with respect to each Salesperson (if you operate under the All-Inclusive Model) or with respect to each Salesperson you designate as “percentage based” (if you operate under the Flex Model) you must: (a) submit a monthly report that identifies all Transactions closed by each Salesperson during the immediately preceding month using our PrimeAgent transaction reporting page, on or before the Transaction Reporting Date; and (b) send to us, upon our request, a report that identifies all of the Salesperson’s listings and describes the dispositions of those listings (including listings sold) during the immediately preceding month. If you fail to consistently submit these reports on or before the applicable Transaction Reporting Date, we reserve the right, in our sole discretion, to convert you to our then-current Flat Fee Model.

Monthly Service Fee Variations

In certain circumstances, we may reduce the Monthly Service Fee for franchisees based on particular characteristics of their market and their situation, taking into account a number of factors, such as the franchisee's size and maturity, local competition and the fee structure utilized by the franchisee.

4. **Territory/Office Fee Structure.** You have the right to open multiple Offices within your current Territory. You pay us a Territory Fee that gives you the right to open as many Offices as you desire within your current Territory. You do not pay any Office Fees.

Territory/Office Fee. You pay us a monthly Territory Fee. The Territory Fee is calculated as \$100 for every 40,000 residents in your Territory, with a minimum monthly Territory Fee of \$100 per month for a territory with a population equal to or less than 40,000. For example, the monthly Territory Fee for a territory with a population of 30,000 would be \$100 per month while the monthly Territory Fee for a territory with a population of 75,000 would be \$200 per month. We reserve the right to adjust downward the number of residents used for this calculation at any time, but will not adjust it more than once every two years. If you choose to open a single point location within your Territory, despite there being a population of 0 people for that single point, your Territory Fee will increase by \$100-300, depending on the existing Territory Fee you are paying us and other factors, including location of other franchisees.

Population Determinations

The monthly Territory Fee is determined based on the population associated with your Territory at the time the Franchise Agreement is executed. We determine the number of residents in your Territory based on the then-current United States Census results, currently available at <https://data.census.gov/>. In our sole discretion, we may adjust the monthly Territory Fee every 10 years based on population changes within your Territory according to the then-current United States Census data. We will notify you in writing at least 30 days prior to implementing a change to your Territory Fee based on population changes within your Territory.

5. **Marketing Fee.** You must pay us a monthly Marketing Fee equal to \$300 multiplied by the greater of: (a) your Salesperson Count; or (b) your Salesperson Quota. We will deposit all Marketing Fees into the Marketing Fund (defined in Item 11).
6. **Technology Fee.** You must acquire and utilize all information and communication technology systems we specify from time to time (the "Technology Systems"). The "Technology Fee" includes all amounts you pay us and/or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. The amount of the Technology Fee may change based on changes to the Technology Systems (or the associated services we provide) or the prices charged by third-party suppliers with whom we enter into master agreements. We will not increase the technology fee more than once during any 6-month period. The Technology Fee does not include amounts you pay directly to third-party suppliers for any component of the Technology Systems or for any other amounts you pay directly to third-party suppliers for any technology you may choose to utilize independent of our Technology Systems. Our current Technology Fee is comprised of the various components listed in the table below. Each component is described in more detail in Item 11 under "Computer System".

Technology	Fee	Additional Remarks
PrimeAgent (our proprietary Intranet portal)	\$110 per month*	You must submit monthly reports to us through PrimeAgent if you operate under the Flex Model or All-Inclusive Model. If you fail to submit reports or other data in a timely manner, we may increase your PrimeAgent fee from \$110 to \$299 per month for a 3-month period. Your PrimeAgent fee returns to \$110 per month if you timely enter all required data throughout the 3-month period. If you do not timely enter all required data throughout that 3-month period, your PrimeAgent fee may remain at \$299 per month until we determine, in our sole discretion, that you are in compliance with your data entry obligations in the Franchise Agreement.
Broker Website	\$212 per month*	We provide you with a broker website to help promote your Business.
Agent Website	\$42 per month	We offer websites for Salespersons. The Salesperson may pay us directly or you may pay us on behalf of your Salesperson.
Additional Property Codes	\$5 per set of 25 codes	At no additional charge, we provide you with 25 codes for use with the mobile marketing/text messaging system. You may purchase additional codes for \$5 per set of 25 codes.
Premium Email Campaigns/Newsletter	\$10.95 per month (premium) \$21.95 per month (unlimited)	We provide electronic marketing campaigns for you with email blasts. The \$10.95 fee monthly fee entitles you to a limited number (1000) of premium email campaigns and newsletters while the \$21.95 monthly fee provides access to up to 5,000 contacts. Use of this service is optional.
Team Marketing System	\$63 per month plus \$5 per month per team member	We offer “team” websites for \$63 per month, with an additional charge of \$5 per month per Salesperson who is a part of that “team”. Team websites are optional.

* If you operate under the All-Inclusive Model, your “Base Fee” includes, and is deemed to cover, the fees we charge for PrimeAgent and the broker website (you would be separately charged for these fees)

In addition to the technology fees described above, we reserve the right to charge you a reasonable administrative fee relating to our operation of the Technology Systems you use. Any administrative fee for the Technology Systems would be added to the monthly technology fee. If we choose to charge you this additional fee, we will advise you of the new charge in writing not less than 60 days before we impose the fee.

7. We have the right to increase the Monthly Fees (including any “minimum” Monthly Service Fee) based on CPI changes. Any increase to the Monthly Fees will be implemented not more than one time each calendar year, and will be calculated in the following manner: the fees payable each year of the Franchise Agreement shall be increased by a fraction, the numerator of which is the CPI for the prior calendar year (the “Prior Year”) and the denominator of which is the CPI for the year immediately preceding the Prior Year. For purposes of this calculation, “CPI” means the Consumer Price Index published by the Bureau of Labor Statistics of the U.S. Department of Labor, for All Urban Wage Earners and Clerical Workers, U.S. Cities (1982-84 = 100), “All Items.” If we, in our sole discretion, determine not to apply the fee increase in any given year, we may choose to apply a multi-year fee increase during any subsequent year.

8. You must reimburse us for any gross receipts, sales, use or other tax or assessment levied against us by any taxing authority based on any fees or other amounts that you pay to us under the terms of the Franchise Agreement. We will notify you of any such tax or assessment, and you must pay us the amount of the tax or assessment before it becomes delinquent. This reimbursement obligation does not apply with respect to income taxes imposed on us by the jurisdiction in which your Office(s) are located and we are solely responsible for all such income taxes.
9. If we are the prevailing party in any legal proceeding in which we are adverse to you, we are entitled to recover from you all of our expenses, including our costs and attorneys' fees.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE	AMOUNT ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ²	\$30,000	Lump Sum	Upon signing of Franchise Agreement	Us
Travel and Living Expenses (2 people while training)	\$1,200 to \$3,500	As incurred	During training	Airlines, hotels and restaurants
Furniture and Equipment ³	\$1,000 to \$30,000	Lump sum or as arranged by seller or lessor	As arranged by seller or lessor	Suppliers
Office Supplies ⁴	\$1,000 to \$2,000	As incurred	As incurred	Suppliers
Signage ⁵	\$500 to \$4,000	As arranged	As arranged	Suppliers
Rent (3 months) and Real Estate Improvements ⁶	\$0 to \$250,000	As incurred	As incurred	Landlord and vendors
Annual Insurance ⁷	\$3,000 to \$6,000	As arranged	As arranged	Insurance company
Professional Fees ⁸	\$1,000 to \$40,000	As arranged	As arranged	Professional service providers
Additional Funds-3 months ⁹	\$10,000 to \$60,000	As incurred	As incurred	Employees, suppliers, vendors and us
Total Estimated Initial Investment ¹⁰	\$47,700 to \$400,550			

Notes:

1. We may offer financing to franchisees for the initial franchise fee. No other fees payable to us are refundable. We are unaware of any fees payable to third party suppliers that are refundable, although some landlords may refund security deposits at the end of the lease if the tenant does not default.
2. See Item 5 for additional information.
3. You do not need to purchase additional office furniture, copy machines, etc. if you are already operating a real estate office. If you are starting a new office without any prior infrastructure in place, these costs can range from a few hundred dollars to several thousand dollars depending on the quality of furniture and equipment and the amount purchased. Only basic office furniture and equipment is recommended

(e.g., desks, chairs, smartphone, computer, printer, etc.). In order to facilitate communications, we require that you maintain an active email address. We estimate the total cost to purchase furniture and equipment for an office starting without any furniture or equipment will range from \$1,000 to \$30,000. Your actual costs may vary widely depending on your personal choices.

4. You must purchase certain forms and office supplies for the operation of your Business.
5. The costs for office signs vary tremendously depending on size and type. In addition, variations in local sign ordinances make it impossible to predict such costs with any degree of precision or accuracy.
6. We do not have any specific requirements relating to the offices that must be established and maintained by REALTY EXECUTIVES franchisees, except that: (a) your Office may not be located in a residence (unless otherwise permitted by your local jurisdiction while still permitting prominent REALTY EXECUTIVES signage); and (b) your office must be kept in good repair and present a professional appearance to the public and your clients. A typical REALTY EXECUTIVES office ranges in size from 800 to 6,000 square feet, with an average size of 1,000 square feet. REALTY EXECUTIVES offices are usually located in residential shopping areas and light commercial areas and generally on well-traveled arteries. The figures in the chart are based on the operation of a single Office and presume that you will be leasing your Office, with a rental rate ranging from \$1.50 per square foot per month to \$5 per square foot per month. The range of rental rates may be higher or lower depending on the region in which your Office is located. Other factors affecting rental rates include rental history, length of lease, type of lease (including whether it is a full service lease, triple net lease or other type of lease) and your ability to negotiate terms. If you purchase your Office, your costs will vary greatly depending on size and location and you must make your own determination as to improvements. The costs of purchasing an Office vary so widely that we cannot reasonably estimate the cost. The low estimate assumes you are establishing a virtual Office, in which case you will not bear these expenses.

We estimate the cost for leasehold improvements can range from \$10 to \$25 per square foot. Not all offices will require leasehold improvements. In some cases, the landlord may assume responsibility for some or all of the leasehold improvements. If leasehold improvements are required, we assume the total cost would range from \$8,000 to \$200,000. The low estimate in the table above assumes either no leasehold improvements are required or the landlord covers the cost of any required leasehold improvements. The high estimate includes \$200,000 for leasehold improvements.

7. You must obtain the insurance coverage we require (whether in the Franchise Agreement or in the Manual) from licensed insurance carriers rated A or better by Alfred M. Best & Company, Inc., including the following:

Policy Type	Minimum Coverage
“All risk” Property Insurance	Replacement Value
Comprehensive General Liability Insurance	\$1,000,000 per occurrence and \$3,000,000 in the aggregate
Errors and Omissions Insurance	\$1,000,000 per occurrence and \$3,000,000 in the aggregate
Automobile Liability Insurance	\$1,000,000 Combined Single Limit and \$1,000,000 in the aggregate
Theft and Dishonesty Insurance	\$1,000,000 per occurrence and \$1,000,000 in the aggregate
Privacy and Cybersecurity Liability Insurance	\$1,000,000 per occurrence and \$1,000,000 in the aggregate

Commercial Umbrella Insurance	\$5,000,000 per occurrence and \$5,000,000 in the aggregate
Business Interruption Insurance	At least 6 months
Employer's Liability Insurance	\$1,000,000
Worker's Compensation Insurance	As required by law
Landlord-Required Insurance	As required by your lease

The required coverage and policies are subject to change. All insurance policies must be endorsed to: (a) name us (and our members, officers, directors, and employees) as additional insureds; (b) contain a waiver by the insurance carrier of all subrogation rights against us; and (c) provide that we receive at least 10 days' prior written notice of the termination, expiration, cancellation or modification of the policy.

8. We recommend that you retain an attorney to review the real estate and franchise documents and assist you in forming a corporation or other legal business entity to operate the Business. We also recommend that you retain an accountant for advice in establishing and operating your Business and filing necessary tax forms and returns. The estimates also include the costs for local associations and state and corporate registrations fees. The estimates given are on an annual basis.
9. This figure represents your initial startup expenses over the first 3 to 6 months of operation. These expenses include payroll costs, but do not include any salary for you. They also include association fees, technology fees and working capital. These figures are estimates and you may have additional expenses starting your Business. The estimate of additional funds is based on an owner-operated business and is based on our perception of the recent experience of start-up franchisees. In general, you can expect to put additional cash into the business during at least the first 3 to 9 months, and sometimes longer.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must obtain our prior written approval in order to use a non-approved supplier for the purchase or lease of any source-restricted supplies, goods, services, fixtures, equipment, or inventory that we identify from time to time for your use in the operation of your Business. As of the date of this Disclosure Document, we have not identified any source-restricted goods or services other than our proprietary technology portal, PrimeAgent, and our broker websites and regional websites. Upon your request, we can provide you with identified suppliers for certain goods and services that are not categorized as source-restricted. For such non-source-restricted goods and services, you are permitted to use any supplier that you choose, except that (a) all suppliers must satisfy the supplier selection criteria described in the Manual; (b) any purchase that you make for advertising materials or operational forms bearing the Marks must comply with our specifications outlined in the Manual as to color, size and content; and (c) we are the exclusive supplier of PrimeAgent and our broker websites and regional websites. We do not have any specifications for your computer system except that it must have Internet access and you must utilize PrimeAgent. You must utilize the broker website that we designate. We reserve the right to require in the future that you purchase other goods and services that meet our specifications and/or that you purchase certain goods and services only from approved or designated suppliers (which may include or be limited to us and/or our affiliates).

We will notify you within 30 days of any changes to, or the establishment of, specifications, or approved or designated suppliers, or the revocation of the approval of existing designated or approved suppliers. This notice may be disseminated to you by various means, including written or electronic correspondence, verbal or telephonic notification, amendments or updates to the Manual, and similar means of communication. Of the total purchases that will be required to establish your Business, we estimate that nearly 3% of these purchases will be from approved or designated suppliers or will consist of items that must meet our specifications. Of the total purchases that will be required to operate your Business, we estimate that nearly

30% of these purchases will be from approved or designated suppliers or will consist of items that must meet our specifications.

We reserve the right to be an approved supplier for certain goods or services that you purchase for use in your Business. Currently, we make available to our franchisees certain marketing materials that they are permitted to download from PrimeAgent at no additional charge. We may also provide marketing materials in other formats, and we reserve the right to charge you for our costs to produce and deliver the materials. In addition, we may develop training or educational products that we may sell to franchisees for a separate cost. We will designate these products as optional or mandatory and we may charge you for any costs that we incur in preparing and/or delivering any training or educational products to you. In exchange for various fees described in Item 6, we provide franchisees with: (a) access to PrimeAgent; and (b) a separate broker website. We also offer various optional technology tools, resources and services that you may choose to purchase and utilize at your discretion.

Previously, we have negotiated purchase agreements to enable franchisees to purchase certain items at discounted prices. Our current purchase agreements relate to printed and promotional materials and products, signage, wireless phone service, shipping and automobile purchases and rentals. We have certain recommended suppliers for optional products that you may choose to purchase (although you are not required to do so). In some, but not all, of these instances, these suppliers pay us a rebate that ranges from 0% to 20% of the price paid by the franchisees. We are not obligated to negotiate purchase agreements.

No person affiliated with us is currently an approved (or the only approved) supplier. Realty Executives Relocation Services, LLC (“RS LLC”) is an approved supplier that provides optional referral services for REALTY EXECUTIVES agents throughout the system. RS LLC is not an affiliate of ours due to lack of common control. However, we do hold a 25% minority ownership interest in the company. There are no approved or designated suppliers in which any of our officers own an interest.

You do not receive any material benefits for using designated, approved or recommended suppliers. There are currently no purchasing cooperatives, although we reserve the right to establish them in the future.

For the fiscal year ended December 31, 2023, our total revenues were \$5,522,289, and we received \$522,439 based on franchisee purchases from designated or approved suppliers (including us), which represents 9.460% of our total revenues.

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 other items in this Disclosure Document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 6.2	Item 11
b. Pre-opening purchases/leases	Sections 6.2, 7.4, 8.4 & 10.1	Items 7, 8 & 11
c. Site development and other pre-opening requirements	Sections 6.3 & 6.4	Items 6, 7 & 11
d. Initial and ongoing training	Section 5	Items 6 & 11
e. Opening	Section 6.5	Item 11
f. Fees	Sections 4.3, 5, 7.1, 7.2, 7.4, 8.5, 10.3, 14, 15.2, 16.4 & 18.2	Items 5 & 6
g. Compliance with standards and policies/Operating Manuals	Sections 6.2, 7.3, 7.4, 8 & 16.1	Items 8 & 11

	Obligation	Section in Agreement	Disclosure Document Item
h.	Trademarks and proprietary information	Section 16	Items 13 & 14
i.	Restrictions on products/services offered	Section 8.3	Item 16
j.	Warranty and client service requirements	Not Applicable	Not Applicable
k.	Territorial development and sales quotas	Section 9	Item 12
l.	Ongoing product/service purchases	Section 8.4	Items 8 & 11
m.	Maintenance, appearance and remodeling requirements	Section 6.3	Item 11
n.	Insurance	Section 10.1	Item 7
o.	Advertising	Section 7	Items 6, 8 & 11
p.	Indemnification	Section 17	Item 6
q.	Owner's participation/management/staffing	Sections 8.6 & 11	Item 15
r.	Records/reports	Sections 10.2, 10.3 & 10.4	Item 6
s.	Evaluations/audits	Section 15	Items 6 & 11
t.	Transfer	Section 18	Item 17
u.	Renewal	Sections 4.1 & 4.2	Item 17
v.	Post termination obligations	Sections 20	Item 17
w.	Non-competition covenants	Not Applicable	Item 17
x.	Dispute resolution	Section 21	Item 17

ITEM 10 FINANCING

From time to time, we may offer financing for the initial franchise fee. Depending on the creditworthiness of the franchisee, we may finance up to 100% of the initial franchise fee. In determining whether to approve you for financing, and if so, the amount that we will finance, we will consider various factors including your credit report and other indicia of your creditworthiness. We do not guarantee any of your notes, leases or other financial obligations.

If we provide you with financing for the initial franchise fee, you must sign a promissory note in our favor with an initial principal amount equal to the amount financed. You must pay us the non-financed portion of the initial franchise fee when you sign the Franchise Agreement. The financing terms may be follows:

Amount Financed – Up to 100% of initial franchise fee

Interest Rate – ranges from 6% to 18%

APR – ranges from 6% to 18%

Repayment Period – Ranges from 1 to 10 years

Payment Terms – Equal monthly installments of principal and compound interest unless otherwise agreed upon*

* Depending on the duration of the repayment period, we may vary the structure of the financing. For example, we may offer “interest only” payments for a portion of the repayment period. Or in some cases we may offer “interest only” payments for the duration of the repayment period with a balloon payment of the entire principal amount upon the expiration of the repayment period.

You may prepay all or a portion of the Promissory Note at any time without penalty. If you are an entity, everyone owning an equity interest in you must sign a personal guarantee for the financed amount. Depending on the creditworthiness of such individuals and the community property laws of the states in which they reside, we may require that the spouse of one or more of these individuals sign the personal guaranty as well.

If you fail to make any payment under the Promissory Note when due, we may accelerate the entire principal balance outstanding under the Promissory Note. In addition, if you fail to make any payment when due, we may charge you default interest on the past due amount at a rate equal to the lesser of 24% per annum (prorated on a daily basis) or the highest rate permitted by your state’s law and, if we so decide, we may terminate your Franchise Agreement. If your Franchise Agreement is terminated due to a breach of the Promissory Note, you will not be entitled to a refund of any fees that you had previously paid to us and we may take any action that we feel appropriate to collect any amounts that remain unpaid under the Promissory Note. As an alternative to terminating the Franchise Agreement, we may eliminate (or reduce the size of) your Territory. You must reimburse us for all collection costs that we incur in enforcing our rights under the Promissory Note, which may include, but not be limited to, attorneys’ fees, costs, and collection agency expenses. You agree not to assert: (a) demand, diligence, grace, presentment for payment, protest, notice of nonpayment, nonperformance, extension, dishonor, maturity, protest and default; and (b) recourse to guaranty or suretyship defenses (See Section 10 of the Note).

Our form of Promissory Note is attached to this Disclosure Document as Exhibit “J”. We reserve the right to sell or assign the Promissory Note although it is not our current practice to do so.

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

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

Before you open your Business, we will:

1. License you the intellectual property necessary to begin operating your Business. (Section 2)
2. Provide you with written specifications for certain of the goods and services you must purchase to establish your Business, as well as a written list of approved, designated and/or recommended suppliers for purposes of acquiring these goods and services. We do not deliver or install any of the items that you are required to purchase. (Sections 8.2 & 8.4)
3. Provide you with access to the Manual for the duration of the term of your Franchise Agreement. See Section below entitled “Manual” for additional information. (Section 8.2)
4. Provide you with access via PrimeAgent to designs for marketing materials. (Section 7.2)
5. Provide a mandatory initial training program. For additional information, see Section below entitled “Training Program”. (Section 5.2)

During the operation of your Business, we will:

1. Maintain a website that will include a list of all of the REALTY EXECUTIVES franchisees. We

may remove from this website certain or all information relating to any terminated franchisee or any franchisee that is in default. We may modify the content of and/or discontinue such website at any time in our sole discretion. (Section 7.4)

2. Provide you with your own REALTY EXECUTIVES broker website that will include information about your Business. This broker website resides as sub-domain under our domain and is directly linked to our website. You must exclusively utilize the broker website we provide unless we agree to waive this requirement in our sole discretion. You must pay us a \$199 monthly fee for this website. If you operate under the All-Inclusive-Model, the website is included at no additional charge. (Section 7.4)
3. Administer the Marketing Fund. For additional information about your advertising obligations, see the Sections below entitled “Advertising and Marketing.” (Section 7.1)

During the operation of your Business, we may, but need not:

1. Hold periodic national conventions, events or meetings to discuss system changes and issues affecting REALTY EXECUTIVES franchisees. We may also hold our broker/owner symposium from time to time. You must attend at least 1 of these events each year if they are held. We may charge you a registration fee that ranges from \$350 to \$1,500 per person per event. You are responsible for all other out of pocket expenses incurred by you in attending these events. (Section 5.5 & 5.6)
2. Provide an annual training program for your owners and employees. Your Managing Principal and at least 1 other staff member are required to complete this training program in the first 12 months of operation. The training may be held at our corporate headquarters or virtually. (Section 5.1)
3. Provide you, from time to time, with ongoing guidance by telephone consultation, virtual meetings, or limited on-site assistance at our discretion. See Section below entitled “Training Program” for additional information. (Section 5.4)
4. Negotiate purchase agreements with vendors to obtain discounted prices for REALTY EXECUTIVES franchisees. (Section 8.4)
5. Provide you with access to required and/or optional software, technology and related tools and services that are (or may be) utilized in the operation of a REALTY EXECUTIVES brokerage. (Section 8.5)

Training Program (Section 5)

We provide virtual onboarding for the initial step which includes an introduction and overview of our tech platform (PrimeAgent) and our marketing library.

We will provide a mandatory initial training program for your Managing Principal and up to 2 additional people (the “Initial Trainees”) for a period of approximately 2 days. The Managing Principal must be one of the Initial Trainees. Training may occur at our World Headquarters located in Phoenix, Arizona, or at any other location that we designate. We reserve the right, in our sole discretion, to conduct the initial training program virtually through video conference calls, webinars or any other electronic method that we deem appropriate. Currently, we intend to offer the initial training program on an as-needed basis.

The content of the initial training program is subject to modification from time-to-time. As of the effective date of this Disclosure Document, the initial training program consists of the following:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Franchise History & Vision	.50	0	Phoenix, Arizona or any other location we designate
Brand Advantages & Business Model	.50	0	Phoenix, Arizona or any other location we designate
PrimeAgent Technology Suite	1.25	0	Phoenix, Arizona or any other location we designate
Marketing & Branding	1.25	0	Phoenix, Arizona or any other location we designate
Training Resources	.25	0	Phoenix, Arizona or any other location we designate
Concierge Resources	.25	0	Phoenix, Arizona or any other location we designate
Recruiting & Retention Strategies	2	0	Phoenix, Arizona or any other location we designate
Competitive Intelligence	1	0	Phoenix, Arizona or any other location we designate
Business Practices	3.25	0	Phoenix, Arizona or any other location we designate
Legal Considerations	.75	0	Phoenix, Arizona or any other location we designate
Questions / Answers	.50	0	Phoenix, Arizona or any other location we designate
Total	11.5		

The instructors include David Celaya, Alysia Heun, and Patrick van den Bossche. Mr. Celaya joined Realty Executives in 2011 and is a licensed real estate agent with 14 years of industry experience. Ms. Heun joined Realty Executives in 2013 and has been our VP of Franchise Services since 2017. She has a total of 10 years of industry experience. Mr. van den Bossche joined Realty Executives in 2018 and is a licensed real estate agent with 18 years of industry experience. Our training team provides instruction in the areas of marketing, technology, and business. Attendees may experience training sessions as outlined in the table above, and/or as hosted by 3-5 additional subject matter experts. All instructors will be licensed or certified as required by their designated real estate department in the state in which they reside.

The initial training materials will consist of digital presentations (including pre-recorded and live video), sample marketing materials and electronic documents. You will not be charged an additional fee for any of

the initial training materials. The Initial Trainees must complete the initial training program within 180 days after signing the Franchise Agreement and before your Office is opened for business. Your Office must be opened for business within 6 months after signing the Franchise Agreement. If you fail to open your business and complete the initial training program within this period of time, we have the right to terminate your Franchise Agreement.

In addition to the initial training program, we may choose to, but need not, send one of our representatives to visit your Office to provide consultation services regarding issues relating to the operation of your Office, including accounting, personnel management and business management issues. There is no additional fee for the first on-site visit to your Office if we elect to undertake such a visit. However, if you request any on-site visits, or if we deem them to be necessary, you must pay all reasonable travel, lodging and other related expenses that we incur in providing this service to you. This service is subject to the availability of our representatives.

We also provide an annual training program for your owners and employees. Your Managing Principal and at least 1 other staff member you designate must complete this training program within the first 12 months after opening your Business. This training may be conducted virtually or it may be held at our World Headquarters located in Phoenix, Arizona.

In addition to the training above, at least 1 person from your Business should complete the Certified Concierge Expert training (or any success program under a different name) within 120 days after the Effective Date of the Franchise Agreement. You should maintain a Certified Concierge Expert within your Business at all times throughout the term of your Franchise Agreement. The Certified Concierge Expert training program is conducted remotely either via webinars or as a series of training videos within our Intranet.

The initial franchise fee covers our training costs for your Managing Principal and 2 additional members of your staff. If we train more than 3 individuals, you must pay us the Training Fee for each such additional person. The Training Fee is \$750 for each staff member other than initial 3 trainees. You are responsible for payment of all food, travel and lodging expenses incurred by you and your employees in attending the training program. There is no additional training fee for the Certified Concierge Executive training program.

In addition to the training described above, we may offer periodic ongoing training programs for you and your Salespersons. These training programs may be conducted at our headquarters or they may be conducted remotely through live or recorded webinars or through any other method that we deem appropriate. We may designate ongoing training programs as mandatory or optional. We may charge you a training fee for each person that participates in the training program. The training fee ranges from \$0 to \$1,000 depending on the program.

Manual (Section 8.2)

We will provide you with access to our Manual during the term of your Franchise Agreement. Among other things, the Manual may, but need not, include:

- a description of authorized services and products that you may sell
- specifications, operating procedures, and quality standards for products, services and procedures that we may prescribe from time to time for franchisees
- guidelines and standards for marketing materials, websites and signage
- tradename requirements and criteria
- a written list of goods and services (or specifications for goods and services) you must purchase for use in the development and operation of your Business and a list of any designated or approved suppliers for these goods or services (if any)

- supplier selection criteria (if any)

All mandatory provisions contained in the Manual are incorporated into and considered part of the Franchise Agreement. The Manual is confidential and remains our intellectual property. You must return the Manual to us or otherwise cease any use of it at the time your Franchise Agreement expires or is terminated. We reserve the right to modify the Manual at any time, and you must comply with all changes to the Manual that we make. Any changes we make to the Manual will not alter your status or fundamental rights under the Franchise Agreement. The Manual currently contains a total of 1,204 pages and is provided virtually through PrimeAgent. Because the Manual is virtual and consists of a suite of resources, our page count is merely an estimate, and the content is continually updated and enhanced with new resources. A copy of the Table of Contents to the Manual is attached to this Disclosure Document as Exhibit “E”.

Office Requirements (Section 6)

You must have at least one open, designated Office at all times during the operation of your Business. There are no contractual limitations on the maximum number of Offices you may open in your Territory.

As discussed in Item 6 Note 1, a designated Office includes dedicated brick-and-mortar Realty Executives offices, shared office space, executive suites, virtual offices (including virtual offices listing addresses within your Territory, including through business directories such as Google My Business or similar sites) and any other location from which business is conducted or that qualifies as an “Office” (or the equivalent) under the terms of your Franchise Agreement. If you are required or choose to have a brick-and-mortar Office, we do not have any requirements or specifications regarding the location or design of your Office, except that: (a) you may not open an Office outside your Territory without our approval; (b) your Office must comply with all signage requirements listed in the Manual; and (c) your Office must be kept in good repair and present a professional appearance to the public and your clients. We have sole discretion in determining whether an Office: (a) is deemed to be “open” for purposes of the Franchise Agreement; and (b) is in good repair and presents a professional appearance. In determining whether or not a particular Office is an “open” Office, we may consider the following factors, in addition to any other factors that we deem relevant:

- whether the Office is located on or within commercial property
- whether there is any signage at your Office (if it is a physical location)
- whether there is any publicly available REALTY EXECUTIVES advertising about the Office
- whether your phone number is answered by referring to REALTY EXECUTIVES
- whether real estate agents are operating out of the Office
- whether the Office is licensed as a branch office of an existing REALTY EXECUTIVES Office as may be required by local laws, regulations, rules or ordinances

You may not operate any designated Office (including a brick-and-mortar office, shared office space, executive suite, virtual office or any other physical location from which business is conducted or that qualifies as an Office or equivalent under the terms of your Franchise Agreement) that is located outside of your Territory without our approval, which we may withhold in our sole discretion. If we grant approval to open an Office located outside your Territory, we may impose any terms and conditions we deem appropriate as a condition to granting our approval. Notwithstanding the foregoing, you must abide by all local laws, regulations, rules and ordinances with respect to operating a real estate office.

We do not assist you with locating or securing your Office, with any construction, remodeling, decorating conforming the premises to local ordinances and building codes, obtaining any required permits or with hiring or training your employees prior to or after the opening of your Business. You do not need our approval of the location of the premises for your Offices within your Territory. You also do not need our approval of the terms of your lease or purchase agreement. You have sole discretion in selecting your site

(which must be located within your Territory) and designing your Office. However, your site must not violate the high ethical standards and distinguishing characteristics of the franchise. We do not typically own the premises and lease it to you.

Computer System

You must purchase and install a computer system that enables you to access the Internet so you can: (a) utilize the web-based franchise program and all support materials through PrimeAgent; (b) utilize financial accounting software (we do not require any specific software); and (c) communicate with us via email. We estimate the cost of your computer system, including computer hardware and software, printer, scanner, Internet access, and copy machine, will range from \$3,000 to \$9,200.

You will use your financial accounting software to prepare financial reports and maintain digital storage of data (including cloud storage). We do not require that you use any particular financial accounting software at this time. Upon your request, we will provide you with our recommended financial software programs. We will not have independent access to the data collected on your computer system. However, we may inspect your computer system and access the data as part of an inspection.

You will use PrimeAgent to report all closed transactions for any agent that is on a transaction-based fee plan (i.e., percentage-based or the All-Inclusive Model). We are responsible for any required maintenance to our Intranet system.

Unless otherwise disclosed above: (a) neither we nor any other party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system; and (b) we are not aware of any optional or required maintenance, updating, upgrading or support contracts relating to your computer system.

For the technology that you need to use for your Business, you will pay us: (a) \$110 per month (\$1,320 per year) for access to PrimeAgent; and (b) \$212 per month (\$2,544 per year) for your broker website.; We may, in our discretion, waive your obligation to utilize the broker website and pay the associated fee. If you operate under the All-Inclusive Model, your Monthly Service Fee is inclusive of the monthly fee for PrimeAgent and the monthly fee for the broker website.

If you are required under this Franchise Agreement to enter data through PrimeAgent, and you fail to enter the required data in a timely manner, we may increase the monthly fee for PrimeAgent from \$110 to \$299 per month for a 3-month period. Your monthly PrimeAgent fee will return to \$110 per month if you timely enter all required data throughout that 3-month period. If you do not timely enter all required data throughout that 3-month period, the fee for PrimeAgent may remain at \$299 per month until such time that we determine, in our sole discretion, that you are in compliance with your data entry obligations from the Franchise Agreement.

We also offer websites for Salespersons, at a cost of \$42 per month per website. A Salesperson may pay us directly for the website; however, some franchisees choose to make these website payments on behalf of their Salespeople. We also offer “team” websites for \$63 per month, with an additional charge of \$5 per month per Salesperson who is a part of that “team”.

We may periodically review and adjust these fees for technology we offer (including, but not limited to, the fees for access to PrimeAgent, the broker website, the Salesperson website, and/or the “team” website) to reflect changes in the costs we incur in providing the associated software or technology. However, we will not increase these technology fees more than 2 times in any 12-month period.

We may develop new or substitute technology and tools for your use and we may discontinue existing technology and tools. Any such change may result in an increase or a decrease in the technology fee. We may designate each tool either as mandatory or optional.

At your own expense, you must maintain your computer systems in good working order. During the term of your franchise, you may be required to upgrade or update your computer hardware and/or software to conform to our then-current specifications. There are no contractual limitations on the frequency or cost of these updates or upgrades. We reserve the right to change the software or technology that you must use or add new software or technology at any time.

Advertising and Marketing (Section 7)

Local Marketing

We do not require that you spend any minimum amount on local advertising. Except as described in the Marketing Fund section below, we have no obligation to spend money on advertising in your Territory.

We will provide you with access to digital copies of our marketing materials, which you will be able to download from PrimeAgent. We may also provide you with marketing plans and other materials, including print media layouts, audio and video files, and other promotional and marketing materials. We reserve the right to charge you our direct cost to produce these materials and deliver them to you. Alternatively, we may enter into relationships with third-party suppliers who will create advertising or marketing materials that may be purchased and utilized by REALTY EXECUTIVES franchisees.

You have the opportunity to create advertising for your own use, provided that it complies with our established graphics standards and identifies you as an independently owned REALTY EXECUTIVES franchise. We reserve the right to deny you permission to use any advertising material for any reason, and if such permission has been denied, you may not use that advertising material any further. You must retain copies of all advertising material prepared by you and provide copies of those advertising materials to us upon our request.

Websites, Social Media and Online Marketing

We provide you with a broker website that includes information specific to your Business. You pay us \$212 per month for the website. However, if you operate under the All-Inclusive Model, there is no separate charge for the broker website. The websites we provide will be linked to our main website and remain our property at all times. You may not establish any other website without our prior written approval. You are permitted to use social media to market your Business in compliance with our social media policy and any other requirements we impose. We have the right to audit your website, social media and online marketing channels and may require that you remove any content that does not satisfy all of our brand standards and other policies, standards and requirements.

Marketing Fund

Recognizing the value of uniform advertising and promotion to the goodwill and public image of the System and the Marks, we have established and maintain a marketing fund (the “Marketing Fund”). The Marketing Fund is used for regional and/or national marketing, advertising, sales promotion and promotional materials, public and consumer relations, publicity, website development and search engine optimization and any other programs that we deem necessary or desirable to promote the System (“Marketing Campaigns”).

We will, in our sole discretion, determine the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to any Marketing Campaign. Most of the advertising is designed for use in print media, social media websites, and other digital assets. All advertising programs and materials developed by the Marketing Fund remain our sole property.

You must pay us a Marketing Fee calculated as \$300 multiplied by the greater of: (a) your Salesperson Count; or (b) your Salesperson Quota. We will deposit all Marketing Fees into the Marketing Fund. However, the Marketing Fund is not a trust. Any company-owned REALTY EXECUTIVES real estate

office will contribute to the Marketing Fund on the same basis as our franchisees who operate under the same fee structure utilized by our company-owned office. Marketing Fees will be kept in a separate bank account and revenues received as Marketing Fees will be accounted for separately from our other funds. We will not use Marketing Fees to defray any of our general operating expenses, except for such reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration of the Marketing Fund and the Marketing Campaigns. These expenses may include, without limitation: administering the Marketing Fund and collecting Marketing Fees; conducting market research; preparing and conducting television, radio, magazine, billboard, newspaper and other media programs and activities; employing advertising agencies; collecting and accounting for contributions to the Marketing Fund; and paying for the preparation and distribution of marketing materials. None of the Marketing Fees will be used for advertisements principally directed at selling franchises. Except as described in this paragraph, we have no obligation to spend money on advertising in your Territory.

During the 2023 fiscal year, the advertising funds were spent in the following manner:

Allocation of Marketing Expenditures (2023)				
Use of Funds	Production	Media Placement	Administrative Expenses	Other*
Percentage Allocation	6.2%	3.0%	0%	90.8%

* “Other” includes the following: (a) website/SEO (60.4% of total marketing expenditures); (b) mobile marketing (15.2% of total marketing expenditures); and (c) CRM campaigns (15.2% of total marketing expenditures).

Our administration of the Marketing Fund is intended to maximize general public recognition and patronage of the REALTY EXECUTIVES System for the benefit of us and all REALTY EXECUTIVES franchisees, and we will use our best efforts to apportion advertising to obtain the greatest benefit for all franchisees. Any surplus of funds in the Marketing Fund may be invested for the benefit of the Marketing Fund, and we may lend money to a Marketing Fund if there is a deficit. An unaudited financial accounting of the operations of the Marketing Fund, including deposits into and disbursements from the Marketing Fund, will be prepared annually and made available to you upon written request.

There is no franchisee advertising council that advises us on marketing or advertising matters.

Opening Requirements (Section 6.4)

You may not begin operating your Business until the Initial Trainees have completed the initial training program and you have complied with your other pre-opening obligations. We anticipate that a typical REALTY EXECUTIVES franchisee will open his or her office within 1 to 3 months after signing the Franchise Agreement. Factors that may affect this timing include:

- the amount of time needed to find a suitable site for your initial Office
- protracted lease negotiations with a landlord for a brick-and-mortar office location
- the amount of time needed to secure financing, insurance, licenses and permits
- whether you are converting an existing business or starting a new business
- the condition of your building and extent of required upgrades, remodeling and renovations
- construction delays due to labor or materials shortages, inclement weather or other reasons
- delayed delivery or installation of equipment and fixtures
- the amount of time needed to complete training
- the amount of time needed to hire and train your staff

Unless we allow you additional time in writing, your Business must be opened within 180 days after you sign the Franchise Agreement. Your failure to open within the 180-day period constitutes an event of default under your Franchise Agreement.

ITEM 12 TERRITORY

Territory Description

We will grant you an exclusive territory that will be defined in Attachment “B” of the Franchise Agreement at least 7 days before you sign it (your “Territory”).

In some cases, we grant “single point” franchises where the exclusive territory is limited to the premises of the approved Office location (i.e., there is no territory “surrounding” the Office). In other cases, we grant territories that vary in size based on our negotiations with the franchisee. There is no minimum size for a territory. In most cases a territory will be defined by a single address, or by zip codes, postal codes or other boundaries (usually with a minimum population of 40,000 except in smaller towns with populations of less than 40,000). Due to variations in demographics, it is impossible to establish a standard population estimate for an exclusive territory. If you operate under Territory/Office Fee Structure 1, your monthly Territory Fee increases by \$100 for every 40,000 residents in your Territory.

If the population within your Territory increases significantly during the term of your Franchise Agreement, and you choose to renew the Franchise Agreement, we may adjust the boundaries of your Territory at the time of renewal such that your modified Territory includes a population that is similar to the population of your original Territory as of the date you signed the original Franchise Agreement.

Offices Within Territory

The Franchise Agreement grants you the right to open and operate Offices within your Territory. There are no contractual restrictions on the maximum number of Offices you may open within your Territory. If you are an existing franchisee entering into a renewal franchise agreement, we may carry over the pre-existing model and fee structure that applied under your original franchise agreement. Some of these models do not allow for the opening of an unlimited number of offices within a territory.

There are no restrictions on your ability to relocate one or more Offices within your Territory, except you must maintain at least one open designated Office within your Territory at all times.

Offices Outside Territory

You may not open or operate an Office that is located outside of your Territory without our prior written approval, which we may withhold in our sole discretion. If we grant approval to open an Office located outside your Territory, we may impose any terms and conditions we deem appropriate as a condition to granting our approval.

You are prohibited from using our Marks with any office or other commercial space located outside your Territory. This prohibition also applies to virtual offices listing addresses outside your Territory (for example, through business directories such as Google My Business or similar sites).

Restrictions on Your Sales and Marketing Activities

Subject to applicable law, you may advertise and market outside your Territory, and you may list and sell real estate that is located outside your Territory and serve clients who reside outside your Territory), as long as you comply with all policies and procedures in the Manual governing extra-territorial marketing. However, you may not represent that you have an Office (either physical or virtual) located outside your Territory.

Currently, you are permitted to market and sell through alternative channels of distribution (including within and outside of your Territory), but only in accordance with the guidelines we prescribe from time to time (including our prohibition against targeted marketing directed into a territory assigned to us, our affiliate or another franchisee). We can revoke your ability to market and sell through one or more types of alternative channels of distribution at any time. Alternative channels of distribution include marketing and sales conducted through direct marketing, such as over the Internet or through digital marketing.

There are no other restrictions on your ability to solicit clients, whether from inside or outside of your Territory.

Exclusive Territorial Rights

Your Territory is exclusive. Neither we nor any other REALTY EXECUTIVES franchisee will be authorized to establish a REALTY EXECUTIVES office within your Territory during the term of your Franchise Agreement.

Limitations on Territorial Rights

Other REALTY EXECUTIVES businesses (including those operated by us, our affiliates or other franchisees) may list and sell real estate that is located within your Territory and serve clients who reside within your Territory as long as they comply with all policies and procedures in the Manual governing marketing outside of your Territory.

Although it is not currently our practice to do so, we reserve the right to sell, or license others to sell, competitive or identical goods or services (whether under the Marks or under different trademarks) through alternative channels of distribution, including within your Territory. Alternative channels of distribution include marketing and sales conducted through direct marketing, such as over the Internet or through digital advertising. You are not entitled to any compensation for sales made by us or third parties through alternative channels of distribution.

Minimum Performance Requirements (Franchise Agreement)

In addition to negotiating the boundaries of your Territory, you and we will negotiate your Salesperson quota at least 7 days prior to executing the Franchise Agreement. Your Salesperson quota will be determined based upon the size, population and market of your Territory. You must establish and maintain contracts with the minimum number of Salespersons and within the time periods required by your quota. The number of Salespersons that you are required to contract with may increase after the end of the first, second, third and fourth years to allow you time to develop your business.

Achieving your Salesperson quota is an essential aspect of the franchise relationship, since the growth of your network of Salespersons is necessary to achieve a corresponding growth in brand recognition and brand value in your Territory. If you fail to meet your Salesperson quota in any month, we may immediately take any one of the following actions:

- reduce the size of your Territory to correspond with the number of Salespersons that you have in your sales force (the amount of the reduction will be determined by us in our sole discretion);
- collect the Monthly Fees that would reasonably have been expected to have been payable if you had met your quota; and/or
- terminate your Franchise Agreement.

We may also reduce the size of your Territory, or convert your Territory to a single point location, under any of the following circumstances:

- if you fail to execute a renewal Franchise Agreement but continue to operate your Business after the expiration of the term;

- if you are in default under the Franchise Agreement and fail to cure before the expiration of the cure period;
- if you default on any of your financial obligations under the Franchise Agreement (or any Promissory Note issued in our favor) and fail to remedy the default before the expiration of the applicable cure period; and/or
- if you default on any of your financial obligations under the Franchise Agreement (or any Promissory Note issued in our favor) 2 or more times during the term, even if such defaults are cured.

Additional Franchises and Territories

Our standard Franchise Agreement does not grant you any options, rights of first refusal or similar rights to acquire additional territories or franchises.



Competitive Businesses Under Different Marks

Currently, neither we nor any affiliate of ours grant franchises that are authorized to use the Marks other than in the REALTY EXECUTIVES franchise system, although we reserve the right to establish another franchise system in the future. Similarly, neither we nor any affiliate of ours currently operates another franchise system or other channel of distribution that involves the sale of products or services similar to the products or services offered at a REALTY EXECUTIVES office.

We do not currently operate a REALTY EXECUTIVES office using the System and the Marks, although we reserve the right to operate one or more such offices in the future so long as we comply with the territorial protections granted to our franchisees. Through certain affiliated enterprises, we do own interest in certain REALTY EXECUTIVES office locations.

ITEM 13 TRADEMARKS

You are obligated to provide real estate sales and services consistent with our high standards of ethics and conduct. You are required to use the service mark “REALTY EXECUTIVES” to identify your Offices and services. You will be licensed to use the following federally registered trademarks:

REGISTERED MARKS			
MARK	REGISTRATION NUMBER	REGISTRATION DATE	DATE OF NEXT RENEWAL
REALTY EXECUTIVES	1037111	March 30, 1976	March 30, 2026
	2083460	July 29, 1997	July 29, 2027
	2083462	July 29, 1997	July 29, 2027
WHERE THE EXPERTS ARE	3437912	May 27, 2008	May 27, 2028
PRIMEAGENT	4761989	June 23, 2015	June 23, 2025
POWERED BY EXPERTS	5204171	May 16, 2017	May 16, 2026

REGISTERED MARKS			
MARK	REGISTRATION NUMBER	REGISTRATION DATE	DATE OF NEXT RENEWAL
	7167170	September 19, 2023	September 19, 2028
{UN}CORPORATE	6793232	July 19, 2022	July 19, 2028
EXPERIENCE FREEDOM	5903977	November 5, 2019	November 5, 2029
REALTY EXCELLENCE	3991316	July 5, 2011	July 5, 2030
THE ONLY COMPANY NAMED FOR ITS PEOPLE	1976442	May 28, 1996	May 28, 2025
REALTY EXECUTIVES COLLECTION	7167169	September 19, 2023	September 19, 2028
	6631935	February 1, 2022	February 1, 2027
WHAT'S YOUR SIGN? 	6142480	September 1, 2020	September 1, 2025
	279022	December 23, 2003	June 24, 2024

All trademark registrations are on the Principal Register of the United States Patent and Trademark Office.

All required affidavits have been filed and we intend to file all renewals by the required renewal date.

We or our affiliates may apply for or adopt additional trademarks and those may be licensed to you during the term of the franchise relationship. We may also license to you additional trademarks created by us or our affiliates, whether registered or unregistered. In this context of the word “trademark”, we mean trade names, trademarks, service marks, and logotypes used to identify your REALTY EXECUTIVES franchise or the products or services sold at your Business. Upon our request, you must modify or discontinue the use of any trademark licensed to you or begin using a new trademark that we specify. If this happens, we will have no liability to you for any costs or damages that you incur as a result of the change in the trademark.

You must follow our rules when using the Marks. You cannot use the words “REALTY EXECUTIVES”, either alone or in conjunction with one or more other words, or any of our other Marks, as part of your legal entity name. You cannot use the words “REALTY EXECUTIVES”, either alone or in conjunction with one or more other words, as part of a domain name, unless you receive our prior written consent. You may not use the REALTY EXECUTIVES name in connection with the sale of any product or service that is not previously authorized by us in writing. You may adopt and use REALTY EXECUTIVES as part of your trade name or “doing business as” (DBA) name, but only if: (a) your tradename satisfies all requirements and criteria specified in the Manual; and (b) you submit the proposed tradename to us and we approve your tradename through the issuance of a Tradename Approval Notice in the form attached to the Franchise Agreement as Attachment “D” prior to use. You may not use any tradename that we have not approved. You must surrender, cancel or abandon the tradename upon the termination, expiration or transfer of the Franchise Agreement.

You must notify us immediately if you learn or are otherwise made aware of an infringing or challenging use of the Marks. We will take the action we think appropriate. We may require your assistance, but you are not permitted to control any proceeding or litigation relating to our Marks. You must modify or discontinue the use of any Mark licensed to you if we are required to modify or discontinue use of the Mark as a result of litigation or other written agreement. If this happens, we will have no liability or other obligation to you resulting from the modification or discontinuation of the use of the Mark. You must not directly or indirectly contest our right to the Marks.

We are not required under the Franchise Agreement to: (a) protect your right to use the Marks or protect you against claims of infringement or unfair competition arising out of your use of the Marks; or (b) participate in your defense or indemnify you for expenses or damages you incur if you are a party to an administrative or judicial proceeding involving the Marks or if the proceeding is resolved in a manner that is unfavorable to you.

As of the date of this Disclosure Document, there are no: (a) currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court; (b) pending infringements, oppositions or cancellations; (c) pending material litigation matters involving any of the Marks; or (d) agreements that limit our right to use or license the use of the Marks. We do not know of any infringing uses that could materially affect your use of the Marks. We make no representation regarding the enforceability of the Marks in any particular territory.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise. You will receive for your use during the course of the Franchise Agreement the proprietary information contained within the Manual (which includes information and resources pertaining to franchise training, public relations, marketing and advertising, recruiting, insurance, new office startup, and other information and resources prepared by us) and other instructional and training materials. Although we have not filed an application for copyright registration for the Manual, we do claim a copyright to the Manual and further claim that the information contained in the Manual is proprietary. We also own proprietary know-how in the form of operating methods, specifications, techniques, and information pertaining to the operation and marketing of a REALTY EXECUTIVES brokerage and any products or merchandise that we have or may develop.

You are required to maintain the confidentiality of all of our proprietary materials and use them only in strict accordance with the terms of the Franchise Agreement and Manual. You must promptly tell us when you learn about unauthorized use of our proprietary information. We are not obligated to act, but will respond to this information as we deem appropriate. You are not permitted to control any proceeding or litigation alleging the unauthorized use of any of our proprietary information. We have no obligation to indemnify you for any expenses or damages arising from any proceeding or litigation involving our proprietary information. There are no infringements that are known by us at this time.

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

Except as otherwise discussed below, at least one owner of the franchise must be directly involved in the operation, management and supervision of your Business (the “Managing Principal”). The “Managing Principal” is determined as follows:

- if the franchisee consists of a single individual, that individual will be the Managing Principal
- if the franchisee consists of more than one individual, you must designate one of those individuals who will be the Managing Principal
- if the franchisee is a corporation, limited liability company, or partnership, you must designate one of the individual owners, members or partners, as applicable, who will be the Managing Principal

The Managing Principal must be actively involved in the day-to-day management and operation of your Business unless you hire a Substitute Manager. The Managing Principal must successfully complete our initial training program. If the Managing Principal is not a licensed real estate broker, you must ensure that at all times you have at least one licensed real estate broker that is authorized to act on behalf of your Business and supervise the activities of your real estate Salespersons. If you have multiple Offices, you must hire a branch manager to oversee the operations of each Office if required by applicable law. We do not require that the licensed real estate broker own any equity interest in the franchisee.

You have the right to delegate the responsibilities of the Managing Principal for the day-to-day management and operation of your Business to a third-party manager that you hire. We do not require that the manager own an interest in the franchise. The original Managing Principal must assume ultimate responsibility for the supervision and operation of the Business if the manager is unable to perform his or her duties for any reason, until such time that you obtain a suitable replacement manager.

If you are an entity, each person holding an ownership interest in you (including the Managing Principal), and in some states, the spouse of each of the foregoing individuals, must execute a personal guaranty of the Franchise Agreement, the form of which is attached to the Franchise Agreement as Attachment “C”.


ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

All real estate services that you offer in connection with your Business under the Marks are subject to approval. You may offer all real estate services including leasing, listing, purchasing, referral, selling, trading, lead generation, auctions and other services of a similar nature. We may change these services from time to time, and you must comply with these changes. You will have the sole right to determine the prices charged for goods and services sold through your Business. You may not sell any unauthorized goods or services under the Marks, but you are permitted to offer other real estate settlement services in conjunction with your Business, such as mortgage services, title services, escrow services, property management services, etc., provided that these other services are not offered or advertised in association with the Marks and the offer and sale of these services complies with all applicable federal, state and local laws and regulations. We do not restrict the customers to whom you may sell goods and services.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

The following table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP		
Provision	Section in Agreement	Summary
a. Length of the franchise term	Section 4.1	The term is for 10 years. If you sign a new Franchise Agreement for another territory, we may, at our option, extend the term of any previously executed Franchise Agreement to run concurrently with the term of the new Franchise Agreement.

THE FRANCHISE RELATIONSHIP		
Provision	Section in Agreement	Summary
b. Renewal or extension of the 	Sections 4.1, 4.2 & 4.3	If you fail to timely exercise your renewal option and you continue to operate the Business, then the Franchise Agreement will renew automatically for one 6-month period, becoming an Interim Term, unless we notify you that we instead elect for the term to expire. During the Interim Term, we may terminate or modify, in any manner we choose, your territorial rights. During the Interim Term, we have the right, in our sole discretion, to modify any term of the Franchise Agreement. We may terminate the Franchise Agreement with 30 days' written notice at any time during the Interim Term. If you wish to terminate the Franchise Agreement at the end of the Interim Term, you must provide us with no less than 60 days' prior written notice. The termination date may be sooner if we mutually agree to terminate at an earlier date or if the termination is with cause (see below). If you operate during the Interim Term, you will pay us a \$65 surcharge per Salesperson per month plus a \$500 administrative fee per month (the "Extension Fee") in addition to all other fees due to us under the Franchise Agreement.
c. Requirements for you to renew	Section 4.2	If you want to renew a current, active Franchise Agreement, you must do the following: (1) give us written notice of your intent to renew not less than 90 days before the end of the term; (2) be in good standing under the Franchise Agreement, including no events of default; and (3) sign a release (subject to state law). If you renew, you will be required to do so under our then-current Franchise Agreement, and you will be required to execute the then-current Franchise Agreement as part of that renewal. By renewing, you may be required to sign a franchise agreement with materially different terms and conditions than the original contract.
d. Termination by you	Section 19.1	You may only terminate the Franchise Agreement if we materially breach the Franchise Agreement and fail to cure the breach within 90 days after you send us a written notice of default.
e. Termination by us without cause	Section 19.4	We cannot terminate without cause unless you and we mutually agree to terminate.
f. Termination by us with cause	Sections 19.2 & 19.3	We can terminate for cause if you are in default under the Franchise Agreement.
g. "Cause" defined - curable defaults	Section 19.3	You have 30 days to cure most defaults, other than defaults described below which are considered "non-curable defaults" and those which specify cure periods of less than 30 days.

THE FRANCHISE RELATIONSHIP		
Provision	Section in Agreement	Summary
h. “Cause” defined - non-curable defaults	Section 19.2	The following defaults cannot be cured and may, at our discretion, result in immediate termination of the Franchise Agreement: (i) failure to commence operations within 6 months of the effective date of the Franchise Agreement or maintain at least one open, designated Office throughout the Term; (ii) failure to maintain required license(s) or at any time failing to have a licensed broker; (iii) conviction of certain types of crimes or subjection to certain disciplinary proceedings; (iv) insolvency; (v) bankruptcy; (vi) unauthorized seizures; (vii) abandonment of franchise; (viii) failure to pay us or our affiliate within 10 days after receipt of demand for payment; (ix) failure to cure breach of payment obligations under any promissory note you sign in our favor; (x) underreporting of any amount due us by at least 3% after previous underreporting occurred; (xi) material misrepresentations to us; (xii) unauthorized transfers; (xiii) unauthorized use of intellectual property or violation of any confidentiality or non-disclosure covenant; (xiv) failure to comply with any applicable material law; (xv) failure to meet your Salesperson quota; (xvi) 2 or more defaults in any 12-month period, even if cured; (xvii) conduct by you or one of your owners which we, in our sole discretion, deem to be detrimental or otherwise harmful to our brand, the Marks and/or the System; (xviii) if in any 12-month period we receive more than 2 complaints about you or your owners as to the operation of the Business or your conduct relating to the Business; and (xix) termination of any other agreement between you and us or our affiliate based on your default.
i. Your obligations on termination/ non-renewal	Section 20	Obligations include ceasing use of our intellectual property, complete de-identification of our brand, assignment of phone numbers, cancellation or assignment of URLs, domain names and social media accounts, assignment of listings, return of Manual and materials bearing the Marks, canceling fictitious names and payment of all amounts due (also see r, below).
j. Assignment of contract by us	Section 18.1	No restriction on our right to assign, but we will remain liable for the performance of all of our obligations arising under the Franchise Agreement prior to the date of assignment.
k. “Transfer” by you – definition	Section 18.2	Includes transfer of contract or assets or ownership change.
l. Our approval of transfer by you	Sections 18.2 & 18.3	If certain conditions are met, you may transfer to a newly-formed entity owned by you, or in certain instances, to other existing owners or to an immediate family member, without our prior approval. We have the right to approve all other transfers but will not unreasonably withhold approval.
m. Conditions for our approval of transfer	Section 18.2	Transferee must meet our qualifications, successfully complete training, obtain all required licenses and permits, and sign a new Franchise Agreement, including executing a new personal guaranty, for the remainder of the term. You must be current on all your payments, pay the transfer fee and sign a general release (subject to state law) and subordination agreement. We must approve the terms of the transfer.

THE FRANCHISE RELATIONSHIP		
Provision	Section in Agreement	Summary
n. Our right of first refusal to acquire your business	Section 18.5	We have the right to match any bona fide, arms-length offer for your Business, regardless of whether the offer is for a stock sale, sale of assets or some other form of sale and regardless of whether the Franchise Agreement itself is part of the sale.
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	Section 18.4	Any transfer, including by will or intestacy, requires our prior written consent. You will have 6 months to complete the transfer.
q. Non-competition covenants during the term of the franchise	Not Applicable	You and your owners may not have any interest in a competing business (other than owning 5% or less in a public company that is a competing business).
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable.
s. Modification of the agreement	Sections 4.3 & 23.8	We may unilaterally change the Manual or reduce the scope of any covenant imposed on you to comply with applicable law. We may also modify any term of the Franchise Agreement during the Interim Term, if applicable. Other modifications require a writing signed by both parties.
t. Integration/merger clause	Section 23.8	Only the terms of the Franchise Agreement and attachments to Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim any of the representations we make in this Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
u. Dispute resolution by mediation	Section 21	Subject to state law, all disputes must be mediated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants.
v. Choice of forum	Section 21	Subject to state law, all mediation and litigation must take place in the county where we maintain our principal place of business (currently Maricopa County, Arizona) at the time the dispute arises.
w. Choice of Law	Section 23.1	Subject to state law, Arizona law governs.

ITEM 18 PUBLIC FIGURES

We do not currently use any public figures to promote our franchise.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

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 Federal Trade Commission, the appropriate state regulatory agencies, and our management by contacting our Legal Department at 4343 E. Outlier Blvd., Suite 123, Phoenix, Arizona 85008 or by phone at (800) 252-3366.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY 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	297	265	-32
	2022	265	299	+34
	2023	299	287	-12
Company-Owned	2021	18	44	+26
	2022	44	0	-44
	2023	0	0	0
Total Outlets	2021	315	309	-6
	2022	309	299	-10
	2023	299	287	-12

TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2021 TO 2023		
State	Year	Number of Transfers
Total	2021	0
	2022	1
	2023	0

TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2021 TO 2023								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Alabama	2021	5	1	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Arizona	2021	70	6	6	0	0	0	70
	2022	70	3	2	0	0	0	71
	2023	71	3	4	0	0	0	70
California	2021	36	2	3	0	0	0	35
	2022	35	2	9	0	0	0	28
	2023	28	1	3	0	0	0	26
Florida	2021	17	0	1	0	0	0	16
	2022	16	0	1	0	0	0	15
	2023	15	0	1	0	0	0	14
Georgia	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Illinois	2021	15	0	0	0	0	0	15
	2022	15	0	0	0	0	0	15
	2023	15	0	0	0	0	0	15
Indiana	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Kansas	2021	9	0	1	0	0	0	8
	2022	8	0	1	0	0	0	7
	2023	7	0	1	0	0	0	6
Kentucky	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	1	0	0	0	0
Louisiana	2021	4	0	2	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Maryland	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Massachusetts	2021	9	1	0	0	0	0	10
	2022	10	0	0	0	0	0	10
	2023	10	0	1	0	0	0	9

TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2021 TO 2023								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Michigan	2021	9	1	1	0	0	0	9
	2022	9	0	0	0	0	0	9
	2023	9	0	0	0	0	0	9
Minnesota	2021	6	0	0	0	0	0	6
	2022	6	0	1	0	0	0	5
	2023	5	2	0	0	0	0	7
Mississippi	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Missouri	2021	21	0	1	0	0	0	20
	2022	20	1	3	0	0	0	18
	2023	18	0	5	0	0	0	13
Montana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nevada	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
New Jersey	2021	16	3	0	0	0	0	19
	2022	19	1	1	0	0	0	19
	2023	19	0	1	0	0	0	18
New Mexico	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New York	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	1	1	0	0	0	4
North Carolina	2021	6	0	1	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Ohio	2021	4	0	0	0	0	0	4
	2022	4	0	2	0	0	0	2
	2023	2	0	1	0	0	0	1
Oregon	2021	2	0	1	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2021 TO 2023								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Pennsylvania	2021	5	0	0	0	0	0	5
	2022	5	2	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Tennessee	2021	20	0	3	0	0	0	17
	2022	17	4	4	0	0	0	17
	2023	17	1	1	0	0	0	17
Texas	2021	19	3	2	0	0	0	20
	2022	20	0	1	0	0	0	19
	2023	19	0	0	0	0	0	19
Utah	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Virginia	2021	1	0	0	0	0	0	1
	2022	1	0	1	0	0	0	0
	2023	0	0	0	0	0	0	0
Washington	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Wisconsin	2021	19	1	2	0	0	0	18
	2022	18	1	0	0	0	0	19
	2023	19	0	0	0	0	0	19
Totals	2021	315	18	24	0	0	0	309
	2022	309	16	26	0	0	0	299
	2023	299	8	20	0	0	0	287

TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2021 TO 2023							
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets With Different Designation ²	Outlets Sold to Franchisee	Outlets at End of Year
Arizona	2021	9	0	14	0	0	23
	2022	23	0	0	23	0	0
	2023	0	0	0	0	0	0
California	2021	1	0	0	0	0	1
	2022	1	0	0	1	0	0
	2023	0	0	0	0	0	0

TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2021 TO 2023							
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets With Different Designation ²	Outlets Sold to Franchisee	Outlets at End of Year
Florida	2021	2	0	0	2	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Illinois	2021	6	0	0	6	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Kansas	2021	0	0	3	0	0	3
	2022	3	0	0	3	0	0
	2023	0	0	0	0	0	0
Missouri	2021	0	0	3	0	0	3
	2022	3	0	0	3	0	0
	2023	0	0	0	0	0	0
New Jersey	2021	0	0	13	0	0	13
	2022	13	0	0	13	0	0
	2023	0	0	0	0	0	0
Pennsylvania	2021	0	0	1	0	0	1
	2022	1	0	0	1	0	0
	2023	0	0	0	0	0	0
Totals	2021	18	0	34	8	0	44
	2022	44	0	0	44	0	0
	2023	0	0	0	0	0	0

TABLE 5 – PROJECTED OPENEINGS AS OF DECEMBER 31, 2023			
State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Totals	0	0	0

Notes to Tables:

1. Our fiscal year ends on December 31. All references to years in these tables refer to December 31st of that year. The statistical data in these tables is limited to the United States. As of December 31, 2023, there were 44 REALTY EXECUTIVES real estate office franchises operating outside of the United States.

2. Prior year tables improperly designated certain locations as being company owned, when no such locations actually existed. Those numbers reflected locations where we owned an interest in the corporate franchisee, but none of the locations themselves were actually owned by us. These locations have now been properly recategorized to reflect the franchisee relationship to those locations.

A list of all current REALTY EXECUTIVES franchisees is attached to this Disclosure Document as Exhibit “F” (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2023. In addition, Exhibit “F” (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Exhibit “I” (Part A) to this Disclosure Document lists, to the extent known, the names, addresses, telephone numbers, email address and URL of each trademark-specific franchisee organization associated with the franchise system being offered that we have created, sponsored or endorsed. Exhibit “I” (Part B) to this Disclosure Document lists the independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Audited financial statements for the fiscal years ended December 31, 2023, December 31, 2022, and December 31, 2021 are attached to this Disclosure Document as Exhibit “G”. Our fiscal year end is December 31st.

ITEM 22 CONTRACTS

Attached to this Disclosure Document (or the Franchise Agreement attached to this Disclosure Document) are copies of the following franchise and other contracts or agreements proposed for use or in use in this state:

Exhibits to Disclosure Document

Exhibit “C”	Franchise Agreement
Exhibit “D”	General Release
Exhibit “J”	Financing Documents

Attachments to Franchise Agreement

Attachment “C”	Personal Guaranty
Attachment “D”	Tradename Approval Notice
Attachment “G”	ACH Authorization Form
Attachment “H”	Authorization to Transfer Agreement

RECEIPTS

Exhibit “L” to this Disclosure Document are detachable receipts. If you receive this Disclosure Document in paper form, you are to sign both, and keep one copy and return the other copy to us. If you receive this Disclosure Document electronically, you need only sign once.

EXHIBIT “A”
TO
DISCLOSURE DOCUMENT
State Administrators and Agents for Service of Process
[See Attached]

<p><u>CALIFORNIA</u> Commissioner of Financial Protection & Innovation Department of Financial Protection & Innovation 320 West 4th Street, #750 Los Angeles, California 90013 (213) 576-7500 (866) 275-2677</p> <p>2101 Arena Boulevard Sacramento, California 95834 (866) 275-2677</p> <p>1455 Frazee Road, Suite 315 San Diego, California 92108 (866) 275-2677</p> <p><u>Agent for Service of Process:</u> Commissioner of Financial Protection & Innovation Department of Financial Protection & Innovation 320 West 4th Street, #750 Los Angeles, California 90013 (213) 576-7500 (866) 275-2677</p> <p><u>HAWAII</u> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>Agents for Service of Process:</u> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p><u>ILLINOIS</u> Illinois Attorney General Franchise Division 500 South Second Street Springfield, Illinois 62706 (217) 782-4465 or (217) 782-4462</p> <p><u>Agents for Service of Process:</u> Illinois Attorney General Franchise Division 500 South Second Street Springfield, Illinois 62706 (217) 782-4465 or (217) 782-4462</p>	<p><u>INDIANA</u> Indiana Secretary of State 302 West Washington Street Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p> <p><u>Agents for Service of Process:</u> Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531</p> <p><u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p> <p><u>Agent for Service of Process:</u> Securities Commissioner Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p> <p><u>MICHIGAN</u> Michigan Attorney General Attn: Franchise 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 373-7117</p> <p><u>MINNESOTA</u> Department of Commerce Director of Registration 85 Seventh Place East, #280 St. Paul, Minnesota 55101 (651) 539-1600</p> <p><u>NEW YORK</u> NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Floor New York, New York 10005 (212) 416-8236</p> <p><u>Agents for Service of Process:</u> Secretary of State New York Department of State 41 State Street Albany, New York 12207 (518) 474-0050</p>	<p><u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol, 14th Floor, Dept 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712</p> <p><u>RHODE ISLAND</u> Rhode Island – DBR – Securities Div. 1511 Pontiac Avenue, Bldg. 69-1 Cranston, Rhode Island 02920 (401) 462-9527</p> <p><u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Securities 124 S Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p> <p><u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9733</p> <p><u>Agent for Service of Process:</u> State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733</p> <p><u>WASHINGTON</u> Department of Financial Institutions P.O. Box 41200 Olympia, Washington 98504 (360) 902-8760</p> <p><u>Agent for Service of Process:</u> Director Department of Financial Institutions 150 Israel Road SW Tumwater, Washington 98501 (360) 902-8760</p> <p><u>WISCONSIN</u> Wisconsin Division of Securities Department of Financial Institutions 4822 Madison Yards Way North Tower Madison, Wisconsin 53705 (608) 266-0448</p>
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EXHIBIT “B”

TO

DISCLOSURE DOCUMENT

Franchisor’s Agent for Service of Process

**Andrew Christensen
4343 E. Outlier Blvd., Suite 229E
Phoenix, Arizona 85008**

EXHIBIT “C”
TO
DISCLOSURE DOCUMENT

Franchise Agreement

[See Attached]



REALTY EXECUTIVES

FRANCHISE AGREEMENT

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ATTACHMENTS

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Attachment “E”	Fee Structure
Attachment “F”	Salesperson Quota
Attachment “G”	ACH Authorization Form
Attachment “H”	Authorization to Transfer Agreement

REALTY EXECUTIVES FRANCHISE AGREEMENT

This Franchise Agreement (this “Agreement”) is made this ____ day of _____, 202__ (the “Effective Date”) by REALTY EXECUTIVES INTL. SVCS., LLC, an Arizona limited liability company (“we” or “us”) and _____, a(n) _____ (“you”).

1 DEFINITIONS. Certain capitalized terms that are used throughout this Agreement are defined in Attachment “A” to this Agreement.

2 GRANT OF FRANCHISE. We grant you a license to own and operate a REALTY EXECUTIVES real estate brokerage (your “Business”) using the Intellectual Property for one or more real estate offices (each, an “Office”) located within the geographic area set forth on Attachment “B” (your “Territory”). You may only provide the real estate-related goods and services that we authorize from time to time (collectively, “Authorized Services”) from your Office. You may provide Authorized Services from your Office with respect to real estate that is located outside of your Territory. You may not market, offer or sell Authorized Services under the Marks from any premises other than an Office. You may not conduct business from any Office prior to notifying us in writing of the existence and address of such Office. You may not open or operate an Office that is located outside of your Territory.

3 TERRITORIAL RIGHTS AND LIMITATIONS. Your Territory is exclusive during the Term. By exclusive, we mean that we will not establish, or grant a franchise to any third party to establish, a real estate office that both: (i) is physically located within your Territory; and (ii) provides Authorized Services under the Marks. Your exclusive rights to your Territory do not prevent us or other REALTY EXECUTIVES franchisees from: (i) marketing Authorized Services under the Marks within your Territory; or (ii) providing Authorized Services with respect to real estate that is located within your Territory. We reserve all rights not expressly granted to you under this Agreement. Without limiting the generality of the foregoing, we reserve the right to develop and operate and grant rights, franchises and/or licenses to third parties to develop and operate real estate offices or other competing businesses, whether under the Marks or under any other trademark, service mark or trade name, and on any terms and conditions that we in our sole discretion deem appropriate, provided that we comply with your exclusive rights described in this Section if these competing businesses are real estate offices that provide Authorized Services under the Marks. We reserve the right, in our sole discretion, to eliminate (or reduce the size of) your Territory under any of the following circumstances: (i) if you continue to operate your Business after the expiration of the Term pursuant to Section 4.3; (ii) if you default on any of your financial obligations under this Agreement (or any Promissory Note issued in our favor) and fail to remedy the default before the expiration of the applicable cure period; (iii) if you are in default or material breach of any of your obligations under this Agreement and fail to remedy the default before the expiration of the applicable cure period; or (iv) if you default on any of your financial obligations under this Agreement (or any Promissory Note issued in our favor) two or more times during the Term, even if cured. We may also modify your Territory in the manner permitted by Section 9 if you fail to achieve or otherwise maintain your Salesperson quota. If the population within your Territory increases significantly during the Term, we may adjust the boundaries of your Territory at the time of renewal such that your modified Territory includes a population that is similar to the population within the Territory designated in Attachment “B” as of the Effective Date.

4 TERM AND RENEWAL.

4.1 Generally.

(a) The term will begin on the Effective Date and expire 10 years thereafter (the “Term”).

(b) You may have the opportunity to enter into a new, subsequent franchise agreement (a “Successor Agreement”), as long as you meet the conditions for renewal specified below. The Successor Agreement shall be the current form of franchise agreement that we use in granting comparable REALTY EXECUTIVES franchises as of the expiration of the Term. The terms and conditions of the Successor Agreement may vary materially and substantially from the terms and conditions of this Agreement. Any possible Successor Agreement will be for a period of up to 10 years, or whatever other shorter period of time as may be the current term for the current form of franchise agreement. You will have no further right to operate your Business following the expiration of this Franchise Agreement if we, in our sole discretion, determine that you are not permitted to enter into a Successor Agreement.

4.2 Renewal Requirements. In order to enter into a Successor Agreement, you and the Owners (as applicable) must: (i) notify us in writing of your desire to enter into a Successor Agreement not less than 90 days before the expiration of the Term; (ii) not be in default under this Agreement or any other agreement with us or any affiliate of ours at the time you send the renewal notice or the time you sign the new franchise agreement; (iii) sign the new franchise agreement and all ancillary documents that we require franchisees to sign, including personal guarantees; (iv) sign a General Release; and (v) take any additional action that we reasonably require.

4.3 Interim Term. If you do not sign a new Franchise Agreement at the end of the Term and you continue to accept the benefits of this Agreement, then at our option, this Agreement may be treated either as: (i) expired as of the date of the expiration of the Term with you then operating without a franchise agreement and in violation of our rights; or (ii) automatically renewing for one or more six month periods (the “Interim Term”). We will communicate to you if we deem your Franchise Agreement to have expired. During the Interim Term, we may terminate the Agreement with 30 days’ written notice. If you intend to terminate the Agreement at the end of any Interim Term, you must provide not less than 60 days’ written notice. The Agreement may terminate prior to the end of the Interim Term upon mutual agreement by the parties or as otherwise provided for in this Agreement. All of your obligations under this Agreement will remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Agreement will be deemed to take effect upon the effective date of the termination of the Interim Term. During the Interim Term, we have the right, in our sole discretion, to modify your Territory in any manner, as well as modify any other element of this Agreement as we choose. If we terminate the Interim Term and decide to offer you a Successor Agreement, we may reduce the length of the applicable successor term by an amount equal to the duration of the Interim Term. For example, if you operate your Business for a six-month Interim Term following the expiration of this Agreement and we then grant you a Successor Agreement, the term of the Successor Agreement would be reduced from ten years to nine and one-half years to account for the six-month Interim Term. You agree to pay us an Interim Term fee in the amount of \$65 per Salesperson per month, along with a \$500 per month administrative fee (collectively, the “Extension Fee”) while you continue to operate during the Interim Term. This Extension Fee applies regardless of the designated fee structure and regardless of each respective Salesperson’s fee structure designation. This Extension Fee is assessed monthly for the entirety of the Interim Term in addition to all other fees you are required to pay under the terms of this Agreement.

Except as described above, you have no rights to continue to operate your Business following the expiration of the Term.

4.4 Solicitation of Salespersons. If you do not sign a new Franchise Agreement or a Successor Agreement, or you do not timely provide notice of your intent to sign a Successor Agreement, we have the right to contact your Salespersons, at any time and in any manner of our choosing, to: (i) notify them that you no longer have the right to operate a REALTY EXECUTIVES franchise; and (ii) discuss the possibility of them entering into a franchise with us or becoming Salespersons for another REALTY EXECUTIVES

franchise.

5 TRAINING, CONFERENCES & CONVENTIONS.

5.1 Annual Franchise Training Program. We will make available our annual training program to your owners and employees. At a minimum, the Managing Principal and at least one other person that you designate must complete this training program in the first year of your Business being opened. The training program will take place at our World Headquarters in Phoenix, Arizona or any other location we choose. However, we reserve the right, in our sole discretion, to conduct the annual training program virtually through video conference calls, webinars or any other method that we deem appropriate.

5.2 Initial Training Program. You are required to participate in an initial training program within 180 days of executing the Franchise Agreement, and prior to opening your Business. This Initial Training Program will be conducted virtually through video conference calls, webinars, or any other method that we deem appropriate, and will include assisting you with PrimeAgent setup, PrimeAgent training, roster management, profile management, implementing marketing campaigns, discuss recruiting goals, and other initial operating tools as we may deem appropriate. We will train the Managing Principal and two other individuals at no additional charge. You agree to pay us an additional fee (the “Initial Training Fee”) for each additional person that we train. The Initial Training Fee is currently \$499 per additional person trained. We may require that your Owners and employees or contractors retake our initial training program as a condition to you signing a Successor Agreement. In addition, any staff members (including brokers) that you send to training after our Initial Training Program will require payment of the Training Fee.

5.3 On-Site Training/Assistance. As part of the training program, we may choose to, but need not, send our representative(s) to your Office to assist you with the opening and/or ongoing operations of your Business. If we choose to do so, we will not charge you any fee. However, if you request any on-site visits and we agree to do the on-site visit for you, you must reimburse us for all reasonable travel, meals, lodging and other expenses that we incur in providing this service to you.

5.4 Periodic Training Programs. From time to time, we may offer training programs for you and your Salespersons. These training programs may be conducted at our headquarters or they may be conducted remotely through live or recorded webinars or through any other method that we deem appropriate. We may designate ongoing training programs as mandatory or optional. We may charge you a training fee for each person that participates in the training program. The training fee ranges from \$0 to \$1,000 depending on the program.

5.5 Annual Conference. We may choose to, but need not, hold an annual symposium for all REALTY EXECUTIVES Managing Principals and Owners. Each year that the conference is held, the Managing Principal must attend at least one symposium or national or regional conference. We reserve the right to charge you a non-refundable registration fee to attend the symposium. The registration fee must be paid within ten days after invoicing. Currently, the registration fee varies between \$350 and \$1,500 per person per symposium.

5.6 Periodic Conventions. We may choose to, but need not, hold national or regional conventions to update you on System changes and other issues affecting REALTY EXECUTIVES franchisees. Each year that a convention is held, the Managing Principal must attend at least one symposium or national or regional convention. We reserve the right to charge you a non-refundable registration fee to attend a national or regional convention. The registration fee must be paid within ten days after invoicing. Currently, the registration fee varies between \$350 and \$1,500 per person per convention.

5.7 Failure to Attend Mandatory Conventions/Symposia. If you fail to attend at least one symposium or regional or national convention in each calendar year, we have the right to charge you the then applicable registration fee for one attendee. In addition, if you fail to attend at least one symposium or regional or national convention in each calendar year, we have the right to declare you to be in default under this Franchise Agreement, and reserve all remedies available to us relating to this event of default.

5.8 Expenses. You are responsible for all food, lodging and travel costs that is incurred while attending any training program, conference or convention.

6 ESTABLISHING OFFICES.

6.1 Opening Offices Within Your Territory. You may open as many Offices as you deem appropriate within your Territory.

6.2 Site Selection. You have sole discretion to choose where in your Territory to establish your Office(s). You may not establish an Office outside of your Territory without our prior written consent, which consent may be withheld in our sole discretion. You do not need us to approve the location of your Office(s) within your Territory. You do not need our approval of any lease or purchase agreement for your Office(s). You may relocate an Office without our prior approval as long as: (i) the new location is within your Territory; (ii) the new Office complies with the requirements set forth in this Agreement; and (iii) you provide us with at least 30 days' notice before you open at the new location.

6.3 Requirements for Your Office. A REALTY EXECUTIVES Office includes dedicated brick-and-mortar REALTY EXECUTIVES offices, shared office space, executive suites, virtual offices and any other physical location from which business is conducted or that qualifies as an "office" (or equivalent) under the terms of this Agreement and applicable local laws, rules, regulations or ordinances. You are prohibited from using our Marks from any office or other commercial space located outside your Territory. This prohibition also applies to offices which list a business address outside your Territory (for example, through business directories such as Google My Business or similar sites). As of the Effective Date, we do not have any specific requirements for the appearance or build-out of your Office except that it: (i) must be in good repair and condition; (ii) must present a professional appearance to the public and your customers that satisfies our high standards and distinguishing characteristics; and (iii) must comply with all signage requirements set forth in the Manual. We reserve the right to require that you renovate, modify the appearance of, or relocate your Office if we, in our commercially reasonable judgment, determine that your Office does not satisfy any of the foregoing requirements. Except as described in this Section, you have sole discretion with respect to designing, constructing and remodeling your Offices, all of which will be done at your sole expense.

6.4 Fixtures, Furnishings, Equipment and Supplies. You agree to purchase or lease all fixtures, furnishings, equipment and supplies that are necessary or appropriate for the operation of a real estate franchise. Currently, we do not require that you purchase any specific fixtures, furnishings, equipment or supplies, but we reserve the right to do so in the future. You agree to purchase any such required items upon notice from us. We may require that you purchase such items only from suppliers that we designate or approve. We may designate ourselves as an exclusive supplier. We are currently the exclusive supplier of PrimeAgent, which you are required to use. We are the non-exclusive supplier of the websites used by franchisees.

6.5 Commencing Operations. You must commence operations within 180 days after the Effective Date (your "Initial Opening Date"). We have sole discretion to determine whether your operations are "commenced." In making this determination, we will consider the following factors, along with any other factors that we deem relevant: (i) whether there is any publicly available REALTY EXECUTIVES

advertising about your Office; (ii) whether there is any signage at your Office (if it is a physical location); (iii) whether your phone number is answered by someone who refers to REALTY EXECUTIVES; (iv) whether real estate agents are operating out of your Office; and (v) whether the Office is operating as may be required by local laws. You may not commence operations prior to: (i) obtaining all insurance required by Section 10.1; (ii) obtaining all required licenses and permits; and (iii) completing the initial training program. You must immediately notify us in writing of the date that any Office closes for a period anticipated to exceed seven days.

6.6 Maintaining an Open Office. Throughout the Term, you must maintain at least one “open” Office at all times.

7 ADVERTISING & MARKETING.

7.1 Marketing Fund.

(a) Administration. Recognizing the value of uniform advertising and promotion to the goodwill and public image of the System and the Marks, we have established and will maintain a marketing fund (the “Marketing Fund”) for purposes of promoting the System and the Marks on a regional and national basis. We will deposit into a separate bank account all marketing fund fees (the “Marketing Fees”) that you pay into the Marketing Fund. However, the Marketing Fund is not established as or intended to be a trust. The Marketing Fund is used for regional and/or national marketing, advertising, sales promotion and promotional materials, public and consumer relations, publicity, website development, search engine optimization and any other programs that we deem necessary or desirable to promote the System (“Marketing Campaigns”). We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to any Marketing Campaign. We will not use Marketing Fees to defray any of our general operating expenses, except for such reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration of the Marketing Fund and the Marketing Campaigns (which may include, without limitation: administrating the Marketing Fund and collection of marketing fees; conducting market research; preparing and conducting television, radio, magazine, billboard, newspaper and other media programs and activities; employing advertising agencies; collecting and accounting for contributions to the Marketing Fund; and paying for the preparation and distribution of marketing materials). Any surplus of funds in the Marketing Fund may be invested for the benefit of the Marketing Fund, and we may lend money to the Marketing Fund if there is a deficit. A financial accounting of the operations of the Marketing Fund, including deposits into and disbursements from the Marketing Fund, will be prepared annually and made available to you upon written request.

(b) Contributions. You agree to pay us a monthly Marketing Fee specified in Attachment “E”. The Marketing Fee is due on the 15th day of each month. The amount of the Marketing Fee due to us may be increased in our discretion and upon written notification to you, and you agree to pay any such increased Marketing Fee. Any company-owned or affiliate-owned REALTY EXECUTIVES real estate franchise will contribute to the Marketing Fund on the same basis as our franchisees who operate under the same fee structure utilized by such franchise. If we modify the amount or timing of the contributions that must be made to the Marketing Fund, any company-owned or affiliate-owned REALTY EXECUTIVES real estate franchise that is established or acquired after the modification may contribute to the Marketing Fund utilizing the modified amount or timing. Except as stated in this Section, we have no obligation to expend our own funds or resources for any Marketing Campaign.

7.2 Marketing Materials Provided by Us. We will provide you with access to marketing materials via PrimeAgent. You may be provided with marketing materials through other resources or means as well. These marketing materials may include print media layouts, audio and video files, and other

promotional and marketing materials. You may be required to download these items from the Internet. We reserve the right to charge you our direct cost to produce these materials and deliver them to you.

7.3 Marketing Materials Prepared by You. You must use reasonable means to promote our System and Marks within your Territory. All advertising and marketing materials that you create, which includes any materials that we originally created and you then modify, must: (i) comply with our established graphics standards and marketing guidelines; (ii) identify your Business as an independently owned REALTY EXECUTIVES franchise; and (iii) be completely factual, conform to the highest standards of ethical advertising, and comply with all federal, state and local laws. We have the right to disapprove of your advertising and marketing materials at any time if we believe, in our sole discretion, that they do not comply with our standards and guidelines, or they adversely affect the reputation and goodwill associated with our Marks. You must retain copies of all of your advertising and marketing materials used at any time throughout the Term, whether such materials are electronic or physical, and provide copies of those materials to us upon request. You agree to comply with any extraterritorial advertising policy we establish.

7.4 Internet and Websites. We will maintain a website for REALTY EXECUTIVES franchisees that will include any information about your Business that we deem appropriate. We have the sole discretion to modify the content of and/or discontinue the website at any time. We will provide you with a franchisee website that will include information specific to your Business. This website will be linked to the REALTY EXECUTIVES website and will remain our property at all times. The website hosting fee of \$212 per month is part of the Technology Fees described in Section 8.5. Other optional technology fees include team pages and electronic marketing campaigns, which are available to you at additional monthly costs. We may, in our sole discretion, waive the requirement that you utilize our website and pay the associated fee. Your website, ecommerce, internet presence, social media, and any other mobile or digital marketing and communications are not permitted if they conflict with our brand standards, social media policies and any protocols we have, unless you request, and receive from us, written approval prior to undertaking any such actions. We may condition our approval of your online presence on any terms and conditions we deem reasonably appropriate. You may promote your Business through social media in compliance with our then-current social media policy. At all times, we have the right to disapprove of your website or any activity conducted online or through other methods of digital, mobile or electronic methods of communication. If we advise you that we disapprove of your website or any other online or electronic activities, you must immediately cease the use of such website or activity, or otherwise modify the website or activity specifically in accordance with our instructions. You may not use any of the proprietary Marks on your website except as we expressly permit. You may not post any of our proprietary, confidential or copyrighted material or information on your website without our prior written permission. You may not publish any material in which a third-party has any direct or indirect ownership interest, including, without limitation, video clips, photographs, sound bites, text, trademarks or service marks, or any other materials in which any third party may claim intellectual property rights. You agree to list on your website(s) and social media any other website maintained by us, and any other information we require in the manner we dictate. You agree to obtain our prior written approval for any domain name, URL, and/or social media handle/profile name.

7.5 Certified Concierge Expert. At least one person from your Business must complete the Certified Concierge Expert training within 120 days of the Effective Date of this Agreement. At all times throughout the Term of this Agreement, you agree to have someone employed by your Business be a Certified Concierge Expert.

8 OPERATING STANDARDS.

8.1 Generally. You agree to operate your Business and provide authorized goods and services using the same quality and distinguishing characteristics provided by other REALTY EXECUTIVES

franchises so as to maintain the uniformity and high standards of the System. You and your Salespersons must provide professional, courteous, and high-quality services to the public and maintain high ethical and moral standards, including acting in compliance with all local, regional, state and national regulatory agencies for licensed Realtors and/or Brokers.

8.2 Operating Manual. During the Term, we will provide you with access to our proprietary intranet site called PrimeAgent, which includes information regarding the operational aspects of a REALTY EXECUTIVES franchise. We may also provide you with operational information through other mediums, including videos, slide presentations and other training resources. This Agreement collectively refers to all operational information as the “Manual”. Among other things, the Manual may, but need not, include: (i) a description of authorized services and products that you may offer; (ii) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for franchisees; (iii) mandatory and suggested guidelines and standards for marketing materials, websites and signage; (iv) a list of goods and services that you must purchase; (v) approved, designated and recommended suppliers for goods or services you must purchase; and (vi) our supplier selection criteria, if any. Because the Manual is virtual and consists of a suite of resources, the content is continuously updated and enhanced with new resources. We can modify the Manual without notice to you. All information in the Manual is confidential and proprietary and constitutes our trade secrets. Information contained within the Manual may not be disclosed to third parties. You agree to take all reasonable and necessary precautions to prevent any third party from viewing or otherwise obtaining information contained in the Manual. You should operate your Business in strict compliance with this Agreement and the Manual.

8.3 Authorized Goods and Services. You may only offer and sell the real estate services that we approve. Currently, we allow you to offer the following real estate services under our Marks: leasing; listing; purchasing; referral; selling; trading; real estate auctions; and other services of a similar nature. You may also offer complementary, but not competing, real estate services in conjunction with your Business, such as mortgage services, title services, and escrow services, provided that: (i) these other services are not offered or advertised in association with our Marks; and (ii) the offer and sale of these other services complies with all applicable federal, state and local laws and regulations. Absent prior written approval, you may not offer or sell any other goods or services under our Marks other than those identified in this Agreement.

8.4 Suppliers and Purchasing. You must purchase all goods and services required by the Manual in connection with the establishment and ongoing operation of your Business. You may use any supplier that you choose for the purchase of goods and services used in your Business, except that: (i) all suppliers must satisfy the supplier selection criteria described in the Manual; (ii) any purchase that you make for advertising materials or operational documents bearing the Marks must comply with our specifications outlined in the Manual as to color, size and content; (iii) we are currently the exclusive designated supplier of PrimeAgent; and (iv) we are currently the exclusive designated supplier of franchisee websites for franchisees operating under the All-Inclusive Model. We will identify our recommended suppliers in the Manual, but you are not required to use these suppliers for any purchases. Notwithstanding the foregoing, we reserve the right to require that you purchase certain items from suppliers that we may designate or approve in the future. We may designate ourselves or our affiliates as the exclusive supplier for certain goods and services. We may, but need not, negotiate purchase agreements with suppliers to obtain discounted prices for us and REALTY EXECUTIVES franchisees. If we have any negotiated purchase agreements, we will arrange for you to be able to purchase such goods directly from the supplier at the discounted price.

8.5 New Software or Technology; Technology Fees. You must pay us a monthly fee of \$110 for access to PrimeAgent, proprietary Intranet portal. You must also pay us a monthly fee of \$212 per month

for your Business website. We have the right, in our sole discretion, to waive the requirement that you utilize your Business website. Additional technology we offer you to purchase from us includes: (a) agent website/on-demand subscriptions, for a fee of \$42 per month; (b) additional property codes, for a fee of \$5 for a set of 25 codes; (c) premium email campaigns/eNewsletters, for a fee of \$10.95 per month; (d) unlimited premium email campaign/eNewsletter, for a fee of \$21.95 per month; and (e) team marketing system, for a fee of \$63 per month plus \$5 per team member. These fees (collectively, the “Technology Fees”) are due immediately upon invoicing. You currently must pay the Technology Fees by credit card. The Technology Fees are included in your Monthly Service Fee if you operate under the All-Inclusive Model. At any time, we may develop additional proprietary software and/or other technology that must be used by REALTY EXECUTIVES franchisees. If this occurs, you must enter into a separate license agreement with us (or an affiliate of ours) and pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees for your use of that software and/or technology. The terms of the license agreement will govern the terms pursuant to which you can utilize this software or technology. We also reserve the right to enter into master software or technology license agreements with any third-party licensors and then sublicense the software or technology to you. If we enter into this type of master agreement, we may charge you for all amounts that we must pay to the licensors based on your use of the software or technology plus a reasonable administrative fee for our services. We may change the technology, software, and other tools you must use (or may use, if designated as optional) at any time and any such change may result in a change to the Technology Fees you must pay. We reserve the right to periodically adjust the Technology Fees in any manner to reflect changes to the costs we incur for these items. However, we will not increase the Technology Fees more than two times during any twelve-month period.

8.6 Compliance with Real Estate Laws and Regulations. You must ensure that your Business operates in compliance with all laws applicable to the provision of real estate services in your Territory. You must also ensure that each of your Brokers and Salespersons comply with all such laws, including, without limitation, any licensure requirements. At all times, you are required to have at least one licensed Broker that is authorized to act on behalf of your Business and supervise the activities of your Salespersons. The Broker/Owner (or another licensed real estate broker that you have designated) must provide each Salesperson with the level of supervision required by applicable law and adequately perform all duties prescribed by applicable law, including, without limitation, regular personal oversight, management, orientation, instruction and supervision with respect to all general real estate brokerage business matters and other matters relating thereto. If you have multiple Offices, you must ensure that you designate a manager to oversee the operations of each Office if required by applicable law.

8.7 Referrals. An important part of our System are referrals within the REALTY EXECUTIVES System. You agree to refer requests for real estate services, when reasonable and appropriate, to a licensed REALTY EXECUTIVES office in another city or territory. You must ensure that all referrals by your Brokers and Salespersons comply with all of the requirements of the Real Estate Settlement Procedures Act (12 U.S.C. §§ 2601 et seq.) and its implementing regulation, Regulation X (24 C.F.R. Part 3500), as they might be amended from time to time, or any additional or successor legislation or regulation that governs the same subject matter (“RESPA”). If another REALTY EXECUTIVES franchisee refers a customer to any of your Offices and you earn compensation for rendering real estate services to such a referred customer, you agree to pay the referring franchisee, within a commercially reasonable period of time, a referral fee. You have the right to set the amount of the referral fee to be paid to the referring REALTY EXECUTIVES franchisee. This referral fee has historically ranged from 20% to 30% of the amount you receive from the transaction as a “selling commission” or “listing commission”. You are solely responsible for ensuring that all such referrals and payments comply with all of the requirements of RESPA.

9 QUOTA. You must contract with Salespersons in connection with the operation of your Business in not less than the minimum number of Salespersons specified in Attachment “F”. This is your minimum Salesperson Quota. Achieving your Salesperson Quota is an essential aspect of the franchise relationship, since the growth of your network of Salespersons is necessary to achieve a corresponding growth in brand recognition and brand value in your market. Your failure to meet this obligation may result in significant damage to our brand. If you fail to maintain the minimum number of Salespersons required by this Section 9, we may, in our sole discretion, take any one or more of the following actions: (i) terminate this Agreement pursuant to Section 19.2; (ii) reduce the size of your Territory to correspond with the number of Salespersons that you have reported through PrimeAgent; or (iii) collect the Monthly Fees that would have been due and payable if you had met your Quota. If we collect the Monthly Fees based on the amounts due and payable if you had met your Quota, you must achieve your Quota within ninety days. If we choose to not terminate this Agreement or reduce your Territory based on your failure to maintain the Salesperson Quota, and you continue to fail to meet your Quota for a period of ninety days, we reserve the right to then immediately terminate the Agreement or reduce your Territory at that time.

10 YOUR ADDITIONAL RESPONSIBILITIES.

10.1 Insurance. At your sole cost and expense, you agree to procure and maintain in full force and effect at all times during the Term all policies of insurance that we require in the minimum amounts that we require, including, but not limited to, general public liability insurance against claims for personal injury, death or property damage occurring in connection with your Business, as well as errors and omission insurance. Those minimum coverages are currently as follows:

Policy Type	Minimum Coverage
“All risk” Property Insurance	Replacement Value
Comprehensive General Liability Insurance	\$1,000,000 per occurrence and \$3,000,000 in the aggregate
Errors and Omissions Insurance	\$1,000,000 per occurrence and \$3,000,000 in the aggregate
Automobile Liability Insurance	\$1,000,000 Combined Single Limit and \$1,000,000 in the aggregate
Theft and Dishonesty Insurance	\$1,000,000 per occurrence and \$1,000,000 in the aggregate
Privacy and Cybersecurity Liability Insurance	\$1,000,000 per occurrence and \$1,000,000 in the aggregate
Commercial Umbrella Insurance	\$5,000,000 per occurrence and \$5,000,000 in the aggregate
Business Interruption Insurance	At least 6 months
Employer’s Liability Insurance	\$1,000,000
Worker’s Compensation Insurance	As required by law
Landlord-Required Insurance	As required by your lease

You agree to purchase such policies solely from insurance companies that are licensed and admitted in the state in which your Territory is located. If your Territory is located in multiple states, then your insurance policies must be appropriate for all states in which your Territory is located. All insurance policies required under this Section must: (i) be endorsed to name us, our members, officers, directors, and employees, as additional insureds; (ii) contain a waiver by the insurance carrier(s) of all subrogation rights against us; and (iii) provide that we receive ten days prior written notice of the termination, expiration, cancellation or modification of any such policy. The coverage by any insurance policy required by this Agreement shall include and respond to legal proceedings wherever brought. Should any of your insurance companies fail to give us notice as required by this Section, then the policy of that company may be disapproved by us, in which case you shall immediately find new coverage satisfactory to us with an alternative carrier. Upon ten (10) days prior notice, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or any other relevant changes in circumstances. On the Initial Opening Date and on each anniversary of the Initial Opening Date, you must send us certificates of insurance evidencing your compliance with your obligations under this Section 10.1. Your obligation to obtain and maintain the insurance described in this Section is not limited in any way by reason of any insurance that we maintain, nor will your performance of such obligations relieve you of any indemnification obligations under Section 17.

10.2 Books and Records. You are required to prepare complete and accurate books, records, accounts and tax returns (as applicable) for your Business. For a period of at least five years after their preparation, you must maintain all financial and other records pertaining to your Business. These records must be maintained in a secure location that is readily accessible by you. At all times during the Term, you must maintain a written list of all of your clients. Within seven days of our request, you must send us copies of your books and records and/or client list via email or mail.

10.3 Reports. You must prepare monthly reports of your operations in the form and manner that we prescribe. All reports must be made available to us no later than the 15th day of each month. At a minimum, your roster of Salespersons associated with your Business and the number of your Offices must at all times be accurate within PrimeAgent as of your monthly billing date. If you operate under the All-Inclusive Model or the Flex Model (percentage based designated Salespersons only), then with respect to each Salesperson, you must: (a) submit a monthly report no later than the Transaction Reporting Date that identifies all Transactions closed by each Salesperson during the immediately preceding month using the PrimeAgent transaction reporting page; and (b) send to us, upon our request, a report which identifies all of the Salesperson's listings, and describes the disposition of those listings during the immediately preceding month. You also must utilize PrimeAgent to enter all other data we specify. You must enter this information for the applicable reporting period no later than the 15th of each month. If you fail to enter the required information into PrimeAgent in a timely manner, we may, in our sole discretion, increase your fee for access to PrimeAgent to \$299 per month. The fee increase for PrimeAgent due to your failure to provide necessary reports will be for a period of three months. If you enter the required information throughout the three-month period in a timely manner, the fee for PrimeAgent will revert to your original per month cost following the expiration of the three-month period. If you do not enter the required information in a timely manner for the entirety of that three-month period, your fee for PrimeAgent will remain at \$299 per month until such time that you have entered timely reports for not less than three months in a row. You must provide all other reports that we require from time to time in the form and manner that we prescribe. You authorize us to disclose the reports and operating data that we receive from you to prospective franchisees, regulatory agencies and others at our discretion, provided the disclosure is not prohibited by applicable law.

10.4 Financial Statements. No later than April 1 of each year, you must prepare a balance sheet for your Business as of the end of the prior calendar year, as well as an annual statement of profit and loss and source and application of funds. All financial statements must be: (i) verified and signed by you

certifying to us that the information is true, complete, and accurate; and (ii) prepared in any format that we reasonably require. We have the right to require that your financial statements be audited by a certified public accountant. Upon request, you must send us a copy of any financial statement required by this Section within ten days of that request. You authorize us to disclose the financial statements, reports, and operating data to prospective franchisees, regulatory agencies and others at our discretion, provided the disclosure is not prohibited by applicable law.

10.5 Legal Compliance. You must secure and maintain all required licenses, permits and regulatory approvals for the operation of your Business. You must operate and manage your Business in full compliance with all applicable laws, ordinances, rules and regulations. You must notify us in writing within two business days of the beginning of any action, suit, investigation or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation of your Business or your financial condition. This necessarily includes, but is not limited to, any investigation by any agency which regulates real estate salespersons and/or brokers in your state. You must immediately deliver to us a copy of any report, warning, certificate or rating by any governmental agency involving any health or safety law, rule or regulation that reflects your failure to fully comply with the law, rule or regulation.

11 MANAGEMENT OF BUSINESS. You recognize that a major requirement for the success of your Business is the active, continuing, and substantial personal involvement in and hands-on supervision and management of your Business by the Managing Principal (as defined in Attachment "A"). The Managing Principal must be actively involved in the day-to-day management and operation of your Business. Notwithstanding the foregoing, you may delegate the responsibilities for the day-to-day management and operation of your Business to a third-party manager, provided that the original Managing Principal agrees to assume responsibility for the supervision and operation of the Business if the manager is unable to perform his or her duties for any other reason, until such time that you obtain a suitable replacement manager. Nothing in this Section 11 is intended to relieve you of your obligations under Section 8.6 with respect to the supervision of your Business by a licensed Broker. Any employees that you hire will be employees of yours and are not our employees. We do not control or direct the activities of any of your employees.

12 FRANCHISEE AS ENTITY. If you are an Entity, you must provide us with a list of all of your Owners. If the ownership of your Entity changes, you must advise us of the new or revised ownership of the Entity within ten days of any change. You must provide us with a resolution of the Entity authorizing the execution of this Agreement or a statement that the Entity's organizational documents do not require such a resolution, a copy of the Entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). By entering into this Agreement, you represent that the Entity is duly formed and validly existing under the laws of the state of its formation or incorporation, and you agree to maintain the Entity in good standing for the duration of the Term.

13 GUARANTY. If you are an Entity which is a limited liability company, all members of the limited liability company must jointly and severally guarantee the Entity's performance of this Agreement and shall bind themselves to the terms of this Agreement by signing a Personal Guaranty, the current form of which is attached as Attachment "C". If you are an Entity which is a corporation, the President, CEO, or other authorized person(s) of the Entity must guarantee the Entity's performance of this Agreement and shall bind themselves to the terms of this Agreement by signing a Personal Guaranty, the current form of which is attached as Attachment "C". Depending on the community property laws of the state in which the Owner resides, we may require that the spouse of each Owner also sign a Personal Guaranty.

14 FEES.

14.1 Initial Franchise Fee. You must pay us a non-recurring initial franchise fee as specified in Attachment “E” of this Agreement. The initial franchise fee is fully earned by us and non-refundable once this Agreement has been signed.

14.2 Monthly Service Fee. On a monthly basis, you must pay us, on or before the 15th day of the month, a service fee (the “Monthly Service Fee”), which is calculated in accordance with the fee schedule set forth in Attachment “E”. As an example and for the avoidance of doubt, the Monthly Service Fee attributable to your operations during the month of January would be payable on the 15th day of February.

14.3 Territory Fee. On a monthly basis, you agree to pay us, on or before the 15th of each month, a territory fee (the “Territory Fee”) that is calculated as \$100 for every 40,000 people in your Territory. The amount of your Territory Fee is specified in Attachment “E”.

14.4 Declined Payment Fee. For each check that is dishonored by your bank or ACH payment or credit card payment that is declined due to insufficient funds in your account or for any other reason, you will pay us a \$75.00 declined payment fee. If this declined payment occurs for any reason, we may require that all future payments from you be made in the form of a cashier’s check or any other form of certified funds or other payment form that we specify.

14.5 Other Fees and Payments. You must pay us all other fees, expense reimbursements and other amounts specified in this Agreement in a timely manner. You must promptly pay us an amount equal to all taxes levied or assessed against us based upon goods or services that you sell or based upon goods or services that we furnish to you (other than income taxes that we pay based on amounts that you pay us under this Agreement). To avoid confusion, “timely” and “promptly,” as used in this Section 14.6, mean within ten days of being advised of the amounts due and owing by you.

14.6 Late Fee. If any sums due under this Agreement have not been received by us on or prior to the specified due date, then, in addition to those sums past due, you must pay us interest on the amount past due at the rate equal to the lesser of 24% per annum (prorated on a daily basis) or the highest rate permitted by your State’s law. In the event no due date has been specified by us in this Agreement or on the invoice or other document communicating to you the amounts due, interest begins to run ten days after we sent you notice of the amounts due. If we cannot reasonably determine the amount that you owe us due to your failure to furnish us with a report required by Section 10.3, we may assess a late fee on the entire amount that we can reasonably calculate or otherwise assume would be due. This Section 14.7 does not constitute our agreement to accept any late payment after the due date, or a commitment by us to extend credit to or otherwise finance the operation of your Business.

14.7 Fee Increase. All amounts due to us under Section 4.3 (Extension Fee), Section 7.1(b) (Marketing Fee), Section 14.2 (Monthly Service Fee), Section 14.3 (Office Fee) and Section 14.4 (Territory Fee) shall be referred to as “Monthly Fees”. We have the right to increase the Monthly Fees, along with any Technology Fees (Section 8.5) on July 1 of each year, beginning in the current year, in the following manner (a “Fee Adjustment”): the Monthly Fees and any other fees payable each year of this Agreement shall be increased by a fraction, the numerator of which shall be the CPI for the prior calendar year (the “Prior Year”) and the denominator of which will be the CPI for the year immediately preceding the Prior Year. For purposes of the CPI calculation, “CPI” means the Consumer Price Index published by the Bureau of Labor Statistics of the U.S. Department of Labor, for All Urban Consumers, U.S. Cities (1982-84 = 100), “All Items.” If we, in our sole discretion, choose to not apply the Fee Adjustment in a given year, that Fee Adjustment will accumulate and a multi-year Fee Adjustment may be carried over and applied during any

subsequent year.

14.8 Method and Application of Payment. We permit you to pay us by check, credit card, wire, or ACH. At our option, you shall establish and maintain at your sole expense a separate bank account (the “Account”) that is maintained by a commercial banking institution approved by us in our commercially reasonable judgment. If you are required to establish an Account, you will then be required to execute an ACH Authorization Form, a copy of which is attached as Attachment “G”, and/or any other agreement that we or a financial institution may require in order to enable us to electronically debit the Account (the “ACH Agreement”). Except for the Franchise Fee and the Transfer Fee, all fees and costs payable by you under this Agreement may be electronically debited from the Account by us pursuant to the ACH Agreement. We shall debit the Account for all authorized payments on or after the date that such payments become due and payable in accordance with the terms of this Agreement. You are responsible for depositing sufficient funds into the Account in a timely manner to cover all amounts that are owed to us pursuant to this Agreement. Currently, the Technology Fees are collected via credit card, but we may collect such Technology Fees by electronic debit in the future. When you pay us by credit card, we may charge you an additional credit card processing fee of not more than 3% per transaction. We will advise you in writing if this credit card processing fee is imposed. We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate.

15 INSPECTION AND AUDIT

15.1 Inspections. To facilitate your compliance with this Agreement, we or our representatives have the right to enter your Offices, evaluate your operations and evaluate your books, records, accounts and tax returns. Our evaluation may include contacting your clients to discuss their satisfaction with the service you provide. We may also contact any of your Salespersons and/or Brokers to discuss their satisfaction with the operation of your Offices. We may conduct our inspection at any time and without prior notice. During the course of any inspection, we and our representatives will use reasonable efforts to minimize interference with the operation of your Business. You and your employees must cooperate and not interfere with our inspection. You consent to us accessing all technology used by you in the operation of your Business, including but not limited to any accounting or other type of management software, and accessing any information that we deem appropriate in conducting the inspection. We have the right to make copies of any documents or electronic information that we view during any inspection and have the right to take all such copies with us at the completion of the inspection.

15.2 Audit. At any time of our choosing, we have the right to conduct an independent audit of your books and financial records, including your records relating to your Salespersons and Referral Agents. You must fully cooperate with us and any third parties that we hire to conduct the audit. If an audit reveals an understatement or underpayment of any amount that you owe us that occurred for any reason, you must immediately pay to us additional fees that you owe us as identified by us, together with any late fees pursuant to Section 14.7. Any audit will be performed at our cost and expense unless the audit: (i) is necessitated by your failure to provide the information requested or to preserve records or file reports as required by this Agreement; or (ii) reveals an understatement of any amount due to us by at least three percent over the period of the audit. If you are required to pay the cost of the audit due to either of the foregoing, you must pay us \$3,500 plus our actual cost of the audit or inspection, which includes reasonable accounting and attorneys’ fees and travel and lodging expenses that we or our representatives incur. The \$3,500 fee and audit cost reimbursements is due ten days after invoicing. We have not waived our right to terminate this Agreement by accepting the \$3,500 fee and reimbursements of our audit costs.

16 INTELLECTUAL PROPERTY.

16.1 Ownership and Use of Intellectual Property. You acknowledge that: (i) we are the sole and exclusive owner of the Intellectual Property and the goodwill associated with the Marks; (ii) your right to use the Intellectual Property is derived solely from this Agreement and only exists if this Agreement has not been breached by you; and (iii) your right to use the Intellectual Property is limited to a license granted by us to operate your Offices pursuant to, and only in compliance with, this Agreement, the Manual, and all applicable standards, specifications and operating procedures that we prescribe from time to time. You may not use any of the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights and a material violation of this Agreement. You agree to comply with all provisions of the Manual governing your use of the Intellectual Property. This Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property. You do not have any right to license to any third-party, in any manner, the Intellectual Property or the Marks.

16.2 Changes to Intellectual Property. We have the right to modify the Intellectual Property at any time in our sole and absolute discretion, including by changing the Marks, the System, the Copyrights or the Know-how. If we modify or discontinue use of any of the Intellectual Property, you must comply with any instructions regarding your ongoing usage of the Intellectual Property within 30 days of us sending those instructions. You waive all claims arising from or relating to any change, modification, substitution or discontinuation of the Intellectual Property. We are not liable to you for any expenses, losses or damages that you incur (including the loss of any goodwill associated with any proprietary mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property.

16.3 Use of Marks. You agree to use the Marks as the sole identification of your Offices, unless otherwise required by law or regulation to use other identifiers. You must identify yourself as the independent owner of your Offices in the manner that we prescribe. You may use the mark REALTY EXECUTIVES as part of your tradename or “doing business as” (DBA) name, but only if: (i) your tradename satisfies all requirements and criteria specified in the Manual; (ii) your tradename complies with all applicable rules and regulations imposed under the real estate laws of your state and municipality; and (iii) prior to use, you submit the proposed tradename to us and we approve your tradename through the issuance of a Tradename Approval Notice in the form attached to this Agreement as Attachment “D”. You may not use any tradename that we have not approved for you in writing. Your tradename may not be the same as, or confusingly similar to, any other tradename that is currently used in the System. You must surrender, cancel or abandon any tradename or DBA that uses the Marks upon the termination, expiration or transfer of this Agreement. Without our prior written approval, you may not use any of the Marks: (i) as part of any corporate or tradename or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you by this Agreement); or (ii) in any modified form. You agree to prominently display the Marks on or in connection with any media advertising, promotional materials, posters and displays, receipts, stationery and forms that we designate and in the manner that we prescribe to give such notices of trade and service mark registrations and copyrights as we specify and to obtain such fictitious or assumed name registrations as may be required under applicable law. You may not employ any of the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument or other legal obligation or in any manner that is likely to confuse any third-party or result in liability to us for any indebtedness or obligation of yours.

16.4 Use of Know-how. We will disclose the Know-how to you through the Initial Training Program, the Manual, and in other guidance furnished to you during the Term. You do not acquire any interest in the Know-how other than the right to utilize it in strict accordance with the terms of this Agreement for the development and operation of your Business. The Know-how is proprietary to us, and is disclosed to you solely for use in the development and operation of your Business during the Term. The

Know-how is disclosed to you solely on the condition that you agree that you: (i) will not use the Know-how in any other business or for any other purpose whatsoever; (ii) will maintain the confidentiality of the Know-how during and after the Term; (iii) will not make unauthorized copies or transmissions of any portion of the Know-how; and (iv) will adopt and implement all reasonable procedures that we prescribe from time to time to prevent unauthorized use or disclosure of any of the Know-how (including, without limitation, restrictions on disclosure of the Know-how to your employees and the use of nondisclosure clauses in their employment agreements). You acknowledge and agree that if any Know-how is misappropriated (for example, copied, transferred, published or used without our prior authorization), we will suffer substantial damages, the measure of which may be difficult to ascertain. Given the foregoing, you agree that if you or any of your Owners, Managing Principal or your agents or employees misappropriate our Know-how, you shall pay us the sum of \$250,000 for each use of each item of Know-how misappropriated. You acknowledge and agree that the sum described in the preceding sentence is a reasonable measure of compensatory damages and does not constitute a penalty. In addition to the monetary remedy described in this Section 16.4, for any misappropriation of the Know-how, we may seek and obtain any other remedy available under this Agreement, at law, or in equity, including, without limiting the generality of the foregoing, punitive damages and injunctive relief.

16.5 Improvements. If you conceive of or develop any improvements or additions to the services or products offered by, or the method of operation of, a REALTY EXECUTIVES business, or any advertising or promotional ideas related to such business (collectively, “Improvements”), you agree to promptly and fully disclose the Improvements to us. You may not disclose the Improvements to any other third-party. You must obtain our approval prior to using any Improvement. Any Improvement approved by us may be used by us and any third parties that we authorize to operate a REALTY EXECUTIVES franchise, without any obligation to you for royalties or other fees. You must assign to us or our designees, without charge, all rights to the Improvements, including the right to grant sublicenses. In return, we will authorize you to utilize any Improvement that may be developed by us or any other REALTY EXECUTIVES franchisee that we authorize for general use in connection with the operation of a REALTY EXECUTIVES office. Prior to the expiration of the Term, you must assign to us or our designee (at no charge to us) all rights to the Improvements and you will have no further rights to the Improvements, absent a separate written agreement with us to the contrary.

16.6 Notification of Infringements and Claims. You must immediately notify us of any: (i) apparent infringement of any of our Intellectual Property; (ii) challenge to your use of any of our Intellectual Property; or (iii) claim by any person of any rights in any of our Intellectual Property. You may not communicate with anyone other than us and our counsel in connection with any such infringement, challenge or claim. We have sole discretion to take any action in response to any Intellectual Property issues as we deem appropriate; provided, however, that we will protect your right to use the Marks. We have the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any of our Intellectual Property. You must execute any and all instruments and documents, render assistance, and do any acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, Patent and Trademark Office proceeding or other proceeding, or to otherwise protect and maintain our interest in the Intellectual Property.

16.7 Compliance of Salespersons and Employees. You must ensure that your Salespersons and employees comply with all of the provisions in this Section 16.

17 INDEMNITY. You are required to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any of the following Claims: (i) any Claim asserted against you and/or any of the Indemnified Parties arising from the marketing, use or operation of your Business or your alleged performance and/or non-

performance and/or breach of any of your obligations under this Agreement; (ii) any other Claim arising from alleged violations of your relationship with and responsibility to us; or (iii) any Claim relating to taxes or penalties assessed by any governmental entity against us that are directly related to your failure to pay or perform functions required of you under this Agreement. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any Claim; and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such Claim. You may participate in such defense at your own expense. You agree to give your full cooperation to the Indemnified Parties in assisting with the defense of any such Claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs, administrative and related expenses, and reasonable attorneys' fees, within 10 days of the date of each invoice delivered by such Indemnified Party to you enumerating such amounts due.

18 TRANSFERS.

18.1 By Us. This Agreement and the franchise is fully assignable by us and without prior notice to you. Any transfer by us shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment. We may also delegate some or all of our obligations under this Agreement to one or more persons or entities without assigning the Agreement.

18.2 By You. The rights and duties created by this Agreement are personal to you and the Owners, and we have granted the franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Therefore, neither you nor any Owner may engage in any Transfer, other than a Permitted Transfer, without our prior written approval. Any Transfer without our approval shall be void and constitute a breach of this Agreement. We will not unreasonably withhold our approval of any proposed Transfer, provided that the following conditions are all satisfied:

(i) the proposed transferee is, in our opinion, an individual or entity of good moral character, who has sufficient business experience, aptitude and financial resources to own and operate a REALTY EXECUTIVES office and otherwise meets all of our then-applicable standards for franchisees, including successful completion of a background check and financial disclosure, where applicable;

(ii) you and your Owners are in full compliance with the terms of this Agreement and all other agreements with us or our affiliates;

(iii) the Managing Principal has successfully completed the initial training program to our satisfaction and satisfied all of our other requirements for Managing Principals;

(iv) the transferee and its owners, to the extent necessary, have obtained all licenses and permits required by applicable law in order to own and operate the Business;

(v) the transferee and its owners sign our then-current form of franchise agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that: (a) the Term shall be the Term remaining under this Agreement; and (b) the transferee need not pay a separate initial franchise fee;

(vi) you or the transferee pay us a \$10,000 transfer fee to defray expenses that we incur in connection with the Transfer;

(vii) you and your Owners sign a General Release for all claims arising before or contemporaneously with the Transfer;

(viii) at our option, you enter into an agreement with us to subordinate the transferee's obligations to you to the transferee's financial obligations owed to us pursuant to the Franchise Agreement;

(ix) we do not elect to exercise our right of first refusal described in Section 18.5; and

(x) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer.

Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the transferee.

18.3 Permitted Transfers. You may engage in a Permitted Transfer without our prior approval, but you must give us at least ten days prior written notice before engaging in the transfer. You, the Owners, and the transferee each agree to sign all documents that we reasonably request to effectuate and document the Permitted Transfer.

18.4 Death or Disability of Managing Principal. Upon the death or permanent disability of the Managing Principal, their ownership interest in you or the franchise, as applicable, must be assigned to another Owner or to a third-party within 180 days after the date of the death or permanent disability. The assigned Owner or third-party must be approved by us prior to the assignment. Any assignment to a third-party is subject to all terms and conditions of Section 18.2 unless the assignment qualifies as a Permitted Transfer. You must arrange for immediate supervision of the Business by a qualified replacement approved by us until such assignment is completed. For purposes of this section, a person is deemed to have a "permanent disability" only if the person has a medical or mental problem that prevents the person from substantially fulfilling their obligations under this Agreement or otherwise operating the Business in the manner required by this Agreement and the Manual for a continuous period of at least three months.

18.5 Our Right of First Refusal. We have the right to purchase your Business or any Equity Interests in you or any of your assets that are material to the operation of your Business, if your Business or Equity Interests or assets, as applicable, prior to them being offered for sale to any third party. Prior to selling your Business or Equity Interest or assets, as applicable, you or the Owner, as applicable, must obtain a bona fide, written offer signed by the potential purchaser and submit an exact copy of the offer to us. We have sixty days after receipt of the offer from you to decide whether we will purchase the interest in your Business or the ownership interest in you for the same price and upon the same terms, other than payment terms, contained in the offer. If we notify you that we intend to purchase the interest, you or the Owner, as applicable, must sell the interest to us. We will have an additional ninety days to prepare for closing once we communicate to you that we choose to purchase your Business or Equity Interest or assets. We are entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the Business, Equity Interest or assets, as applicable, or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on terms no more favorable than those offered to us, subject to the requirements of Section 18.2. If the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section. Our right of first refusal shall survive any aborted or abandoned offer you receive and apply with respect to any subsequent offer. Our right of first refusal in this Section shall not apply to any Permitted Transfer. At any time following your notice to us of a proposed transfer with respect

to which our right of first refusal applies, we shall have the unrestricted right to contact your agents to discuss a potential position with us or other franchisees in the event that we exercise our right of first refusal. Prior to us notifying you that we will exercise our right of first refusal, we shall not solicit or induce any agent to leave their position. Following our notification to you that we will exercise our right of first refusal, we shall have the unrestricted right to solicit agents and employees for any and all business purposes, including potential positions with us or other franchisees.

19 TERMINATION.

19.1 By You. If we materially breach this Agreement and we fail to cure such material breach within ninety days after you send us a written notice specifying the nature of the breach, you may terminate this Agreement upon written notice of that termination to us. If you terminate this Agreement, you must still comply with your post-termination obligations described in Section 20 and all other obligations that survive the expiration or termination of this Agreement.

19.2 Termination By Us Without Cure Period. We may, in our sole discretion, terminate this Agreement upon ten days' written notice, without opportunity to cure, for any of the following reasons, all of which constitute material events of default under this Agreement:

(i) if you fail to commence operations within 180 days after the Effective Date;

(ii) if any required real estate license held by you or any of your Owners or your Managing Principal is suspended or revoked by the regulatory authority in your state, even if you or such individual still maintain appeal rights;

(iii) if, for any period of time, you fail to have a licensed Broker for your brokerage, or as otherwise required by the laws, regulations and/or rules of your State;

(iv) if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978);

(v) if your Business, or a substantial portion of the assets associated with your Business, are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor; or a final judgment against you remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in your Business, and it is not discharged within five days of such levy;

(vi) if the Managing Principal abandons, surrenders, transfers control of or fails to actively manage or operate your Business for a period of five consecutive business days (subject to the force majeure provision), unless (a) your Business is being managed by a manager approved by us; or (b) your Business is not operational for a purpose approved by us;

(vii) if you fail or refuse to pay any amount owed to us or an affiliate of ours within ten days after receipt of a demand for payment;

(viii) if we finance anything relating to your Business and you default under the promissory note for that financing and fail to cure such default in the time and manner provided by the promissory note, if any such cure period is provided;

(ix) if you underreport any amount owed to us by 3% or greater, after having already committed such a breach that had been cured in accordance with Section 19.3;

(x) if you make any material misrepresentation to us, whether occurring before or after being granted the franchise;

(xi) if you or an Owner engage in any conduct which we, in our sole discretion, deem to be detrimental or otherwise harmful to the Marks, your Business, the REI brand, and/or the System;

(xii) if, in any twelve-month period, you or an Owner are the subject of more than two complaints received by REI as to the operation of the Business or any other conduct by you or an Owner relating to the Business;

(xiii) if you or an Owner: (a) are convicted of or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense; (b) are subject to any material administrative disciplinary action; or (c) fail to comply with any material federal, state, or local law or regulation applicable to your Business;

(xiv) if you or an Owner makes an unauthorized Transfer;

(xv) if you or an Owner makes an unauthorized use of the Intellectual Property;

(xvi) if you or an Owner commits any act that can reasonably be expected to adversely affect the reputation of the System or the goodwill associated with the Marks;

(xvii) if you or an Owner breaches the covenants described in Section 16;

(xviii) if you fail to meet the minimum Salesperson quota requirements described in Section 9 and/or Attachment F;

(xix) if you default under this Agreement two or more times during any 12-month period, regardless of whether such defaults were cured in accordance with the terms of this Agreement; or

(xx) if, due to your default, either (a) we terminate any other agreement between you and us; or (b) any affiliate of ours terminates any agreement between you and such affiliate.

19.3 Additional Conditions of Termination. In addition to our termination rights in Section 19.2, we may, in our sole discretion, terminate this Agreement upon 30 days' written notice if you or an Owner fail to comply with any other provision of this Agreement, any mandatory provision in the Manual, or any other agreement with us, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period. If we deliver a notice of default to you pursuant to this Section 19.3, we may suspend performance of any of our obligations under this Agreement until you fully cure the breach.

19.4 Mutual Agreement to Terminate. If you and we mutually agree in writing to terminate this Agreement, you and we will be deemed to have waived any required notice period with respect to termination. In the event the parties mutually agree to terminate this Agreement, you will remain obligated to us for the full value remaining on the Agreement through the end of the Term, regardless of the date on which the Agreement was terminated.

20 POST-TERM OBLIGATIONS. After the termination, expiration or Transfer of this Agreement, you and the Owners agree to:

(i) Immediately cease to use the Intellectual Property;

(ii) Pay us all amounts that you owe us, including all accrued interest and Late Fees, within 15 days of the effective date of the termination, expiration or Transfer of this Agreement;

(iii) Immediately return all copies of the Manual, or any portions thereof, as well as all

signs, brochures, advertising and promotional materials, forms, and any other materials bearing or containing any of the Marks or other identification relating to a REALTY EXECUTIVES business, unless we allow you to transfer such items to an approved transferee;

(iv) Immediately take all actions as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks and, upon our request, cancel or assign to us any URLs, domain names, email addresses and social media accounts relating to your Business;

(v) Immediately make all modifications and alterations to your Offices that are necessary or that we require to prevent any association between us or the System and any business subsequently operated by you or any third-party at the premises; provided, however, that this subsection shall not apply if your franchise is transferred to an approved transferee;

(vi) Notify all telephone companies, listing agencies and domain name registration companies (collectively, the “Agencies”) of the termination or expiration of your right to use: (a) the domain names, if applicable, related to the operation of your Business; and (b) any regular, classified or other telephone directory listings associated with the Marks. You hereby authorize the Agencies to transfer all domain names and listings to us or at our direction. We have the sole right to all such domain names and listings used in connection with your Business. You authorize us and appoint us and any officer we designate as your attorney-in-fact, to direct the Agencies to transfer the domain names) and listings to us or at our direction should you fail or refuse to do so. All such Agencies may accept this Agreement as conclusive evidence of our exclusive rights in such domain names and directory listings and its authority to direct their transfer. To assist in effectuating such transfer(s), you must execute the Authorization to Transfer Agreement attached hereto as Attachment “H”; and

(vii) Provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement.

21 DISPUTE RESOLUTION.

21.1 Negotiation and Mediation. Except as otherwise provided below with respect to Excluded Claims, the parties shall attempt in good faith to resolve any Dispute through informal discussions and negotiations. If these efforts are unsuccessful, the parties agree to submit the Dispute to mediation before a mutually-agreeable mediator prior to litigation. All negotiations and mediation proceedings (including without limitation, discovery conducted therein, as well as all statements and settlement offers made by either party or the mediator in connection with the mediation) shall be strictly confidential, shall be considered as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence, and shall not be admissible or otherwise used in connection with any court or arbitration proceeding for any purpose. The mediator may not be called as a witness in any court or arbitration proceeding for any purpose. Any Dispute involving an Excluded Claim will not be subject to mediation unless otherwise agreed to by both parties. The Parties may mutually agree in writing to waive the requirement to participate in mediation, and proceed directly to litigation for resolution of a Dispute.

21.2 Litigation. If (a) a Dispute is not successfully resolved by mediation within 60 days after either party makes a demand for mediation or (b) the Dispute involves an Excluded Claim, then either party may file a lawsuit in any state or federal court of general jurisdiction in accordance with the choice of venue provision set forth below. The parties hereby express their clear and unequivocal intent that a court, rather than a mediator, shall have exclusive jurisdiction to decide the threshold issue of whether a Dispute involves an alleged Excluded Claim (i.e., whether there are any claims alleging a breach of §16 of this Agreement).

21.3 Venue. All mediation and litigation shall take place in the county in which we maintain our principal place of business at the time the Dispute arises (currently, Maricopa County, Arizona). The parties irrevocably waive any objection to such venue and, with respect to litigation proceedings, submit to the jurisdiction of such courts.

21.4 Attorney's Fees and Costs. If we or you must enforce this Agreement in a judicial proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. In addition, if you or one of your owners breaches any term of a Definitive Agreement, you must reimburse us for all reasonable legal fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to commencement of formal dispute resolution proceedings.

21.5 Waivers. UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF §16) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR MEDIATION WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. WE AND YOU IRREVOCABLY WAIVE: (a) TRIAL BY JURY; AND (b) THE RIGHT TO LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES.

21.6 Defined Terms. For purposes of Section 21, the following defined terms have the meanings given to them below:

"Claim" or "Claims" means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries.

"Definitive Agreements" means, collectively, this Agreement, any other Franchise Agreement between you (or your affiliate) and us (or our affiliate) for a REALTY EXECUTIVES brokerage or any other franchised concept, and all ancillary agreements executed in connection with any of the foregoing, including, without limitation, each related Personal Guaranty.

"Dispute" means any Claim, dispute or disagreement between the parties, including any matter pertaining to: (a) the interpretation or enforcement of this Agreement; (b) the offer or sale of the franchise; or (c) the relationship between the parties.

"Excluded Claim" means any Claim or Claims alleging a breach of §16 of this Agreement.

22. YOUR REPRESENTATIONS. YOU HEREBY REPRESENT THAT: (i) YOU RECEIVED (1) AN EXACT COPY OF THIS AGREEMENT AND ITS ATTACHMENTS AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT IS EXECUTED; AND (2) OUR FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF (A) 14 CALENDAR DAYS BEFORE YOU SIGNED A BINDING AGREEMENT OR PAID ANY MONEY TO US OR OUR AFFILIATES OR (B) AT SUCH EARLIER TIME IN THE SALES PROCESS THAT YOU REQUESTED A COPY; AND (ii) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

23. GENERAL PROVISIONS.

23.1 Governing Law. Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, *et seq.*), this Agreement and the franchise relationship shall be governed by the laws of the State of Arizona, without reference to its principles of conflicts of law. Any law of the State of Arizona that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

23.2 Relationship of the Parties. Nothing in this Agreement creates a fiduciary relationship between you and us or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. During the Term, you must conspicuously identify yourself in all dealings with third parties as a franchisee of ours and the independent owner of your Business. You agree to place notices of independent ownership on such forms, stationery, advertising, websites, business cards and other materials as we may require from time to time. Neither we nor you are permitted to make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee. Neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Agreement.

23.3 Severability and Substitution. Each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Agreement. If a court concludes that any promise or covenant in this Agreement is unreasonable and unenforceable: (i) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (ii) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable.

23.4 Waivers. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall be without prejudice to any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach of this Agreement to be a default and to terminate the franchise before the expiration of its term) by virtue of: (i) any custom or practice of the parties at variance with the terms of this Agreement; (ii) any failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including any mandatory specification, standard, or operating procedure; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other REALTY EXECUTIVES franchisees; or (iv) the acceptance by us of any payments, partial or otherwise, due from you after breach of this Agreement.

23.5 Approvals. Whenever this Agreement requires our approval, you must make a timely written request to us for that approval, and the approval must be given in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we have disapproved your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. You are not entitled to any other relief or damages for our denial of approval.

23.6 Force Majeure. Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations results from any event of

force majeure. Any delay resulting from an event of force majeure will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances.

23.7 Binding Effect. This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement; provided, however, that the additional insureds listed in Section 10.1 and the Indemnified Parties are intended third-party beneficiaries under this Agreement with respect to Section 10.1 and Section 17, respectively.

23.8 Integration. THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY SECTION 8.2 AND SECTION 23.3, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any email correspondence or other form of informal electronic communication, including but not limited to text messages, shall not be deemed to modify this Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Agreement. The attachments are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manual are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contractual relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Agreement, would affect the economic terms of this bargain. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document.

23.9 Covenant of Good Faith. If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect your interests either favorably or adversely; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing of those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any litigation or other proceeding shall substitute its judgment for our judgment so exercised.

23.10 Rights of Parties are Cumulative. The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law.

23.11 Survival. All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer

and until they are satisfied in full or by their nature expire, including, without limitation, Section 14, Section 15, Section 17, Section 20, Section 21 and Section 23.

23.12 Construction. The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term “you” as used in this Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive.

23.13 Time of Essence. Time is of the essence in this Agreement and every term thereof.

23.14 Counterparts. This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

23.15 Notice. All notices given under this Agreement must be in writing, delivered by hand, email, delivery/courier service or first-class mail to the following addresses:

YOU:	As set forth below your signature on this Agreement
US:	REALTY EXECUTIVES INTL. SVCS. LLC Legal Department 4343 E. Outlier Blvd., Suite 123 Phoenix, Arizona 85008

We can change the address for delivery of Notice under this Section by giving you written notice ten days prior to the effective change. Notice under this Section has been given at the time delivered by hand or by email, or three business days after placed in the mail or presented to the delivery service for delivery.

The parties to this Agreement have executed this Agreement effective as of the Effective Date first above written.

FRANCHISOR:

FRANCHISEE:

REALTY EXECUTIVES INTL. SVCS. LLC, an
Arizona limited liability company

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____

Franchisee Physical Address For Notice:

ATTACHMENT A

TO REALTY EXECUTIVES FRANCHISE AGREEMENT

DEFINITIONS

“Agencies” is defined in Section 20(vi).

“Agreement” is defined in the Introductory Paragraph.

“All-Inclusive Model” is defined in Attachment “E”.

“Authorized Services” is defined in Section 2.

“Managing Principal” means the Owner who is primarily responsible for the day-to-day management and operation of your Business. The Managing Principal is determined as follows: (i) if the franchisee consists of a single Owner, that Owner will be the Managing Principal; (ii) if the franchisee consists of more than one Owner, you must designate one of those Owners to be the Managing Principal; (iii) if the franchisee is a legal entity, you must designate one Owner to be the Managing Principal; and (iv) if the franchisee is a partnership, the Owner that is the general partner of the franchisee (or the Owner who directly or indirectly owns the greatest percentage of the voting and ownership interests in the general partner if the general partner is an Entity) will be the Managing Principal.

“Business” is defined in Section 2.

“Claim” or *“Claims”* means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries.

“Competitive Business” means any business that either (i) provides any one or more of the following real estate services pertaining to real property: leasing; listing; purchasing; referral; selling; trading; and other services of a similar nature that require a real estate license; or (ii) offers, sells or supports franchised or licensed businesses that provide any one or more of the following real estate services pertaining to real property: leasing; listing; purchasing; referral; selling; trading; and other services of a similar nature that require a real estate license.

“Continuation of Term” is defined in Section 4.1.

“Copyrights” means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow REALTY EXECUTIVES franchisees to use or display in connection with the marketing and/or operation of a REALTY EXECUTIVES real estate office, whether now in existence or created in the future.

“Dispute” is defined in Section 21.

“Effective Date” is defined in the Introductory Paragraph. If, for some reason, there is no date listed in the Introductory Paragraph, then the Effective Date shall be the date on which the authorized representative of REI has executed the Franchise Agreement.

“Entity” means a corporation, partnership, limited liability company or other form of association.

“Equity Interest” means, with respect to any Entity: (a) all of the shares of capital stock of such Entity; (b) all warrants, options or other rights for the purchase or acquisition from such Entity of shares of capital stock of such Entity; (c) all securities convertible into or exchangeable for shares of capital stock of such Entity or warrants, rights or options for the purchase or acquisition of such securities; and (d) all other ownership or profit interests in such Entity (including partnership, member or trust interests), whether voting or non-voting.

“Fee Adjustment” is defined in Section 14.8.

“Flat Fee Model” is defined in Attachment “E”.

“Flex Model” is defined in Attachment “E”.

“General Release” means our current form of general release of all claims against us and our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees, in both their corporate and individual capacities.

“Improvements” is defined in Section 16.5.

“Indemnified Party” or *“Indemnified Parties”* means us and each of our past, present and future owners, members, officers, directors, employees and agents, as well as our parent companies, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents.

“Intellectual Property” means, collectively or individually, our Marks, Copyrights, Know-how and System.

“Interim Term” is defined in Section 4.3.

“Know-how” means all of our trade secrets and other proprietary information relating to the development, marketing and/or operation of a REALTY EXECUTIVES real estate office, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manual.

“Losses and Expenses” means all compensatory, exemplary, and punitive damages; fines and penalties; attorneys’ fees; experts’ fees; court costs; costs associated with investigating and defending against Claims; settlement amounts; judgments; compensation for damages to our reputation and goodwill; and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or incurred by an Indemnified Party as a result of a Claim.

“Manual” is defined in Section 8.2.

“Marks” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a REALTY EXECUTIVES real estate office, including the name “REALTY EXECUTIVES” and any other trademarks, service marks or trade names that we designate for use by a REALTY EXECUTIVES real estate office. The term “Marks” also includes any distinctive trade dress used to identify a REALTY EXECUTIVES real estate office, whether now in existence or hereafter created.

“Marketing Campaign” is defined in Section 7.1(a).

“Marketing Fund” is defined in Section 7.1(a).

“Monthly Fees” is defined in Section 14.8.

“Monthly Service Fee” is defined in Section 14.2.

“Office” is defined in Section 2.

“Office Fee” is defined in Attachment “E”.

“Owner” or *“Owners”* means any individual who owns a direct or indirect ownership interest in the franchise or the Entity that is the franchisee under this Agreement. “Owner” includes both passive and active owners.

“Permitted Transfer” means: (i) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer by an Owner who is the Managing Principal; (ii) a Transfer to a newly established Entity for which the Owners collectively own and control 100% of the ownership interests and voting power; and/or (iii) a Transfer from an Owner (other than the Managing Principal) to a spouse, parent, sibling, child or grandchild of such Owner.

“Referral Salesperson” means any person who (a) holds a license or similar authority (if such license or authority is required by applicable law) issued by a state, commonwealth or province authorizing such person to buy or sell or assist others with the buying or selling of real estate; (b) does not actively assist

others with the buying or selling of real estate; (c) solely acts in a referral capacity for potential customers to other active Salespersons; and (d) is associated with your business in any capacity.

“*RESPA*” is defined in Section 8.7.

“*Salesperson*” is defined as any person who (i) holds a license or similar authority issued by a state, commonwealth or province authorizing such person to buy or sell or assist others with the buying or selling of real estate; and (ii) is associated with the franchise in any capacity, including, but not limited to, any licensed owner, broker, agent or assistant.

“*System*” means our system for operating a real estate office under the name “REALTY EXECUTIVES”, and which includes the “original 100% Commission Concept” as well as our distinctive logos, promotional materials, operating systems and proprietary transaction reporting portal.

“*Team*” means a group of two or more Salespersons and any unlicensed administrative support individuals, collectively operating as a real estate sales team as part of a franchise.

“*Team Lead*” means a Salesperson serving as the leader or primary Salesperson for a Team or group of Salespersons and other unlicensed individuals, operating as part of a franchise.

“*Team Member*” means a Salesperson who is operating as part of a Team within a franchise.

“*Term*” is defined in Section 4.1.

“*Territory*” is defined in Section 2.

“*Training Fee*” is defined in Section 5.1.

“*Transfer*” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of the franchise (or any interest therein), the Business (or any portion thereof) or an ownership interest in an Entity that is the franchisee, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the Entity that is the franchisee, or by operation of law, will or a trust upon the death of an Owner (including the laws of intestate succession).

“*We*” or “*us*” is defined in the Introductory Paragraph.

“*You*” is defined in the Introductory Paragraph.

ATTACHMENT B
TO REALTY EXECUTIVES FRANCHISE AGREEMENT

TERRITORY

The Territory referenced in Section 2 of the Franchise Agreement shall consist of the following geographic area:

ATTACHMENT C
TO REALTY EXECUTIVES FRANCHISE AGREEMENT
PERSONAL GUARANTY

[See Attached]

PERSONAL GUARANTY OF FRANCHISE AGREEMENT

In consideration of and as an inducement to REALTY EXECUTIVES INTL. SVCS. LLC, an Arizona limited liability company ("Franchisor"), entering into that certain Franchise Agreement (the "Franchise Agreement"), dated as of _____, 202__, between Franchisor and _____, a(n) _____ ("Franchisee"), the undersigned individuals (each, a "Guarantor") jointly and severally, personally and unconditionally, do hereby: (a) guarantee to Franchisor, and its successors and assigns, for the term of the Agreement and as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant in (i) the Franchise Agreement; and (ii) any ancillary agreement executed by Franchisee and Franchisor (or executed by Franchisee in favor of Franchisor) in connection with the Franchise Agreement, including but not limited to any agreement for the purchase of goods or services from Franchisor and any promissory note related to payments made to Franchisor (collectively, the "Agreements"); and (b) agree to be personally bound by, and personally liable for, each and every provision in the Agreements, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities including, without limitation, the requirements pertaining to non-competition, confidentiality, transfers, and dispute resolution.

Each Guarantor waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; and (4) any right the Guarantor may have to require that an action be brought against Franchisee or any other person as a condition of liability. Each Guarantor consents and agrees that: (1) such Guarantor's direct and immediate liability under this guaranty shall be joint and several; (2) such Guarantor shall render any payment or performance required under the Agreements upon demand if Franchisee fails or refuses punctually to do so; (3) liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that Franchisor may grant to Franchisee or to any other person, including 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 guaranty, which shall be continuing and irrevocable during the term of each of the Agreements and following the termination, expiration or transfer of each of the Agreements to the extent any obligations under any such Agreements survive such termination, expiration or transfer.

Depending on the creditworthiness of each Guarantor and the community property laws of the states in which they reside, Franchisor may require that the spouses of one or more Guarantors execute this guaranty as well. Each Guarantor represents and warrants that if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state that does not require the consent of both spouses to encumber the assets of a marital estate.

Each Guarantor consents and agrees that:

(a) Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other Owners and Guarantors of Franchisee;

(b) Guarantor shall render any payment or performance required under any of the Agreements upon demand if Franchisee fails or refuses punctually to do so;

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of one or more of the Agreements by a trustee of Franchisee. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification,

change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(d) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed only against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee;

(e) This Guaranty shall be governed by and construed in accordance with the laws of the State of Arizona; and

(f) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has executed this Personal Guaranty as of the date or dates set forth below.

GUARANTOR

By: _____

Name: _____

Date: _____

By signing below, I hereby affirm that I witnessed the person named above execute this Personal Guaranty on the date set forth below his or her name.

WITNESS

By: _____

Name: _____

Date: _____

GUARANTOR

By: _____

Name: _____

Date: _____

By signing below, I hereby affirm that I witnessed the person named above execute this Personal Guaranty on the date set forth below his or her name.

WITNESS

By: _____

Name: _____

Date: _____

ATTACHMENT D
TO REALTY EXECUTIVES FRANCHISE AGREEMENT

Notice of Tradename Approval

[See Attached]

TRADENAME APPROVAL NOTICE

REALTY EXECUTIVES INTL. SVCS. LLC, an Arizona limited liability company (“we” or “us”) is issuing this Tradename Approval Notice (this “Notice”) to _____ (“you”), effective _____, 202____, in connection with the REALTY EXECUTIVES Franchise Agreement (the “Franchise Agreement”) that we executed with you on _____, 202____. The purpose of this Notice is to confirm our approval of the tradename you have proposed.

Approved Tradename:

Pursuant to Section 16.3 of the Franchise Agreement, we approve the following tradename for your use in connection with the REALTY EXECUTIVES business you operate pursuant to the Franchise Agreement:

[_____]

By signing below, you agree that the tradename identified in this Notice will be your approved tradename and you will not use any other tradename without our prior written approval. You are responsible for submitting any fictitious name filing that may be required by the laws of your state. Upon the termination, expiration or transfer of this Agreement, you must surrender, cancel or abandon the tradename and cancel any associated fictitious name filing.

You must sign below to acknowledge your receipt. You have no right to use the tradename listed above until you have executed this Notice.

Franchisor

REALTY EXECUTIVES INTL. SVCS. LLC

By: _____

Name: _____

Its: _____

Date: _____

Franchisee

By: _____

Name: _____

Its: _____

Date: _____

ATTACHMENT E

TO REALTY EXECUTIVES FRANCHISE AGREEMENT

Fee Structure

Initial Franchise Fee (one-time fee)	\$30,000
Marketing Fee (monthly)	
National	\$170
Regional	\$170
Monthly Service Fee (monthly)	
Flat Fee Model	
Flat Fee Portion (Per Salesperson)	\$325
Monthly Minimum	\$550
Flex Model	
Flat Fee Portion (Per Salesperson)	\$3250
Percentage-Based Portion (% GCI)	6%
Monthly Minimum	\$550
All-Inclusive Model	
Monthly Base Fee	\$472
Per Transaction Fee	
<\$100,000	\$250
≥\$100,000 and <\$500,000	\$350
≥\$500,000 and <\$1,000,000	\$450
≥\$1,000,000	\$550
Any Sales Price	\$25 (13 th or subsequent transaction in year)
Territory/Office Fee (monthly)	
Territory Fee	\$
Technology Fee (monthly)	
Intranet portal (PrimeAgent.com)	\$110 (included with All-Inclusive Model)
Broker website	\$212 (included with All-Inclusive Model)

For purposes of calculating Monthly Service Fees, a “transaction” means one side of a complete transaction occurring between a buyer and seller. For each transaction closing, we bill “per side”. For example, if a salesperson represents the buyer and seller in a single transaction, the closing of the transaction counts as two transactions for that salesperson. On the other hand, if a salesperson only represents the buyer and another brokerage represents the seller in that transaction, then the closing of the transaction only counts as one transaction for that salesperson.

Initial Franchise Fee.

The Initial Franchise Fee must be paid by cashier’s check or other immediately available funds.

Marketing Fee.

The Marketing Fee shall be multiplied by the number of licensed Salespersons and is subject to Fee Adjustment.

Monthly Service Fee

The Monthly Service Fee is based upon the fee structure you have selected. You and we must mutually agree on the fee structure to be utilized. You will be billed and you will operate under one of the following fee structures, each of which is more fully described below: (a) a flat fee structure (the “Flat Fee Model”); (b) a fee structure that includes both flat fees and percentage-based fees (the “Flex Model”); or (c) a transaction-based structure (the “All-Inclusive Model”).

Place a mark by the Monthly Service Fee structure that you have elected to operate under:

- ☐ Flat Fee Model
- ☐ Flex Model
- ☐ All-Inclusive Model

Flat Fee Model. If you operate under the Flat Fee Model, you will pay us the greater of: (a) the Flat Fee Portion amount multiplied by the greater of (i) total number of Salespersons associated with you on the billing date of each month or (ii) the minimum number of Salespersons required to be associated with you on the billing date of each month pursuant to the terms of your Franchise Agreement; or (b) the Monthly Minimum. The Flat Fee Portion amount and the Monthly Minimum amount are subject to Fee Adjustment.

Flex Model. If you operate under the Flex Model, the Monthly Service Fee will vary depending on whether you designate a given Salesperson as “flat fee-based” or “percentage-based”. You will pay us the greater of: (a) the sum of (i) the Flat Fee Portion multiplied by the number of Salespersons you designate as flat fee-based and associated with you on the billing date of each month, plus (ii) the Percentage-Based Portion multiplied by the total gross commissions generated by Salespersons you designate as percentage-based for all transactions closed in the immediately preceding month; or (b) the Monthly Minimum. The Flat Fee Portion amount and the Monthly Minimum amount are subject to Fee Adjustment.

In PrimeAgent, once you designate a Salesperson as flat fee-based or percentage-based, you must make the fee plan change to that Salesperson’s user profile. The original designation will continue to apply for a holding period of 90 days after you have made that change. We reserve the right to limit the number of percentage-based Salespersons as well as the length of time those Salespersons may have the percentage-based designation.

All-Inclusive Model. If you operate under the All-Inclusive Model, you will pay us the sum of: (a) the Monthly Base Fee; and (b) a Per Transaction Fee as specified in the table above for each closed real estate transaction. \$100 of each Per Transaction Fee is for the Salesperson’s access to technology tools. The Monthly Base Fee includes the cost of PrimeAgent and the broker website. The Monthly Base Fee is subject to Fee Adjustment.

Notwithstanding the foregoing, if a given Salesperson operating under the All-Inclusive Model closes more than 12 real estate transactions during any calendar year, you will pay us a reduced per-transaction fee of \$25 for that Salesperson for the remainder of the calendar year.

A “closed real estate transaction” means the performance of any real estate service authorized by the Franchise Agreement for which the Salesperson earns compensation. The transaction is deemed “closed” on the date this compensation is earned by the Salesperson, regardless of whether it has been paid.

Territory/Office Fee

The Territory Fee is payable for your designated Territory. In exchange for the Territory Fee, you may open as many Offices within your Territory as you desire. The Franchise Agreement grants you the right to operate one Territory. The Territory Fee is calculated as \$100 for every 40,000 people in your Territory, with a minimum monthly Territory Fee of \$100 per month. For example, the monthly Territory Fee for a territory with a population of 30,000 would be \$100 per month, while the monthly Territory Fee for a territory with a population of 75,000 would be \$200 per month. The monthly Territory Fee is based on the population associated with your Territory at the time the Franchise Agreement is executed. If the population within your Territory significantly increases during the Term, we reserve the right to adjust the boundaries of your Territory at renewal such that the population associated with the modified Territory is similar to the population associated with the original Territory at the time the Franchise Agreement was executed. The Territory Fee is subject to Fee Adjustment.

The Monthly Fees are calculated as of the billing date, which currently is on or about the 20th of each month. The billing date is subject to change upon at least 30 days’ prior written notice to you.

Technology Fee

You must acquire and utilize all technology systems we specify from time to time (the “Technology Systems”). You pay us a “technology fee” that refers to all amounts you pay us and/or our affiliates relating to the Technology Systems, including amounts paid for proprietary items and amounts we collect from you and remit to third-party suppliers based on your use of their systems, software, technology or services. The amount of the technology fee may change based on changes to the Technology Systems, the associated services we provide, or the prices charged by third-party suppliers with whom we enter into master agreements. We will not increase the technology fee more than once during any 6-month period. Any technology fee paid to us, whether a mandatory fee or an optional fee, is also subject to Fee Adjustment. The technology fee does not include amounts you pay directly to third-party suppliers for any component of the Technology Systems.

As discussed further below, we currently charge technology fees for: (a) access to our proprietary Intranet portal called PrimeAgent; and (b) website development and hosting. We may, at our discretion, waive your obligation to utilize our designated website and pay the associated fees. If you operate under the All-Inclusive Model, your Monthly Service Fee is inclusive of: (a) the monthly fee for PrimeAgent; and (b) the monthly fee for the broker website.

You will pay us \$110 per month for access to PrimeAgent. For each reporting period, if required by your chosen Monthly Fee Structure or any other required reason, you must enter all transactions and all other data we specify into PrimeAgent no later than the 15th day of the month. If you fail to enter data by the required due date, we may increase your PrimeAgent fee from \$110 to \$299 per month. Your fee reverts to \$110 per month if you timely enter all required data throughout the 3-month probationary period. If you do not comply with your data entry obligations, the fee will remain at \$299 per month until you have complied for a period of not less than three months.

You will pay us \$212 per month for the broker website we provide to assist you in promoting your Business. We also offer websites for Salespersons at the cost of \$42 per month. You can choose to have your

Salespersons pay this cost to us directly, or you may choose to make these payments on behalf of your Salespeople.

We also offer optional technology to purchase. These additional technology options include: (a) on-demand subscriptions, for a fee of \$42 per month; (b) additional property codes, for a fee of \$5 for a set of 25 codes; (c) premium email campaigns, for a fee of \$10.95 per month; (d) unlimited premium email campaigns, for a fee of \$21.95 per month; and (e) a team marketing system, for a fee of \$63 per month plus \$5 per team member. We may offer other technology services for purchase or at no cost to you at any time, either provided by us or through our Approved Supplier program.

In addition to the technology fees described above, we reserve the right to charge you, as part of the monthly technology fee, a reasonable administrative fee relating to the costs we incur in administering the Technology Systems you use.

ATTACHMENT F
TO REALTY EXECUTIVES FRANCHISE AGREEMENT

Salesperson Quota

You agree to comply with the following Salesperson Quota as specified in Section 9 of the Agreement:

EFFECTIVE DATE ANNIVERSARY PERIOD ENDING	CUMULATIVE REALTY EXECUTIVES LICENSED SALESPERSONS
1 st Anniversary	
2 nd Anniversary	
3 rd Anniversary	
4 th Anniversary	
5 th Anniversary	
6 th Anniversary	
7 th Anniversary	
8 th Anniversary	
9 th Anniversary	
10 th Anniversary	

ATTACHMENT G
TO REALTY EXECUTIVES FRANCHISE AGREEMENT

ACH Authorization Form

[See Attached]

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Location No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee E-mail Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
	<input type="checkbox"/> Checking <input type="checkbox"/> Savings	
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)	Bank Phone No.	

Authorization:

Franchisee hereby authorizes REALTY EXECUTIVES INTL. SVCS. LLC ("Franchisor") to initiate debit entries to Franchisee's account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee's account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____ Date: _____

Name: _____

Its: _____

Federal Tax ID Number: _____

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

ATTACHMENT H
TO REALTY EXECUTIVES FRANCHISE AGREEMENT

Authorization to Transfer

[See Attached]

COLLATERAL ASSIGNMENT OF TELEPHONE LISTINGS, URLs AND SOCIAL MEDIA

THIS ASSIGNMENT is entered into this ____ day of _____, 202__ in accordance with the terms of the Franchise Agreement (“Franchise Agreement”) between REALTY EXECUTIVES INTL. SVCS. LLC, an Arizona limited liability company (“Franchisor”) and _____ (“Franchisee”), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a Realty Executives Franchise Business (“Franchise Business”) as set forth in the Agreement.

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor (1) those certain telephone directory listings (collectively, the “Telephone Listings”); (2) those certain Internet website addresses (“URLs”); and (3) user names, accounts, profiles, screen names, handles, or identities on social media sites, along with the attenuated followers, friends, or other associated users of the same (“Social Media”) associated with Franchisor’s trade and service marks and used from time to time in connection with the operation of the Franchised Business.

This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind arising from or in connection with this Assignment, unless Franchisor shall notify as necessary all service providers of its Telephone Listings, URLs, and Social Media effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without extension), Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Listings, URLs, and Social Media, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Listings, URLs, or Social Media, and shall remain liable to all service provider(s) for all past due fees owing on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor has the sole right to and interest in the Telephone Listings, URLs, and the Social Media and Franchisee irrevocably appoints Franchisor as Franchisee’s true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct all service provider(s) to assign same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee will immediately notify the service provider(s) to assign the Telephone Listings, the URLs, and the Social Media to Franchisor. If Franchisee fails to promptly direct the service provider(s) to assign the Telephone Listings, the URLs, and/or the Social Media to Franchisor, Franchisor will have the right to direct the service provider(s) to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the service provider(s) may accept Franchisor’s written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor’s exclusive rights in and to the Telephone Listings, the URLs, and/or the Social Media upon such termination or expiration and that such assignment will be made automatically and effective immediately upon the service provider(s) receipt of such notice from Franchisor or Franchisee. The parties further agree that if the service provider(s) require that the parties execute assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor’s execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee’s consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

FRANCHISOR:
Realty Executives Intl. Svcs., LLC

By: _____
Name: _____
Its: _____

FRANCHISEE:

By: _____
Name: _____
Its: _____

EXHIBIT “D”
TO
DISCLOSURE DOCUMENT

General Release

[See Attached]

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (the “Release”) is made as of _____, 202__ by _____, a(n) _____ (“Franchisee”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of REALTY EXECUTIVES INTL. SVCS. LLC, an Arizona limited liability company (“Franchisor,” and together with Releasor, the “Parties”).

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the “Agreement”), pursuant to which Franchisee was granted the right to offer, sell, develop, service and support REALTY EXECUTIVES real estate offices within a designated geographic area;

WHEREAS, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee, and Franchisor has consented to such transfer; and

WHEREAS, as a condition to Franchisor’s consent to the transfer, Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor’s consent to the transfer, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is authorized to enter into this Release and to perform the terms and obligations contained herein, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder. _____ represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto.

3. Non disparagement. Releasor expressly covenants and agrees not to make any false representation or statement of fact, or to defame, disparage, discredit or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to or otherwise causing damage to any of the Released Parties, their business or their reputation.

4. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity

has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Arizona, without regard to the choice of law rules of the State of Arizona.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees, as well as any other reasonable expenses incurred in connection with enforcing or remediating the breach.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

h. The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

[Signature Page Follows]

IN WITNESS WHEREOF Releasor has executed this Release as of the date first written above.

FRANCHISEE

_____, a

By: _____
Name: _____
Its: _____
Date: _____

STATE OF _____)
_____) ss.
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____,
by _____.

Notary Public

My commission expires:

FRANCHISEE'S OWNERS

By: _____
Name: _____
Date: _____

STATE OF _____)
_____) ss.
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, by
_____.

Notary Public

My commission expires:

FRANCHISEE'S OWNERS

By: _____
Name: _____
Date: _____

STATE OF _____)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, by
_____.

Notary Public

My commission expires:

By: _____
Name: _____
Date: _____

STATE OF _____)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, by
_____.

Notary Public

My commission expires:

EXHIBIT “E”

TO

DISCLOSURE DOCUMENT

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EXHIBIT “F”
TO
DISCLOSURE DOCUMENT

List of Franchisees

[See Attached]

Part A (Current Franchisees as of December 31, 2023)

State	City	Address	Phone	Owner Name(s)
Alabama	Cullman	825 Country Road 490	256-708-3678	Eagle Eye Realty & Development, LLC
Alabama	Daphne	9949 Bellaton Ave.	251-626-9705	Bay Shores Properties, LLC
Alabama	Gulf Shores	3479 A Gulf Shores Parkway, P.O. Box 4549	251-949-5000	Realty Professionals, LLC
Alabama	Gulf Shores	3479 B Gulf Shores Parkway, P.O. Box 4549	251-968-4300	Kaiser Properties, Inc.
Alabama	Mobile	11 Water St. N, Ste 10290-75	251-289 -0484	Realty Executives Bay Group, Inc.
Alabama	Saraland	188 US-43	251-679-9998	Realty Executives Bay Group, Inc.
Arizona	Anthem	3668 W Anthem Way, Suite B-158	623-979-4100	Realty Executives, Inc.
Arizona	Avondale	12725 W. Indian School Rd., #E-112	623-561-8800	Realty Executives, Inc.
Arizona	Casa Grande	958 E. Rodeo #25	520-877-4940	Southern Arizona Brokerage LLC
Arizona	Cave Creek	5734 E Rancho Manana Blvd., Unit 1	480-489-1811	Realty Executives, Inc.
Arizona	Chandler	2551 W. Queen Creek Rd., Suite 3	480-963-6000	Realty Executives, Inc.
Arizona	Cottonwood	830 S. Main Street, Ste. 2D-B	928-634-9090	Southern Arizona Brokerage LLC
Arizona	Flagstaff	15 E. Cherry Ave.	928-773-9300	Realty Executives of Flagstaff, LLC
Arizona	Flagstaff	809 W. Riordan, Ste 205	928-733-9300	Realty Executives of Flagstaff, LLC
Arizona	Fountain Hills	9624 N. Monterey Dr., Suite E	480-837-2288	Realty Executives, Inc.
Arizona	Glendale	21448 N. 75th Ave	602-375-2222	Michael Jones Celia Jones
Arizona	Green Valley	18767 S. Nogales Hwy	520-284-9977	Southern Arizona Brokerage LLC
Arizona	Happy Jack	5151 Enchanted Lane	928-978-6750	Southern Arizona Brokerage LLC
Arizona	Heber	1874 Highway 260	928-367-6400	Southern Arizona Brokerage LLC
Arizona	Kingman	1916 Stockton Hill Rd.	928-753-1500	Kingman Elite Management LLC
Arizona	Litchfield Park	5310 N 148th Ave	623-680-6868	WigWam Property Management and Realty, LLC

State	City	Address	Phone	Owner Name(s)
Arizona	Marana	6877 W. Patina Drive	520-275-7175	Southern Arizona Brokerage LLC
Arizona	Mesa	2215 N. Trowbridge	480-641-0049	Realty Executives, Inc.
Arizona	Mesa	1135 N. Recker Rd.	480-898-1234	Realty Executives, Inc.
Arizona	Oro Valley	405 W. Tortolita Mountain Circle	520-219-9000	Southern Arizona Brokerage LLC
Arizona	Payson	1389 E Christopher Creek Loop	928-478-5016	Southern Arizona Brokerage LLC
Arizona	Payson	1107 S Beeline Hwy, #1	928-478-6203	Southern Arizona Brokerage LLC
Arizona	Payson	201 W. Main St., Ste. H	928-978-1003	Southern Arizona Brokerage LLC
Arizona	Payson	611 S. Beeline Hwy	928-460-5319	Southern Arizona Brokerage LLC
Arizona	Pearce	169 N. Frontage Road	520-826-5000	Southern Arizona Brokerage LLC
Arizona	Peoria	14155 N. 83rd Ave., Suite A-106	602-278-2455	Realty Executives, Inc.
Arizona	Peoria	16150 N. Arrowhead Fountain Center Drive, Ste. 165	623-561-8800	Realty Executives, Inc.
Arizona	Phoenix	11211 N. Tatum #130	602-996-9910	Realty Executives, Inc.
Arizona	Phoenix	41925 N. 42nd Ave., Bldg. E	623-551-4080	Realty Executives, Inc.
Arizona	Phoenix	645 E Missouri Ave, Suite 270	602-861-3300	Realty Executives, Inc.
Arizona	Phoenix	3620 E. Campbell Ave., Ste. F	480-989-8122	Realty Executives, Inc.
Arizona	Phoenix	4425 E Agave, Ste. 106	480-961-5800	Realty Executives, Inc.
Arizona	Pinetop	1413 E. White Mountain Blvd.	928-367-6400	Southern Arizona Brokerage LLC
Arizona	Prescott	5220 Crown Rock Trail	928-443-7412	Southern Arizona Brokerage LLC
Arizona	Prescott	113 W. Goodwin Street	928-443-7412	Southern Arizona Brokerage LLC
Arizona	Prescott	503 E. Gurley Street	928-777-0257	Southern Arizona Brokerage LLC
Arizona	Prescott	1401 Prescott Lakes Parkway	928-777-0077	Southern Arizona Brokerage LLC
Arizona	Prescott	203 W. Willis St.	928-443-7412	Southern Arizona Brokerage LLC
Arizona	Scottsdale	5040 N. Scottsdale Rd.	480-481-0032	Realty Executives, Inc.
Arizona	Scottsdale	7373 E. Doubletree Ranch Road, Suite 200-27	480-483-9307	Realty Executives, Inc.
Arizona	Scottsdale	7655 E. Redfield Rd, Ste 3	480-429-3844	REM Realty & Management, Inc.
Arizona	Scottsdale	23415 N. Scottsdale Rd, Suite G-101	480-585-0101	Realty Executives, Inc.

State	City	Address	Phone	Owner Name(s)
Arizona	Scottsdale	10607 N. Hayden Rd., Suite F-100	480-948-9450	Realty Executives, Inc.
Arizona	Scottsdale	9319 N. 94th Way, Suite 900	480-233-1198	Realty Executives, Inc.
Arizona	Sedona	1865 W. State Route 89a, Ste. C	928-204-9300	Southern Arizona Brokerage LLC
Arizona	Show Low	60 S. White Mountain Road	928-532-5700	Southern Arizona Brokerage LLC
Arizona	Show Low	1400 E. Woolford Rd. Ste B	928-537-1145	Southern Arizona Brokerage LLC
Arizona	Snowflake	503 S. Main St., Ste B	928-537-7020	Southern Arizona Brokerage LLC
Arizona	Tempe	2133 W. Warner Rd., Ste 105	480-839-2600	Realty Executives, Inc.
Arizona	Tombstone	4 W. Safford St.	520-398-2222	Southern Arizona Brokerage LLC
Arizona	Tubac	2551 Frontage Road	520-398-2222	Southern Arizona Brokerage LLC
Arizona	Tucson	1670 N. Kolb Rd. #140	520-904-2691	Southern Arizona Brokerage LLC
Arizona	Tucson	2704 N Soldier Trail	520-861-9662	Southern Arizona Brokerage LLC
Arizona	Tucson	4007 E. Paradise Falls Dr. Ste 125	520-877-4940	Southern Arizona Brokerage LLC
Arizona	Tucson	6444 E Tanque Verde	520-314-3255	Southern Arizona Brokerage LLC
Arizona	Tucson	3037 W. Ina Rd. #121	520-245-6125	Southern Arizona Brokerage LLC
Arizona	Tucson	1580 E. Tucson Marketplace Blvd.	520-589-2396	Southern Arizona Brokerage LLC
Arizona	Tucson	9172 S. Houghton Rd., Ste 110	520-585-4720	Southern Arizona Brokerage LLC
Arizona	Tucson	8230 E. Broadway Blvd #W8	520-618-7331	Southern Arizona Brokerage LLC
Arizona	Tucson	6760 N. Oracle Road, Suite 130	520-850-6862	Southern Arizona Brokerage LLC
Arizona	Vail	14499 E. Sands Ranch Rd.	520-245-6125	Southern Arizona Brokerage LLC
Arizona	Wilcox	200 N. Haskell Ave.	520-589-2396	Southern Arizona Brokerage LLC
Arizona	Yuma	331 S. Madison Ave.	928-343-9415	Christine McConnaughay Realty PC
Arizona	Yuma	1690 S. 4th Ave.	928-440-6871	Realty Executives, Inc.
Arizona	Yuma	593 S. 4th Ave.	928-782-0405	Realty Executives, Inc.
Arizona	Yuma	1525 S. 5th Ave.	928-783-8899	Realty Executives, Inc.
Arizona	Yuma	1185 S. 4th Ave., Suite C	928-782-2111	Realty Executives, Inc.

State	City	Address	Phone	Owner Name(s)
Arizona	Yuma	2260 S. 4th Ave., Suite D	928-782-7142	Realty Executives, Inc.
Arizona	Yuma	2260 S. 4th Ave., Suite E	928-783-8377	Realty Executives, Inc.
Arizona	Yuma	11665 S. Fortuna Rd., Suite D	928-342-3420	Realty Executives, Inc.
Arizona	Yuma	1700 S. 1st Ave., Suite 200	928-783-7700	Realty Executives, Inc.
California	Agua Dulce	33358 Agua Dulce Canyon Rd.	661-268-6800	Tanmon, Inc.
California	Atwater	400 E. Bellevue Rd.	209-357-6700	AVAMASH, Inc.
California	Camarillo	2310 Ponderosa Drive, Ste 21	805-443-9539	Rick Pena Real Estate Group LLC
California	Cerritos	13030 Alondra Blvd., Suite 201	562-262-2500	Sandbank, Inc.
California	Chula Vista	2240 Otay Lakes Rd., #306	619-482-9200	Dillon Corporation
California	Chula Vista	2518 Catamaran	619-489-5600	Dillon Corporation
California	Clearlake	14375 Olympic Drive, Unit 2	707-461-5130	AVAMASH, Inc.
California	Culver City	6133 Bristol Parkway, Suite 250	310-737-1992	Peter Bledsoe
California	Downey	8556 Florence Ave, Ste B	562-205-1700	Family Real Estate Services, Inc.
California	Granada Hills	16852 San Fernando Mission Blvd.	818-492-4663	EIB Global, Inc.
California	La Quinta	78065 Main St., Suite 101	760-771-9090	Marathon Financial Corporation
California	Lakewood	5822 Adenmoor Ave.	562-925-1111	RE/EX All Cities Inc
California	Los Alamitos	11292 Los Alamitos Blvd.	562-431-3591	Team Chamberlain Real Estate, Inc.
California	Mariposa	5065 Highway 140, Suite A&B	209-966-7200	AVAMASH, Inc.
California	Merced	189 W. El Portal Dr.	209-385-8500	AVAMASH, Inc.
California	Newhall	24106 Lyons Avenue	661-250-8600	Tanmon, Inc.
California	Palmdale	5022 W Avenue N, Suite 104	661-272-2727	At Realty, Inc.
California	Rocklin	3949 Deergrass Circle	916-717-6387	EMJA Enterprises LLC
California	San Fernando	563 S. Brand Blvd.	818-403-6891	SFV Associates
California	San Jose	117 Bernal Rd., #70-638	408-286-8100	Andrew Solomon Espino
California	Santa Clarita	24106 Lyons Ave.	661-286-8600	RE/EX Valencia

State	City	Address	Phone	Owner Name(s)
California	Solana Beach	153 N Highway 101, Suite 102	858-755-5566	Carolyn Cohen
California	Temecula	28581 Old Town Front St., Suite 100	951-640-8562	TMHRE, Inc.
California	Tracy	47 W. 6th St.	209-834-2343	Myra Investment & Development Corp.
California	Upper Lake	9440 Main St.	707-900-5150	AVAMASH, Inc.
California	Valencia	25350 Magic Mountain Parkway, Ste 190	661-964-1600	RE/EX Valencia
Florida	Clearwater	28467 US Hwy. 19 N, Ste. 302	727-726-3333	P & L Enterprises, Inc.
Florida	Ft. Myers	3820 Colonial Blvd., Ste. 200	239-823-6849	Integrity Group LLC
Florida	Jacksonville	13475 Atlantic Blvd, Unit 8	904-6290-1522	Jungle Hut, Inc.
Florida	Key West	3706 N. Roosevelt Blvd., Suite 208 Upper Floor	305-501-4229	We Got Your Keys Inc.
Florida	Maitland	630 N Wymore Rd., Unit 360	407-326-6000	Gallery Properties Inc
Florida	Melbourne	415 S. Babcock St., Suite C	321-821-4230	Manatee Holdings Group, Inc.
Florida	Ocala	1008 E. Silver Springs Blvd.	352-624-2333	Hannic Inc.
Florida	Orlando	2875 S Orange Ave, Suite 540	407-326-6000	Christopher Nutt
Florida	Ormond Beach	730 S. Atlantic Ave. Ste 101	386-310-8464	Jungle Hut, Inc.
Florida	Palm Coast	235 Palm Coast Pkwy, Suite B	386-506-8008	Jungle Hut, Inc.
Florida	Pomano Beach	643 E. Atlantic Blvd.	954-933-1894	REXSFL Realty LLC
Florida	Sarasota	5664 Marquesas Circle	941-957-0833	Gallery Properties RE II Inc
Florida	Spring Hill	5432 Spring Hill Dr.	352-684-9000	Alan F. Hengesbach Daniel P. Maracich
Florida	Summerland Key	24752 Overseas Highway	305-501-4229	We Got Your Keys Inc.
Florida	The Villages	11714 NE 62 Terrace	352-753-7500	Hannic Inc.
Georgia	Dalton	720 S. Glenwood Ave., Suite 210	706-229-9484	Terra Firma Realty LLC
Georgia	Hinesville	401 S. Main St.	912-877-6600	Southern Star Group Inc
Georgia	Savannah	231 Stephenson Ave.	912-355-5557	MSW, Inc.
Illinois	Algonquin	2390 Esplanade Dr., Suite 200	847-458-5100	Rick O'Connor Group, Inc.
Illinois	Aurora	316 Lake Street, Ste. 203	630-264-7444	Premiere Realty, Inc.

State	City	Address	Phone	Owner Name(s)
Illinois	Berwyn	6611 Cermak Rd.	630-201-5588	Chris DeSanto
Illinois	Crystal Lake	7115 Virginia Rd., Suite 101	815-788-9000	Rick O'Connor Group, Inc.
Illinois	Darien	1310 Plainfield Rd., Suite 2	630-969-8880	Jana Pinc
Illinois	Glendale Heights	2182 Gladstone Court, Unit C	630-942-8004	Gurpreet Singh
Illinois	Lemont	15400 127th Street	630-243-9500	Christopher Budz
Illinois	Oakbrook	2625 Butterfield Rd. Suite 138 S	630-769-9050	Chris DeSanto
Illinois	Orland Park	9999 W. 143rd St.	708-349-1111	Robert Shutay
Illinois	Palos Hills	11230 S. Southwest Highway	708-974-1000	Waldemar Biernacki
Illinois	Peoria Heights	4450 N. Prospect Rd., Suite S-6	309-760-0700	Acclaimed Partners LLC
Illinois	Schaumburg	1236 N. Roselle Rd.	847-737-7155	AGHA Realty Inc
Illinois	Shorewood	700 W. Jefferson	815-773-1150	Illinois Executives, Inc.
Illinois	Wheaton	300 E. Roosevelt Rd., Suite 120	630-668-1199	Premiere Realty, Inc.
Illinois	Yorkville	700 W. Jefferson	815-436-6000	Illinois Executives, Inc.
Indiana	Crown Point	112 W. Clark St.	219-462-2224	Mike Tezak
Indiana	Schererville	21 E. US Highway 30	219-462-2224	Mike Tezak
Indiana	Valparaiso	310 E. Lincoln Way	219-462-2224	Mike Tezak
Kansas	Hutchinson	111 E. 30th Ave.	620-662-7577	4 Results, Inc.
Kansas	Lansing	102 E. Olive	913-727-1922	Mid-America Realty Services, LLC
Kansas	Lawrence	1037 Vermont St.	785-841-2400	Hedges Real Estate, Inc.
Kansas	Leawood	11401 Ash	913-642-4888	Mid-America Realty Services, LLC
Kansas	Manhattan	2316 Anderson Ave.	785-539-9333	Linda Weis Jerry Weis
Kansas	Tonganoxie	1203 State Ave., Ste B	913-417-1007	Mid-America Realty Services, LLC
Louisiana	Hammond	200 E. Charles St.	985-956-7477	Florida Parishes Realty, LLC
Louisiana	Prairieville	15615 Airline Highway, Suite B	225-677-7772	South Louisiana Group, LLC
Maryland	Burtonsville	3919 National Dr., Suite 310	301-476-7700	JSCG Associates, LLC

State	City	Address	Phone	Owner Name(s)
Massachusetts	Brewster	15A Cape Lane	508-896-3200	Northeast Marketing Group, Inc.
Massachusetts	Framingham	1253 Worcester Rd., Suite 104	508-879-0660	Partnership Properties, LLC
Massachusetts	Holliston	21 Central St.	508-429-7391	Partnership Properties, LLC
Massachusetts	Natick	10 W. Central St.	508-653-7329	Partnership Properties, LLC
Massachusetts	Taunton	174 Dean St.	508-880-0900	Manuel Silva Joseph Mozzone
Massachusetts	Waltham	144 Moody St., Bldg. 24, 2nd Floor	781-894-4000	Messina Koufos Associates, Inc.
Massachusetts	Watertown	55 School St.	617-923-7778	Messina Koufos Associates, Inc.
Massachusetts	Wellesley	3 Forest Street	508-879-0660	Partnership Properties, LLC
Massachusetts	Woburn	48 Pleasant St.	781-935-2626	Patricia A Marsh
Michigan	Chesterfield	49940 Gratiot Ave.	586-949-8300	Realty Executives Home Towne, Corp.
Michigan	Dearborn	13039 Michigan Ave.	313-581-5002	Z & F Investments, Inc
Michigan	Lapeer	1022 S. Lapeer Rd.	810-667-1700	Realty Executives Main Street, LLC
Michigan	Port Huron	3543 Pine Grove Ave.	810-982-1400	Realty Executives Home Towne, Corp.
Michigan	Rochester	330 East Street	810-300-1650	Stoney Creek & Associates, LLC
Michigan	Shelby Township	49433 Hayes Road, Suite A	586-726-4600	Realty Executives Home Towne, Corp.
Michigan	St. Joseph	815 Main St.	269-983-7721	Heaps Team Inc.
Michigan	Troy	400 E. Big Beaver Road	248-817-5776	Realty Executives Home Towne, Corp.
Michigan	Washington	58047 Van Dyke, Suite 202	586-786-4617	Realty Executives Home Towne, Corp.
Minnesota	Alexandria	504 3rd Ave. E	320-763-4255	Alexandria Home Sales, LLC
Minnesota	Blaine	9140 Baltimore St. NE, Suite 110	763-267-6500	Top Results, LLC
Minnesota	Edina	7455 France Ave. S., Ste 186	952-767-5300	BC Financial, LLC
Minnesota	Elysian	100 Main St. W	507-267-4200	BC Financial, LLC
Minnesota	Mankato	196 St. Andrews Dr. Ste 200	507-351-3666	BC Financial, LLC

State	City	Address	Phone	Owner Name(s)
Minnesota	Plymouth	3525 Plymouth Blvd. Ste 107	952-767-5300	BC Financial, LLC
Minnesota	West St. Paul	33 E. Wentworth Ave., Suite 250	651-365-0230	BC Financial, LLC
Mississippi	Hattiesburg	118 Lamar Blvd. Ste. 10	601-268-1600	The Executive Team, Inc.
Mississippi	Petal	1140 Evelyn Gandy Parkway, Ste 20	601-909-9360	The Executive Team, Inc.
Mississippi	Ridgeland	7048 Old Canton Rd., Ste. 1003D	601-605-6066	Findlay Properties, LLC
Missouri	Eureka	113 Hilltop Village Center Drive	636-777-2800	Premiere Real Estate LLC
Missouri	Festus	344 Festus Centre Dr.	636-931-9800	JRJ Realty, LLC
Missouri	Gladstone	100 NW Englewood Rd	816-453-9100	Mid-America Realty Services, LLC
Missouri	House Springs	123 Osage Executive Circle	636-677-6800	Premiere Real Estate LLC
Missouri	Imperial	1242 Main Street, Ste A	636-900-9550	Matoushek and Sons, LLC
Missouri	Independence	4800 S. Cochise Drive	816-228-1200	Mid-America Realty Services, LLC
Missouri	Joplin	2302 E. 32 nd St.	417-782-5552	Laberick Investments, LLC
Missouri	Lebanon	205 E. Commercial St.	417-588-7000	Realty Group of Lebanon, LLC
Missouri	Lee's Summit	100 NE Tudor Rd.	816-246-7500	Mid-America Realty Services, LLC
Missouri	Pacific	208 W. St. Louis St.	636-271-5555	Premiere Real Estate LLC
Missouri	Rolla	414 S Bishop Ave.	573-308-4663	CT Peters Real Estate
Missouri	St. Louis	12016 Tesson Ferry Rd., Ste A	314-756-9100	Matoushek and Sons, LLC
Missouri	Washington	1815 E. 5th St.	636-900-9550	Premiere Real Estate LLC
Montana	Bozeman	1924 W. Stevens, Suite 201	406-582-0250	Jason Zalac
Nevada	Henderson	770 Coronado Center Drive, Ste 160	702-777-1234	RESNI LLC
Nevada	Las Vegas	331 N. Buffalo Dr. #110	702-583-3343	AMH Real Estate, LLC
Nevada	Las Vegas	6240 N. Durango Dr. Ste 115	702-932-8295	Shane Scott Liza Scott
Nevada	Pahrump	3250 S. Highway 160, Suite 11	775-727-5858	NJ Executives LLC
New Jersey	Brick	263 Brick Blvd., Suite 1	732-262-0808	Maria Campelo
New Jersey	Byram Twp.	276 Route 206	973-347-3700	Real Estate Consultants, LLC

State	City	Address	Phone	Owner Name(s)
New Jersey	Dover	34 E. Blackwell Street	973-361-9090	Real Estate Consultants, LLC
New Jersey	Fairfield	271 US Highway 46 W, Bldg G-101	973-586-9330	Doug Radford Kyle Poskitt
New Jersey	Hamburg	10 Vernon Ave	973-827-6767	Schechter Realty Group, LLC
New Jersey	Hamburg	3 Wild Turkey Way, Ste 203	973-827-7725	Schechter Realty Group, LLC
New Jersey	Kinnelon	1167 Route 23 South, Ste 4	973-838-6990	Real Estate Consultants, LLC
New Jersey	Lake Hopatcong	832 NJ-15	973-601-7000	Johanna Rivera Realty, LLC
New Jersey	Little Falls	245 Patterson Ave.	973-341-4057	Real Estate Consultants, LLC
New Jersey	Nutley	653 Franklin Ave	973-846-0065	Mount Prospect Investments, LLC
New Jersey	Parsippany	113 Parsippany Rd.	973-887-0095	Cristone Realty, LLC
New Jersey	Pine Brook	263 Changebridge Road, Suite 6	973-263-9200	LP Real Estate Agency, LLC
New Jersey	Pompton Plains	363 State Route 23 South	973-305-5880	Real Estate Consultants, LLC
New Jersey	Randolph	419 Route 10 East	973-598-1200	Real Estate Consultants, LLC
New Jersey	Saddle Brook	15 N. 5 th Street, Ste 106	973-607-2001	Total Realty Resource, Inc.
New Jersey	Sparta	54 Woodport Road	973-729-7141	Real Estate Consultants, LLC
New Jersey	Vernon	294 Route 94 North	973-764-0900	Real Estate Consultants, LLC
New Jersey	Wayne	1501 Hamburg Turnpike	973-696-8800	Real Estate Consultants, LLC
New Mexico	Albuquerque	2440 Louisiana Blvd NE, Ste 570	505-750-0030	K R Elite LLC
New York	Astoria	32-56 Steinway St.	718-274-2400	NY Realty Corp
New York	Floral Park	244-06 Jericho Turnpike	516-437-8080	Neighborhood Realty LLC
New York	Woodhaven	88-16 Jamaica Ave.	718-441-4138	Loubriel and Associates Realty Inc.
North Carolina	Denver	3688 N NC HWY 16	704-966-4659	WSI Enterprises, Inc.
North Carolina	Greensboro	1400 Battleground Ave., Suite 144A	336-379-1188	Capital Realty Associates, Inc.
North Carolina	Hickory	785 Highway 70 SW	828-328-8900	WSI Enterprises, Inc.
North Carolina	Southport	P.O. Box 11303	910-454-4244	Rainbow Realty, Inc.
North Carolina	Winston-Salem	1316 Westgate Center Dr.	336-768-5878	Premier Triad Realty, LLC

State	City	Address	Phone	Owner Name(s)
Ohio	Columbus	4701 Olentangy River Rd., Suite 204	614-261-1935	The Stoffer Group, Inc.
Oregon	Grants Pass	856 NE 7th St.	541-494-3932	Barnett Real Estate, LLC
Pennsylvania	Hawley	2415 Route 6	570-390-7380	Real Estate Consultants, LLC
Pennsylvania	Lake Ariel	1315 Hamlin Highway	570-689-8928	Real Estate Consultants, LLC
Pennsylvania	Milford	209 E. Hartford St.	570-296-5800	Real Estate Consultants, LLC
Pennsylvania	Pocono Pines	Route 940	570-213-5200	Sara Cramer Deirde Cramer
Pennsylvania	Skipack	1258 Bridge Rd., P.O. Box 1249	610-584-3000	Montgomery County Executives, Inc.
Pennsylvania	Stroudsburg	731 Sarah Street, Ste. 1	570-476-2424	Sara Cramer Deirde Cramer
Pennsylvania	Wind Gap	31 W. First St.	610-863-8444	Nancy Kessler Joseph Kessler
Tennessee	Dickson	103 Sylvis Street	615-802-2000	Pop Realty Partners LLC
Tennessee	Greeneville	1332 Tusculum Blvd	423-639-3465	East Tennessee Realtors
Tennessee	Knoxville	10255 Kingston Pike	865-693-3232	Realty Executives Associates, Inc
Tennessee	Knoxville	3232 Tazewell Pike	865-693-3232	Realty Executives Associates, Inc
Tennessee	Knoxville	8915 Linksvue Dr.	865-531-2020	Realty Executives Associates, Inc
Tennessee	Knoxville	410 Montbrook Lane, Ste 103	865-281-1321	Realty Executives Associates, Inc
Tennessee	Knoxville	124 N. Winston Road. Ste 103	865-577-7653	Realty Executives Associates, Inc
Tennessee	Knoxville	10330 Hardin Valley Road, Ste. 202	865-999-7348	Realty Executives Associates, Inc
Tennessee	Knoxville	323 Union Ave.	865-805-8222	Realty Executives Associates, Inc
Tennessee	Maryville	1213 W. Lamar Alexander Parkway	865-983-0011	Realty Executives Associates, Inc
Tennessee	Maryville	537 W. Lamar Alexander Parkway	865-888-7653	Realty Executives Associates, Inc
Tennessee	Maryville	819 W Broadway Avenue	865-999-4663	Realty Executives Associates, Inc
Tennessee	Nashville	7648 Highway 70S	615-802-2000	Pop Realty Partners LLC
Tennessee	Oak Ridge	226 Jackson Square, Ste D	865-482-3232	Realty Executives Associates, Inc
Tennessee	Powell	2322 W. Emory Road	865-947-9000	Realty Executives Associates, Inc

State	City	Address	Phone	Owner Name(s)
Tennessee	Seymour	405 Boyds Creek Hwy	865-505-1000	Realty Executives Associates, Inc
Tennessee	Sweetwater	307 North Main Street	423-836-9494	Realty Executives Associates, Inc
Texas	Alvarado	111 S Friou St.	817-790-6611	Ellen Smith Enterprises, Inc.
Texas	Austin	13740 Research Blvd., Suite D-2	512-387-9999	Michael Neuman
Texas	Corpus Christi	4613 B S Staples	361-356-6195	Michael Neuman
Texas	Corpus Christie	15033 South Padre Island Dr, Suite 2	361-502-6100	Michael Neuman
Texas	Del Rio	1601 Venerans Blvd, Suite 2	830-215-1515	Sanchez Salinas & Associates LLC
Texas	Eagle Pass	2557 N. Veterans Blvd., Suite C	830-758-1034	Sanchez Salinas & Associates LLC
Texas	Frisco	2591 Dallas Parkway, Ste. 300	210-267-7047	Debbie Bennett
Texas	Houston	4207 N. Main St.	713-688-8844	Robert Torres
Texas	Keller	807 Bluebonnet Dr., Suite A	817-994-9050	KL Patterson Holdings, LLC
Texas	Kerrville	512 Sidney Baker Guadalupe Plaza, Suite 120	830-315-2000	Tri-Power Realty, Inc.
Texas	Killeen	2710 S. Fort Hood Rd.	254-519-2080	Raye Mayhorn
Texas	McAllen	902 Orange Ave., Ste A	956-971-8989	Michael Neuman
Texas	Port Aransas	202 N. Alister	361-800-2529	Michael Neuman
Texas	Rockport	615 South Bronte St.	361-729-7902	Michael Neuman
Texas	San Antonio	17806 Interstate Hwy 10	210-819-7336	Sanchez Salinas & Associates, LLC
Texas	San Antonio	13333 Blanco Rd., #104	210-493-0020	Rick D. Brown Realty, Inc.
Texas	San Antonio	3619 Paesanos Parkway, Suite 206	210-267-7047	Debbie Bennett
Texas	Spring	6822 Root Rd.	281-370-9010	Keno Torres, Inc.
Texas	The Woodlands	26310 Oak Ridge Road	281-784-6800	Frank Thomas IV
Utah	St. George	590 E. St. George Blvd.	435-628-1677	Jerry Jensen Real Estate, Inc.
Washington	Bellevue	2331 130 th Ave. NE #100	425-646-8557	Brio Professionals, LLC
Washington	Moses Lake	2900 W. Broadway Ave.	509-498-2055	Brio Professionals, LLC

State	City	Address	Phone	Owner Name(s)
Wisconsin	Brookfield	13005 W. Bluemound Rd.	262-783-7080	RE-Integrity, Inc.
Wisconsin	Cedarburg	W61N306 Washington Ave., Suite 203	262-377-6099	RE-Integrity, Inc.
Wisconsin	East Troy	2887 Main St.	262-642-3363	RE-Integrity, Inc.
Wisconsin	Elkhorn	101 W. Evergreen Parkway	262-957-4319	Southeast Real Estate Group of WI
Wisconsin	Fitchburg	5940 Seminole Centre Court, Suite 310	608-661-7900	Daniel Spransy
Wisconsin	Fitchburg	6317 McKee Road, Suite 100	608-310-7346	Daniel Spransy
Wisconsin	Glendale	4655 N. Port Washington Rd., Suite 300	414-906-4500	RE-Integrity, Inc.
Wisconsin	Green Bay	2325 Holmgren Way, Ste. 110	920-770-4210	PlusOne Realty Group, LLC
Wisconsin	Hales Corners	5428 South 108th St.	414-529-7000	William J. Prom Inc.
Wisconsin	Hartland	810 Cardinal Lane	262-369-8900	Reagional Managers, LLC
Wisconsin	Janesville	1521 Randolph Rd., Ste 101	608-756-3932	McLean Real Estate Investments LLC
Wisconsin	Madison	2802 Coho St, Ste 202	608-215-4143	Daniel Spransy
Wisconsin	Madison	1726 Eagan Rd.	608-661-7900	Daniel Spransy
Wisconsin	McFarland	5708 US Highway 51	608-579-1137	Capital City Realty LLC
Wisconsin	Mount Horeb	200 West Main St.	608-437-5099	Jenny Lou Johnson, Inc.
Wisconsin	Mukwonago	575 Bayview Rd. Ste 104	262-441-0056	Southeast Real Estate Group of WI
Wisconsin	Port Washington	224 E. Main Street	262-421-6150	Choice Realty LLC
Wisconsin	Watertown	1507 E. Main St.	920-261-6727	Bradley Kuenzi
Wisconsin	Waukesha	431 W. Main Street	262-899-5462	Southeast Real Estate Group of WI

Part B (Former Franchisees as of December 31, 2023)

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
Arizona	Lake Havasu City	928-680-7790	RLAKS, LLC
Arizona	Pinetop	928-367-6400	BowTenn Executives, LLC
Arizona	Showlow	928-532-5700	BowTenn Executives, LLC
California	Carlsbad	760-438-8315	ExecuSystems Realtors of N. San Diego
California	Fullerton	714-671-9100	RE/EX Premier
California	Gold River	916-753-5875	William Cering
California	Riverside	951-213-3500	Inland Equities, Inc.
California	Vista	760-758-2300	CCJ, Inc.
California	Ventura	805-670-2424	Timothy Davis
Florida	Clermont	888-214-2123	Realty Executives Lifestyle Group, LLC
Florida	Lady Lake	352-751-1100	KYZ, LLC
Florida	Mount Dora	888-214-2123	Realty Executives Lifestyle Group, LLC
Illinois	Oak Brook	630-986-0300	Excellence of Illinois, Corp.
Illinois	Oak Brook	630-986-0300	Twenty Fifty, LLC
Illinois	Oak Brook	630-986-0300	Excellence of Indiana
Kansas	Augusta	316-775-7717	Mark Sudduth Realty, Inc.
Kansas	El Dorado	316-321-6500	Executives of Butler County, LLC
Kansas	Mulvane	316-777-1825	Diane Paul Ronald Paul
Kentucky	Taylor Mill	859-344-0800	Select Holdings LLC
Louisiana	Alexandria	318-625-0555	David Beckham Realtor LLC
Louisiana	Metairie	504-564-7676	Greater Nola Realty Group Louisiana LLC
Michigan	Marquette	906-264-5099	Waldemar Biernacki
Minnesota	Waite Park	320-230-4663	Home Net 2000, Inc
Minnesota	West St. Paul	651-365-0230	Karth Enterprises, LLC
Missouri	Cape Girardeau	573-335-8111	Cape Girardeau Real Estate Associates, L.L.C.
Missouri	Chesterfield	636-449-5400	Chesterfield Realty, LLC
Missouri	Cottleville	636-387-7060	J.D. Realtors, LLC

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
Missouri	Farmington	636-931-9800	Cindy Callahan Realty, LLC
Missouri	Rolla	573-308-4663	Ferrell Associates, LLC
Missouri	St. Robert	573-336-2206	Watson & Associates, LLC
New York	Poughkeepsie	845-485-9960	Realty Franchising, Inc.
North Carolina	Beaufort	252-503-2272	Crystal Coast Lifestyle Properties Inc
Ohio	Columbus	614-457-4000	Decision, Ltd.
Ohio	Sandusky	419-502-4663	Triple S Group LLC
Ohio	Springdale	513-873-1019	Decision, Ltd.
Oregon	Bend	541-306-3012	Lean Innovation, Inc.
Tennessee	Maryville	865-984-1111	Fogarty Steve
Tennessee	Newport	423-248-2428	Whaley Realty CRL LLC
Tennessee	Pigeon Forge	865-280-1694	Whaley Realty CRL LLC
Tennessee	Sevierville	865-325-2068	Whaley Realty CRL LLC
Tennessee	Seymour	865-609-7654	House Hunters Realty, Inc.
Texas	League City	409-744-9700	Lynn Stogsdill
Virginia	Newport News	757-594-9727	FAMARC, Inc.

EXHIBIT “G”
TO
DISCLOSURE DOCUMENT

Financial Statements

[See Attached]

REALTY EXECUTIVES INTL. SVCS. LLC
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



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REALTY EXECUTIVES INTL. SVCS. LLC
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INDEPENDENT AUDITORS' REPORT

Member
Realty Executives Intl. Svcs. LLC
Scottsdale, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Realty Executives Intl. Svcs. LLC (a wholly owned subsidiary of New REI Holdings, LLC), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Realty Executives Intl. Svcs. LLC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023 the Company adopted new guidance for the measurement of credit losses on financial instruments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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(1)

Member
Realty Executives Intl. Svcs. LLC

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
April 15, 2024

REALTY EXECUTIVES INTL. SVCS. LLC
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 993,535	\$ 1,157,392
Royalty Accounts Receivable, Net	354,430	443,062
Prepaid Expenses	<u>35,795</u>	<u>50,429</u>
Total Current Assets	1,383,760	1,650,883
PROPERTY AND EQUIPMENT, Net	1,440,896	847,420
OPERATING RIGHT-OF-USE ASSET, Net	2,998,392	3,324,764
OTHER ASSETS		
Intangible Assets, Net	512,259	762,721
Notes Receivable	55,273	-
Other Assets	<u>854</u>	<u>854</u>
Total Other Assets	<u>568,386</u>	<u>763,575</u>
Total Assets	<u><u>\$ 6,391,434</u></u>	<u><u>\$ 6,586,642</u></u>
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 529,588	\$ 376,270
Accrued Expenses	48,673	49,169
Due to Member	200,000	200,000
Current Lease Liability - Operating	<u>326,324</u>	<u>321,052</u>
Total Current Liabilities	1,104,585	946,491
NONCURRENT LIABILITIES		
Lease Liability Operating, Net of Current Portion	<u>2,682,709</u>	<u>3,009,033</u>
Total Noncurrent Liabilities	<u>2,682,709</u>	<u>3,009,033</u>
Total Liabilities	3,787,294	3,955,524
MEMBER'S EQUITY	<u>2,604,140</u>	<u>2,631,118</u>
Total Liabilities and Member's Equity	<u><u>\$ 6,391,434</u></u>	<u><u>\$ 6,586,642</u></u>

See accompanying Notes to Financial Statements.

REALTY EXECUTIVES INTL. SVCS. LLC
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUE		
Franchise Royalties, Office, Trademark, and Advertising Fees	\$ 5,332,126	\$ 5,585,855
Initial Franchise Fees	-	16,600
Marketing Service Fees	231,384	243,782
Other Operating Revenues	53,473	211,790
Total Revenue	<u>5,616,983</u>	<u>6,058,027</u>
OPERATING EXPENSES	<u>3,843,961</u>	<u>4,529,236</u>
NET INCOME	<u>\$ 1,773,022</u>	<u>\$ 1,528,791</u>

See accompanying Notes to Financial Statements.

(4)

**REALTY EXECUTIVES INTL. SVCS. LLC
STATEMENTS OF MEMBER'S EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022**

BALANCE - DECEMBER 31, 2021	\$ 1,828,183
Net Income	1,528,791
Distributions to Member	<u>(725,856)</u>
BALANCE - DECEMBER 31, 2022	2,631,118
Net Income	1,773,022
Distributions to Member	<u>(1,800,000)</u>
BALANCE - DECEMBER 31, 2023	<u><u>\$ 2,604,140</u></u>

See accompanying Notes to Financial Statements.

(5)

REALTY EXECUTIVES INTL. SVCS. LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 1,773,022	\$ 1,528,791
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	526,649	382,638
Noncash Lease Expense	5,320	5,321
Change in Allowance for Credit Losses	64,181	(206,777)
Changes in Operating Assets and Liabilities:		
Royalty Accounts Receivable	24,451	146,171
Prepaid Expenses	14,634	(11,960)
Accounts Payable	153,318	(276,764)
Related Party Payable	-	(80,044)
Accrued Expenses	(496)	(17,372)
Net Cash Provided by Operating Activities	<u>2,561,079</u>	<u>1,470,004</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(869,663)	(796,542)
Issuance of Notes Receivable	(55,273)	-
Net Cash Used in Investing Activities	<u>(924,936)</u>	<u>(796,542)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to Member	<u>(1,800,000)</u>	<u>(725,856)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(163,857)</u>	<u>(52,394)</u>
Cash and Cash Equivalents - Beginning of Year	<u>1,157,392</u>	<u>1,209,786</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 993,535</u></u>	<u><u>\$ 1,157,392</u></u>
SUPPLEMENTAL DISCLOSURE AND NONCASH TRANSACTIONS		
Right-of-Use Asset Obtained in Exchange for Lease Liability	<u><u>\$ -</u></u>	<u><u>\$ 3,645,949</u></u>

See accompanying Notes to Financial Statements.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Realty Executives Intl. Svcs. LLC (the Company) was organized on April 1, 2014 as a wholly owned subsidiary of New REI Holdings, LLC (Parent) in the state of Arizona to become a franchisor of real estate sales offices under the trade name of Realty Executives.

Domestic franchise activity for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Franchised Locations:		
Beginning Store Count	299	265
Recharacterized as Franchise Locations	-	44
Store Openings	8	16
Store Closings	(20)	(26)
Ending Store Count	287	299
Corporate Owned Locations:		
Beginning Store Count	-	44
Recharacterized as Franchise Locations	-	(44)
Store Openings	-	-
Store Closings	-	-
Ending Store Count	-	-
Total Ending Store Count	287	299

In 2022, the 44 corporate locations were recharacterized as franchised locations to the Company. In addition to the franchises above, at December 31, 2023 and 2022, there were 44 real estate office franchises operating outside of the United States.

On April 14, 2014, the Company purchased material assets and operations from Realty Executives International, Inc.

Franchise and/or similar license arrangements have been sold throughout the United States, Mexico, Canada, Australia, Israel, Lebanon, Egypt, Jordan, Gulf Countries, Saudi Arabia, Qatar, United Arab Emirates, Oman, Bahrain, Kuwait, and Turkey.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

On January 1, 2023, the Company adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Company adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Company's financial statements but did change how the allowance for credit losses is determined.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Company considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash includes funds held for benefit of the Marketing Fund (see Note 2).

Concentrations and Credit Risk

The Company maintains checking and savings accounts with quality financial institutions. At times, cash balances may exceed the amount insured by the Federal Deposit Insurance Corporation.

Concentration of risk with respect to revenue exists because the Company's main source of revenue arises from franchise royalty and fees from real estate franchisees. These sources of revenue are related to sales of real property, which typically are affected by general economic conditions and mortgage interest rates. As of December 31, 2023 and 2022, there was not a specific revenue concentration with an individual franchisee.

Accounts Receivable and Allowance for Credit Losses

Royalty accounts receivable consists primarily of franchise royalty fees and receivables from franchised facilities. Accounts receivables are stated at their estimated collectible amounts and comprise amounts billed and currently due from customers. The Company extends credit to customers in the normal course of business. The Company establishes an allowance for credit losses to present the net amount of accounts receivable expected to be collected. The allowance represents the estimate of expected credit losses based on historical experience, current economic conditions, and certain forward-looking information. At December 31, 2023 and 2022, the Company recorded an allowance of \$453,423 and \$389,242, respectively.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Computer and Equipment	3 to 5 Years
Furniture and Fixtures	7 Years
Leasehold Improvements	Lesser of Lease Term or Useful Life

Intangible Assets

The Company evaluates identifiable intangible assets not subject to amortization for impairment on an annual basis, or more frequently when events or changes in circumstances indicate that it is more likely than not that an asset is impaired. The Company evaluates intangible assets that are subject to amortization when circumstances indicate that it is more likely than not that an asset is impaired. Such circumstances could include, but are not limited to, a significant decrease in the market value of an asset or a significant adverse change in the extent or manner in which an asset is used or in its physical condition.

The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset. The fair value is measured based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts.

At December 31, 2023 and 2022, there was no impairment of intangible assets. Intangibles that do not have indefinite lives are amortized on a straight-line basis over the estimated useful lives of the assets.

Revenue Recognition

The Company recognizes revenue from contracts with customers in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers (Topic 606)*. Under Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Company grants to the franchisee the nonexclusive right to use the trademark name of "Realty Executives" and to receive the Realty Executive system and services during the term of the franchise. The franchisee is obligated to pay the Company continuing fees, including royalties and monthly fees. Monthly fees include service fees, office fees, marketing fund fees, and technology fees. In some cases franchisees pay an initial franchise fee at the inception of the contract.

Royalties and Monthly Fees

Royalties and monthly fees can be assessed on an ala-carte basis by service or calculated on a flat fee based on a monthly minimum using one of two models. The flex model is based on gross commission income. The all-inclusive model starts at a monthly minimum and increases incrementally based on transaction fees (relative to sales price) during the month. The franchise agreement royalties are considered a single performance obligation and recognized at a point in time as the royalties are billed to franchisees on a monthly basis for which the fees are earned. The Company's standard terms and conditions generally require payment within 30 days from the invoice date.

The related fees are based on monthly minimums or the number of agent/offices under the franchisee. The franchise agreement inclusive of the office and advertising fees are considered separate performance obligations under the franchise agreement.

The related fees are earned over 30 days or less and the Company recognizes the revenue from these fees at a point in time. These fees are billed to franchisees on a monthly basis for the month in which the fees are earned. The Company's standard terms and conditions generally require payment within 30 days from the invoice date.

Franchise Fees and Renewal Fees

The initial franchise fee is the amount paid to create the franchise affiliation and to provide some beginning assistance. The term of the franchise agreement is for 10 years with three options to renew at five years each. Initial franchise fees are related to services that are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. The Company has the ability to waive the initial franchise fee and renewal fees at their discretion. The Company has evaluated the impact of recognizing the franchise fees over the term of the agreement and has determined that it is not material. As a practical matter the Company recognizes the franchise fee at the time of execution of the contract.

The following is a summary of the Company's contracts receivable:

	December 31, 2023	December 31, 2022	January 1, 2022
Royalty Accounts Receivable, Net	<u>\$ 354,430</u>	<u>\$ 443,062</u>	<u>\$ 382,456</u>

The Company did not have any contract assets or liabilities as of December 31, 2023, December 31, 2022, or January 1, 2022.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocations from Parent

The Company is a wholly owned subsidiary of the Parent. The Parent does not allocate expenses on a consolidated basis. Each entity contains those expenses related to its own operations.

Advertising

The Company expenses advertising costs as incurred. For the years ended December 31, 2023 and 2022, advertising expense was \$316,152 and \$331,398, respectively.

Income Taxes

The Company is treated as a disregarded entity for federal income tax purposes. Consequently, federal income taxes are not payable, or provided for, by the Company. The Company's member is taxed individually on its share of the Company's earnings. The Company's income or loss is allocated to the member in accordance with the Company's operating agreement. The Company pays income and other taxes to various states based on gross revenue.

The Company follows the income tax standard for uncertain tax positions. The Company recognized no liability for uncertain tax positions as of December 31, 2023 and 2022.

Leases

The Company leases an office space that is required to be recorded under the new standard. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) asset, other current liabilities, and operating lease liabilities on the balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Company uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Company has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Reclassifications

Certain amounts in 2022 have been reclassified for comparative purposes to conform with 2023 presentation. The reclassifications have no effect on previously reported net earnings or equity.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 15, 2024, the date the financial statements were available to be issued.

NOTE 2 RESTRICTED CASH

The Company is responsible for the direction and administration of the Marketing Fund program on behalf of the Franchisees, as provided for in its franchise agreements. Accordingly, each franchisee is required to contribute to this program. The Company assesses Marketing Fund contributions due from franchisees at a flat rate based on franchise type, as defined in its franchise disclosure document. The amounts received in the Marketing Fund are restricted for designated use. Amounts not used for current year expenditures are retained for future programs. The Marketing Fund account had a balance of \$6,792 and \$6,607 at December 31, 2023 and 2022, respectively.

NOTE 3 PROPERTY AND EQUIPMENT

A summary of the property and equipment at December 31, 2023 and 2022 is as follows:

	2023	2022
Computers and Equipment	\$ 87,530	\$ 78,199
Furniture and Fixtures	58,184	58,184
Leasehold Improvements	1,768,765	908,433
Total	1,914,479	1,044,816
Less: Accumulated Depreciation	(473,583)	(197,396)
Property and Equipment, Net	<u>\$ 1,440,896</u>	<u>\$ 847,420</u>

Depreciation expense was \$276,187 and \$88,742 for the years ended December 31, 2023 and 2022, respectively.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 INTANGIBLE ASSETS

Intangible assets and estimated remaining useful lives of intangible assets at December 31, 2023 and 2022 are as follows:

	Franchise Contracts	10 Years	
	Trademarks	Indefinite	
		Gross Carrying Amount	Accumulated Amortization
			Net Carrying Amount
<u>December 31, 2023</u>			
Franchise Contracts		\$ 2,973,124	\$ (2,724,865)
Trademarks		264,000	-
Total		<u>\$ 3,237,124</u>	<u>\$ (2,724,865)</u>
<u>December 31, 2022</u>			
Franchise Contracts		\$ 2,973,124	\$ (2,474,403)
Trademarks		264,000	-
Total		<u>\$ 3,237,124</u>	<u>\$ (2,474,403)</u>

Amortization expense for the years ended December 31, 2023 and 2022 was \$250,462 and \$293,896, respectively.

Future amortization expense as of December 31, 2023 is as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2024	\$ 118,937
2025	60,675
2026	44,485
2027	24,162
Total	<u>\$ 248,259</u>

NOTE 5 MEMBER'S EQUITY

The Company has one class of membership interest and is 100% owned by a single member.

NOTE 6 LEASES

The Company leases an office facility under a long-term, noncancelable lease agreement that expires June 2027 with a five-year renewal option. In the normal course of business, it is expected that the lease will be renewed. The facility lease has fixed increases in future minimum monthly rental payments based on the agreement.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 LEASES (CONTINUED)

The following table provides quantitative information concerning the Company's leases.

	2023	2022
Operating Lease Cost	\$ 377,755	\$ 377,755
Other Information		
Cash Paid for Amounts Included in the Measurement of Lease Liability:		
Operating Cash Flows from Operating Lease	\$ 372,434	\$ 372,434
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liability:	-	3,645,949
Weighted-Average Remaining Lease Term - Operating Lease	8.4 Years	9.4 Years
Weighted-Average Discount Rate - Operating Lease	1.63%	1.63%

The Company classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023, is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 372,435
2025	372,435
2026	372,435
2027	378,021
2028	383,608
Thereafter	1,342,627
Total Lease Payments	3,221,561
Less: Interest	(212,528)
Present Value of Lease Liability	<u>\$ 3,009,033</u>

NOTE 7 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2023 and 2022, the Company paid management, consulting, rent, technology, and marketing fees to various related parties with the Company's member totaling \$1,402,188 and \$2,502,229, respectively. At December 31, 2023 and 2022, amounts due to these companies totaled \$508,623 and \$335,249, respectively, and are included in accounts payable on the accompanying balance sheets.

During the years ended December 31, 2023 and 2022, the Company recorded revenue from a related party totaling \$347,310 and \$481,253, respectively. At December 31, 2023 and 2022, the Company had a receivable balance of \$20,006 and \$49,621 from a related party, respectively.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

At December 31, 2023 and 2022, the Company had an amount due of \$200,000 to the Company's member for management fees.

On November 30, 2023, the Parent Company issued a long-term secured note payable. Realty Executives Intl. Svcs., LLC has guaranteed the note payable. The term of the guarantee corresponds with the maturity date of the note payable, which matures in December 2028. As of December 31, 2023, the amount outstanding on the note payable was \$5,160,000.

NOTE 8 EMPLOYEE BENEFIT PLANS

The Company has a 401(k) plan which covers all full-time employees. Employees may contribute to the plan. The Company has the discretionary rights to determine the Company's contribution to the plan on behalf of its employees. The contribution will not be more than \$1,000 per employee per year and amounts contributed vest according to years of serviced as outlined in the plan. The Company did not make any contributions to the plan on behalf of its employees for each of the years ended December 31, 2023 and 2022.



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REALTY EXECUTIVES INTL. SVCS. LLC
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021



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REALTY EXECUTIVES INTL. SVCS. LLC
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INDEPENDENT AUDITORS' REPORT

Member
Realty Executives Intl. Svcs. LLC
Scottsdale, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Realty Executives Intl. Svcs. LLC (a wholly owned subsidiary of New REI Holdings, LLC), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Realty Executives Intl. Svcs. LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 the Company adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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(1)

Member
Realty Executives Intl. Svcs. LLC

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
March 28, 2023

REALTY EXECUTIVES INTL. SVCS. LLC
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,157,392	\$ 1,209,786
Royalty Accounts Receivable, Net	443,062	382,456
Prepaid Expenses	<u>50,429</u>	<u>38,469</u>
Total Current Assets	1,650,883	1,630,711
PROPERTY AND EQUIPMENT, Net	847,420	139,620
OPERATING ROU ASSET, Net	3,324,764	-
OTHER ASSETS		
Intangible Assets, Net	762,721	1,056,617
Other Assets	<u>854</u>	<u>854</u>
Total Other Assets	<u>763,575</u>	<u>1,057,471</u>
Total Assets	<u><u>\$ 6,586,642</u></u>	<u><u>\$ 2,827,802</u></u>
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 376,270	\$ 653,034
Accrued Expenses	49,169	66,541
Related Party Payable	-	80,044
Due to Member	200,000	200,000
Current Lease Liability - Operating	<u>321,052</u>	<u>-</u>
Total Current Liabilities	946,491	999,619
NONCURRENT LIABILITIES		
Lease Liability Operating, Net of Current Portion	<u>3,009,033</u>	<u>-</u>
Total Noncurrent Liabilities	<u>3,009,033</u>	<u>-</u>
Total Liabilities	3,955,524	999,619
MEMBER'S EQUITY	<u>2,631,118</u>	<u>1,828,183</u>
Total Liabilities and Member's Equity	<u><u>\$ 6,586,642</u></u>	<u><u>\$ 2,827,802</u></u>

See accompanying Notes to Financial Statements.

REALTY EXECUTIVES INTL. SVCS. LLC
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUE		
Franchise Royalties, Office, Trademark, and Advertising Fees	\$ 5,486,676	\$ 5,629,464
Initial Franchise Fees	16,600	5,000
Marketing Service Fees	243,782	250,987
Other Operating Revenues	211,790	45,290
Total Revenue	<u>5,958,848</u>	<u>5,930,741</u>
OPERATING EXPENSES	<u>4,430,057</u>	<u>4,293,110</u>
INCOME FROM OPERATIONS	1,528,791	1,637,631
OTHER INCOME (EXPENSE)		
Loan Forgiveness Income	-	234,200
Miscellaneous Expense	-	(67,712)
Total Other Income (Expense)	<u>-</u>	<u>166,488</u>
NET INCOME	<u>\$ 1,528,791</u>	<u>\$ 1,804,119</u>

See accompanying Notes to Financial Statements.

REALTY EXECUTIVES INTL. SVCS. LLC
STATEMENTS OF MEMBER'S EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

BALANCE - DECEMBER 31, 2020	\$ 1,524,064
Net Income	1,804,119
Distributions to Member	<u>(1,500,000)</u>
BALANCE - DECEMBER 31, 2021	1,828,183
Net Income	1,528,791
Distributions to Member	<u>(725,856)</u>
BALANCE - DECEMBER 31, 2022	<u><u>\$ 2,631,118</u></u>

See accompanying Notes to Financial Statements.

REALTY EXECUTIVES INTL. SVCS. LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 1,528,791	\$ 1,804,119
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	382,638	365,930
Noncash Lease Expense	5,321	-
Paycheck Protection Program Loan Forgiveness	-	(234,200)
Change in Allowance for Doubtful Accounts	(206,777)	(85,468)
Changes in Operating Assets and Liabilities:		
Royalty Accounts Receivable	146,171	276,766
Prepaid Expenses	(11,960)	453
Accounts Payable	(276,764)	321,214
Related Party Payable	(80,044)	80,044
Accrued Expenses	(17,372)	4,970
Net Cash Provided by Operating Activities	<u>1,470,004</u>	<u>2,533,828</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	<u>(796,542)</u>	<u>(104,973)</u>
Net Cash Used by Investing Activities	<u>(796,542)</u>	<u>(104,973)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Contingent Consideration	-	(63,500)
Distributions to Member	<u>(725,856)</u>	<u>(1,500,000)</u>
Net Cash Used by Investing Activities	<u>(725,856)</u>	<u>(1,563,500)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(52,394)	865,355
Cash and Cash Equivalents - Beginning of Year	<u>1,209,786</u>	<u>344,431</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,157,392</u></u>	<u><u>\$ 1,209,786</u></u>
SUPPLEMENTAL DISCLOSURES AND NONCASH TRANSACTIONS		
Right-of-Use Asset Obtained in Exchange for Lease Liability	<u><u>\$ 3,645,949</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Realty Executives Intl. Svcs. LLC (the Company) was organized on April 1, 2014 as a wholly owned subsidiary of New REI Holdings, LLC (Parent) in the state of Arizona to become a franchisor of real estate sales offices under the trade name of Realty Executives.

Domestic franchise activity for the year ended December 31, 2022 is as follows:

	2022	2021
Franchised Locations:		
Beginning Store Count	278	285
Recharacterized as Franchise Locations	44	-
Store Openings	27	19
Store Closings	(35)	(26)
Ending Store Count	314	278
Corporate Owned Locations:		
Beginning Store Count	44	18
Recharacterized as Franchise Locations	(44)	-
Store Openings	-	34
Store Closings	-	(8)
Ending Store Count	-	44
Total Ending Store Count	314	322

In 2022, the 44 corporate locations were recharacterized as franchised locations to the Company. In addition to the franchises above, at December 31, 2022 and 2021, there were 47 and 54 real estate office franchises operating outside of the United States, respectively.

On April 14, 2014, the Company purchased material assets and operations from Realty Executives International, Inc.

Franchise and/or similar license arrangements have been sold throughout the United States, Mexico, Canada, Australia, Israel, Lebanon, Egypt, Jordan, Gulf Countries, Saudi Arabia, Qatar, United Arab Emirates, Oman, Bahrain, Kuwait, and Turkey.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Company considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash includes funds held for benefit of the Marketing Fund (see Note 2).

Concentrations and Credit Risk

The Company maintains checking and savings accounts with quality financial institutions. At times, cash balances may exceed the amount insured by the Federal Deposit Insurance Corporation.

Concentration of risk with respect to revenue exists because the Company's main source of revenue arises from franchise royalty and fees from real estate franchisees. These sources of revenue are related to sales of real property, which typically are affected by general economic conditions and mortgage interest rates. As of December 31, 2022 and 2021, there was not a specific revenue concentration with an individual franchisee.

Royalty Accounts Receivable

Royalty accounts receivable consists primarily of franchise royalty fees and receivables from franchised facilities. Outstanding balances are stated at the amount the Company expects to collect. Management reviews royalty collections on a regular basis to evaluate collectability. When all collection efforts have been exhausted, accounts deemed uncollectible are written off. An allowance for doubtful accounts is determined based on management's evaluation of historical losses and the financial stability of its franchisees. At December 31, 2022 and 2021, the Company recorded an allowance of \$389,242 and \$596,019, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Computer and Equipment	3 to 5 Years
Furniture and Fixtures	7 Years
Leasehold Improvements	Lesser of Lease Term or Useful Life

Intangible Assets

The Company evaluates identifiable intangible assets not subject to amortization for impairment on an annual basis, or more frequently when events or changes in circumstances indicate that it is more likely than not that an asset is impaired. The Company evaluates intangible assets that are subject to amortization when circumstances indicate that it is more likely than not that an asset is impaired. Such circumstances could include, but are not limited to, a significant decrease in the market value of an asset or a significant adverse change in the extent or manner in which an asset is used or in its physical condition.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets (Continued)

The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset. The fair value is measured based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts.

At December 31, 2022 and 2021, there was no impairment of intangible assets. Intangibles that do not have indefinite lives are amortized on a straight-line basis over the estimated useful lives of the assets.

Revenue Recognition

The Company recognizes revenue from contracts with customers in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers (Topic 606)*. Under Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company grants to the franchisee the nonexclusive right to use the trademark name of "Realty Executives" and to receive the Realty Executive system and services during the term of the franchise. The franchisee is obligated to pay the Company continuing fees, including royalties and monthly fees. Monthly fees include service fees, office fees, marketing fund fees, and technology fees. In some cases franchisees pay an initial franchise fee at the inception of the contract.

Royalties and Monthly Fees:

Royalties and monthly fees can be assessed on an ala-carte basis by service or calculated on a flat fee based on a monthly minimum using one of two models. The flex model is based on gross commission income. The all-inclusive model starts at a monthly minimum and increases incrementally based on transaction fees (relative to sales price) during the month. The franchise agreement royalties are considered a single performance obligation and recognized at a point in time as the royalties are billed to franchisees on a monthly basis for which the fees are earned. The Company's standard terms and conditions generally require payment within 30 days from the invoice date.

The related fees are based on monthly minimums or the number of agent/offices under the franchisee. The franchise agreement inclusive of the office and advertising fees are considered separate performance obligations under the franchise agreement.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Royalties and Monthly Fees (Continued):

The related fees are earned over 30 days or less and the Company recognizes the revenue from these fees at a point in time. These fees are billed to franchisees on a monthly basis for the month in which the fees are earned. The Company's standard terms and conditions generally require payment within 30 days from the invoice date.

Franchise Fees and Renewal Fees:

The initial franchise fee is the amount paid to create the franchise affiliation and to provide some beginning assistance. The term of the franchise agreement is for 10 years with three options to renew at five years each. Initial franchise fees are related to services that are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. The Company has the ability to waive the initial franchise fee and renewal fees at their discretion. The Company has evaluated the impact of recognizing the franchise fees over the term of the agreement and has determined that it is not material. As a practical matter the Company recognizes the franchise fee at the time of execution of the contract.

The following is a summary of the Company's accounts receivable:

	December 31, 2022	December 31, 2021	January 1, 2021
Accounts Receivable	<u>\$ 443,062</u>	<u>\$ 382,456</u>	<u>\$ 573,754</u>

Allocations from Parent

The Company is a wholly owned subsidiary of the Parent. The Parent does not allocate expenses on a consolidated basis. Each entity contains those expenses related to its own operations.

Advertising

The Company expenses advertising costs as incurred. For the years ended December 31, 2022 and 2021, advertising expense was \$331,398 and \$363,554, respectively.

Income Taxes

The Company is treated as a disregarded entity for federal income tax purposes. Consequently, federal income taxes are not payable, or provided for, by the Company. The Company's member is taxed individually on its share of the Company's earnings. The Company's income or loss is allocated to the member in accordance with the Company's operating agreement. The Company pays income and other taxes to various states based on gross revenue.

The Company follows the income tax standard for uncertain tax positions. The Company recognized no liability for uncertain tax positions as of December 31, 2022 and 2021.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Company elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. The Company also elected the practical expedient to use a risk-free discount rate for the lease calculation.

As a result of the adoption of the new lease accounting guidance, the Company recognized on January 1, 2022 a lease liability of \$3,645,949, which represents the present value of the remaining operating lease payments of \$3,966,429, discounted using the risk-free rate of approximately 1.6%, and a right-of-use asset of \$3,645,949, which represents the operating lease liability net of adjustment, of which there were none.

The standard had a material impact on the balance sheets but did not have an impact on the statements of operations or cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Leases

The Company leases an office space that is required to be recorded under the new standard. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) asset, other current liabilities, and operating lease liabilities on the balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Company uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

The Company has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 28, 2023, the date the financial statements were available to be issued.

NOTE 2 RESTRICTED CASH

The Company is responsible for the direction and administration of the Marketing Fund program on behalf of the Franchisees, as provided for in its franchise agreements. Accordingly, each franchisee is required to contribute to this program. The Company assesses Marketing Fund contributions due from franchisees at a flat rate based on franchise type, as defined in its franchise disclosure document. The amounts received in the Marketing Fund are restricted for designated use. Amounts not used for current year expenditures are retained for future programs. The Marketing Fund account had a balance of \$6,607 and \$19,676 at December 31, 2022 and 2021, respectively.

NOTE 3 PROPERTY AND EQUIPMENT

A summary of the property and equipment at December 31, 2022 and 2021 is as follows:

	2022	2021
Computers and Equipment	\$ 78,199	\$ 73,482
Furniture and Fixtures	58,184	32,716
Leasehold Improvements	908,433	142,075
Total	1,044,816	248,273
Less: Accumulated Depreciation	(197,396)	(108,653)
Property and Equipment, Net	<u>\$ 847,420</u>	<u>\$ 139,620</u>

Depreciation expense was \$88,742 and \$26,525 for the years ended December 31, 2022 and 2021, respectively.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 INTANGIBLE ASSETS

Intangible assets and estimated remaining useful lives of intangible assets at December 31, 2022 and 2021 are as follows:

	Franchise Contracts Trademarks		10 Years Indefinite
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<u>December 31, 2022</u>			
Franchise Contracts	\$ 2,973,124	\$ (2,474,403)	\$ 498,721
Trademarks	264,000	-	264,000
Total	<u>\$ 3,237,124</u>	<u>\$ (2,474,403)</u>	<u>\$ 762,721</u>
<u>December 31, 2021</u>			
Franchise Contracts	\$ 2,973,124	\$ (2,180,507)	\$ 792,617
Trademarks	264,000	-	264,000
Total	<u>\$ 3,237,124</u>	<u>\$ (2,180,507)</u>	<u>\$ 1,056,617</u>

Amortization expense for the years ended December 31, 2022 and 2021 was \$293,896 and \$339,405, respectively.

Future amortization expense as of December 31, 2022 is as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2023	\$ 250,461
2024	118,937
2025	60,675
2026	68,648
Total	<u>\$ 498,721</u>

NOTE 5 MEMBER'S EQUITY

The Company has one class of membership interest and is 100% owned by a single member.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 LEASES

Leases – ASC 842

The Company leases an office facility under a long-term, noncancelable lease agreement that expires June 2027 with a five-year renewal option. In the normal course of business, it is expected that the lease will be renewed. The facility lease has fixed increases in future minimum monthly rental payments based on the agreement.

The following table provides quantitative information concerning the Company's leases.

	<u>2022</u>
Operating lease cost	\$ 377,755
Other Information	
Cash paid for amounts included in the measurement of lease liability:	
Operating cash flows from operating lease	\$ 372,434
Right-of-use assets obtained in exchange for new operating lease liability:	3,645,949
Weighted-average remaining lease term - operating lease	9.4 years
Weighted-average discount rate - operating lease	1.63%

The Company classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 372,435
2024	372,435
2025	372,435
2026	372,435
2027	378,021
Thereafter	<u>1,726,234</u>
Total Lease Payments	3,593,995
Less: Interest	<u>(263,910)</u>
Present Value of Lease Liability	<u>\$ 3,330,085</u>

Operating Leases – ASC 840

The Company elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 LEASES (CONTINUED)

Operating Leases – ASC 840 (Continued)

Rent expense under the lease agreement was \$383,317 for the year ended December 31, 2021.

Future minimum lease payments under noncancelable lease arrangements were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 228,183
2023	228,183
2024	228,183
2025	228,183
2026	228,183
Thereafter	114,091
Total	<u>\$ 1,255,006</u>

NOTE 7 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2022 and 2021, the Company paid management, consulting, rent, technology, and marketing fees to various related parties with the Company's member totaling \$2,502,229 and \$1,089,146, respectively. At December 31, 2022 and 2021, amounts due to these companies totaled \$335,249 and \$498,256, respectively, and are included in accounts payable on the accompanying balance sheets.

During the year ended December 31, 2022, the Company recorded revenue from a related party totaling \$481,253 and had a receivable balance of \$49,621 at December 31, 2022.

At December 31, 2022 and 2021, the Company had an amount due of \$200,000 to the Company's member for management fees.

At December 31, 2021, the Company had an amount payable of \$80,044 to an affiliate of the Company's member.

NOTE 8 EMPLOYEE BENEFIT PLANS

The Company has a 401(k) plan which covers all full-time employees. Employees may contribute to the plan. The Company has the discretionary rights to determine the Company's contribution to the plan on behalf of its employees. The contribution will not be more than \$1,000 per employee per year and amounts contributed vest according to years of serviced as outlined in the plan. The Company did not make any contributions to the plan on behalf of its employees for each of the years ended December 31, 2022 and 2021.

REALTY EXECUTIVES INTL. SVCS. LLC
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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REALTY EXECUTIVES INTL. SVCS. LLC
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INDEPENDENT AUDITORS' REPORT

Member
Realty Executives Intl. Svcs. LLC
Scottsdale, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Realty Executives Intl. Svcs. LLC (a wholly owned subsidiary of New REI Holdings, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Realty Executives Intl. Svcs. LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



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(1)

Member
Realty Executives Intl. Svcs. LLC

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
March 28, 2022

REALTY EXECUTIVES INTL. SVCS. LLC
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,209,786	\$ 344,431
Royalty Accounts Receivable, Net	382,456	573,754
Prepaid Expenses	<u>38,469</u>	<u>38,922</u>
Total Current Assets	1,630,711	957,107
NONCURRENT ASSETS		
Property and Equipment, Net	139,620	61,172
OTHER ASSETS		
Intangible Assets, Net	1,056,617	1,396,022
Other Assets	<u>854</u>	<u>854</u>
Total Other Assets	<u>1,057,471</u>	<u>1,396,876</u>
Total Assets	<u><u>\$ 2,827,802</u></u>	<u><u>\$ 2,415,155</u></u>
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 653,034	\$ 331,820
Accrued Expenses	66,541	61,571
Current Portion of Contingent Consideration	-	63,500
Related Party Payable	80,044	-
Due to Member	<u>200,000</u>	<u>200,000</u>
Total Current Liabilities	999,619	656,891
NONCURRENT LIABILITIES		
Note Payable, Less Current Portion	<u>-</u>	234,200
Total Noncurrent Liabilities	-	234,200
MEMBER'S EQUITY	<u>1,828,183</u>	<u>1,524,064</u>
Total Liabilities and Member's Equity	<u><u>\$ 2,827,802</u></u>	<u><u>\$ 2,415,155</u></u>

See accompanying Notes to Financial Statements.

REALTY EXECUTIVES INTL. SVCS. LLC
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUE		
Franchise Royalties, Office, Trademark, and Advertising Fees	\$ 5,629,464	\$ 5,473,222
Initial Franchise Fees	5,000	5,000
Marketing Service Fees	250,987	246,798
Other Operating Revenues	<u>45,290</u>	<u>51,203</u>
Total Revenue	5,930,741	5,776,223
OPERATING EXPENSES	<u>4,293,110</u>	<u>4,113,687</u>
INCOME FROM OPERATIONS	1,637,631	1,662,536
OTHER INCOME (EXPENSE)		
Loan Forgiveness Income	234,200	-
Miscellaneous Expense	<u>(67,712)</u>	<u>(110,445)</u>
Total Other Income (Expense)	166,488	(110,445)
NET INCOME	<u><u>\$ 1,804,119</u></u>	<u><u>\$ 1,552,091</u></u>

See accompanying Notes to Financial Statements.

**REALTY EXECUTIVES INTL. SVCS. LLC
STATEMENTS OF MEMBER'S EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020**

BALANCE - DECEMBER 31, 2019	\$ 1,349,972
Net Income	1,552,091
Distributions to Member	<u>(1,377,999)</u>
BALANCE - DECEMBER 31, 2020	1,524,064
Net Income	1,804,119
Distributions to Member	<u>(1,500,000)</u>
BALANCE - DECEMBER 31, 2021	<u><u>\$ 1,828,183</u></u>

See accompanying Notes to Financial Statements.

REALTY EXECUTIVES INTL. SVCS. LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 1,804,119	\$ 1,552,091
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	365,930	400,259
Paycheck Protection Program Loan Forgiveness	(234,200)	-
Change in Allowance for Doubtful Accounts	(85,468)	(72,865)
Change in Contingent Consideration	-	(20,000)
Changes in Operating Assets and Liabilities:		
Royalty Accounts Receivable	276,766	227,676
Related Party Receivable	-	110,915
Prepaid Expenses	453	19,829
Other Assets	-	16,650
Accounts Payable	321,214	(1,000,974)
Related Party Payable	80,044	-
Accrued Expenses	4,970	(39,059)
Net Cash Provided by Operating Activities	<u>2,533,828</u>	<u>1,194,522</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	<u>(104,973)</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(104,973)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	-	158,200
Payments on Contingent Consideration	(63,500)	(69,000)
Distributions to Member	<u>(1,500,000)</u>	<u>(1,377,999)</u>
Net Cash Used by Investing Activities	<u>(1,563,500)</u>	<u>(1,288,799)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	865,355	(94,277)
Cash and Cash Equivalents - Beginning of Year	<u>344,431</u>	<u>438,708</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,209,786</u></u>	<u><u>\$ 344,431</u></u>

See accompanying Notes to Financial Statements.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Realty Executives Intl. Svcs. LLC (the Company) was organized on April 1, 2014 as a wholly owned subsidiary of New REI Holdings, LLC (Parent) in the state of Arizona to become a franchisor of real estate sales offices under the trade name of Realty Executives.

Domestic franchise activity for the year ended December 31, 2021 is as follows:

	2021	2020
Franchised Locations:		
Beginning Store Count	285	302
Store Openings	19	17
Store Closings	(26)	(34)
Ending Store Count	278	285
Corporate Owned Locations:		
Beginning Store Count	18	18
Store Openings	34	-
Store Closings	(8)	-
Ending Store Count	44	18
Total Ending Store Count	322	303

In addition to the franchises above, at December 31, 2021 and 2020, there were 54 and 59 real estate office franchises operating outside of the United States, respectively.

On April 14, 2014, the Company purchased material assets and operations from Realty Executives International, Inc.

Franchise and/or similar license arrangements have been sold throughout the United States, Mexico, Canada, Australia, Israel, Lebanon, Egypt, Jordan, Gulf Countries, Saudi Arabia, Qatar, United Arab Emirates, Oman, Bahrain, Kuwait, and Turkey.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Company considers highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations and Credit Risk

The Company maintains checking and savings accounts with quality financial institutions. At times, cash balances may exceed the amount insured by the Federal Deposit Insurance Corporation.

Concentration of risk with respect to revenue exists because the Company's main source of revenue arises from franchise royalty and fees from real estate franchisees. These sources of revenue are related to sales of real property, which typically are affected by general economic conditions and mortgage interest rates. As of December 31, 2021 and 2020, there was not a specific revenue concentration with an individual franchisee.

Royalty Accounts Receivable

Royalty accounts receivable consists primarily of franchise royalty fees and receivables from franchised facilities. Outstanding balances are stated at the amount the Company expects to collect. Management reviews royalty collections on a regular basis to evaluate collectability. When all collection efforts have been exhausted, accounts deemed uncollectible are written off. An allowance for doubtful accounts is determined based on management's evaluation of historical losses and the financial stability of its franchisees. At December 31, 2021 and 2020, the Company recorded an allowance of \$596,019 and \$681,487, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Computer and Equipment	3 to 5 Years
Furniture and Fixtures	7 Years
Leasehold Improvements	Lesser of Lease Term or Useful Life

Intangible Assets

The Company evaluates identifiable intangible assets not subject to amortization for impairment on an annual basis, or more frequently when events or changes in circumstances indicate that it is more likely than not that an asset is impaired. The Company evaluates intangible assets that are subject to amortization when circumstances indicate that it is more likely than not that an asset is impaired. Such circumstances could include, but are not limited to, a significant decrease in the market value of an asset or a significant adverse change in the extent or manner in which an asset is used or in its physical condition. The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset. The fair value is measured based on various valuation techniques, including the discounted value of estimated future cash flows.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets (Continued)

The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts.

At December 31, 2021 and 2020, there was no impairment of intangible assets. Intangibles that do not have indefinite lives are amortized on a straight-line basis over the estimated useful lives of the assets.

Revenue Recognition

The Company recognizes revenue from contracts with customers in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers (Topic 606)*. Under Topic 606, the Company performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company grants to the franchisee the nonexclusive right to use the trademark name of "Realty Executives" and to receive the Realty Executive system and services during the term of the franchise. The franchisee is obligated to pay the Company continuing fees, including royalties and monthly fees. Monthly fees include service fees, office fees, marketing fund fees, and technology fees. In some cases franchisees pay an initial franchise fee at the inception of the contract.

Royalties and Monthly Fees:

Royalties and monthly fees can be assessed on an ala-carte basis by service or calculated on a flat fee based on a monthly minimum using one of two models. The flex model is based on gross commission income. The all-inclusive model starts at a monthly minimum and increases incrementally based on transaction fees (relative to sales price) during the month. The franchise agreement royalties are considered a single performance obligation and recognized at a point in time as the royalties are billed to franchisees on a monthly basis for which the fees are earned. The Company's standard terms and conditions generally require payment within 30 days from the invoice date.

The related fees are based on monthly minimums or the number of agent/offices under the franchisee. The franchise agreement inclusive of the office and advertising fees are considered separate performance obligations under the franchise agreement. The related fees are earned over 30 days or less and the Company recognizes the revenue from these fees at a point in time. These fees are billed to franchisees on a monthly basis for the month in which the fees are earned. The Company's standard terms and conditions generally require payment within 30 days from the invoice date.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Franchise Fees and Renewal Fees:

The initial franchise fee is the amount paid to create the franchise affiliation and to provide some beginning assistance. The term of the franchise agreement is for 10 years with three options to renew at five years each. Initial franchise fees are related to services that are highly interrelated with the franchise license and as such are considered to represent a single performance obligation. The Company has the ability to waive the initial franchise fee and renewal fees at their discretion. The Company has evaluated the impact of recognizing the franchise fees over the term of the agreement and has determined that it is not material. As a practical matter the Company recognizes the franchise fee at the time of execution of the contract.

The following is a summary of the Company's accounts receivable:

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts Receivable	<u>\$ 382,456</u>	<u>\$ 573,754</u>	<u>\$ 728,565</u>

Fair Value Measurements

In determining fair value, the Company uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The framework defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Allocations from Parent

The Company is a wholly owned subsidiary of the Parent. The Parent does not allocate expenses on a consolidated basis. Each entity contains those expenses related to its own operations.

Advertising

The Company expenses advertising costs as incurred. For the years ended December 31, 2021 and 2020, advertising expense was \$363,554 and \$302,362, respectively.

Income Taxes

The Company is treated as a disregarded entity for federal income tax purposes. Consequently, federal income taxes are not payable, or provided for, by the Company. The Company's member is taxed individually on its share of the Company's earnings. The Company's income or loss is allocated to the member in accordance with the Company's operating agreement. The Company pays income and other taxes to various states based on gross revenue.

The Company follows the income tax standard for uncertain tax positions. The Company recognized no liability for uncertain tax positions as of December 31, 2021 and 2020.

New Accounting Authoritative Literature

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The accounting for lessors will remain relatively unchanged. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Company's financial statements.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 28, 2022, the date the financial statements were available to be issued.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 PROPERTY AND EQUIPMENT

A summary of the property and equipment at December 31, 2021 and 2020 is as follows:

	2021	2020
Computers and Equipment	\$ 73,482	\$ 71,633
Furniture and Fixtures	32,716	32,716
Leasehold Improvements	142,075	38,951
Total	248,273	143,300
Less: Accumulated Depreciation	(108,653)	(82,128)
Property and Equipment, Net	<u>\$ 139,620</u>	<u>\$ 61,172</u>

Depreciation expense was \$26,525 and \$23,987 for the years ended December 31, 2021 and 2020, respectively.

NOTE 3 INTANGIBLE ASSETS

Intangible assets and estimated remaining useful lives of intangible assets at December 31, 2021 and 2020 are as follows:

	Franchise Contracts Trademarks		10 Years Indefinite	
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	<u>December 31, 2021</u>			
Franchise Contracts		\$ 2,973,124	\$ (2,180,507)	\$ 792,617
Trademarks		264,000	-	264,000
Total		<u>\$ 3,237,124</u>	<u>\$ (2,180,507)</u>	<u>\$ 1,056,617</u>
	<u>December 31, 2020</u>			
Franchise Contracts		\$ 2,973,124	\$ (1,841,102)	\$ 1,132,022
Trademarks		264,000	-	264,000
Total		<u>\$ 3,237,124</u>	<u>\$ (1,841,102)</u>	<u>\$ 1,396,022</u>

Amortization expense for the years ended December 31, 2021 and 2020 was \$339,405 and \$376,272, respectively.

Future amortization expense as of December 31, 2021 is as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2022	\$ 293,896
2023	250,461
2024	118,937
2025	60,675
2026	68,648
Total	<u>\$ 792,617</u>

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 NOTE PAYABLE

As part of certain purchases of intangible assets during the year ended December 31, 2018, a note was signed by the Company on March 20, 2018 for \$152,000. The note has a fixed rate of 2.18% per annum, with interest payable monthly. The note was paid back in two principal payments of \$76,000; one was paid in March 2019, and the other payment was paid in March 2020. There are no remaining obligations due under this note as of December 31, 2020.

NOTE 5 PAYCHECK PROTECTION PROGRAM

In April 2020, the Company received a loan from Enterprise Bank & Trust in the amount of \$234,200 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). In August 2021, the Company received formal notification from the U.S. Small Business Administration (SBA) that the loan had been forgiven. As such, the Company recognized the loan forgiveness as other income in the accompanying financial statements. The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The Company believes that any subsequent review by the SBA would not result in a material adverse impact to the Company's financial position.

NOTE 6 CONTINGENT CONSIDERATION

Acquisition of Franchise Contracts

For the year ended December 31, 2018, the Company acquired franchise contracts in transactions accounted for as asset purchases. As part of the arrangement, the Company is required to pay the sellers in the form of renewal bonuses if certain franchisees renew, and franchisee revenue targets are reached from 2019 to 2021. The maximum undiscounted consideration is \$565,000. The Company did not record any contingent consideration related to franchisee revenue targets, however, the Company expected to pay franchise renewal bonuses of \$165,000. During 2019, the Company paid \$82,500 on the renewal bonuses and had an adjustment to increase the contingent consideration related to the revenue targets of \$103,124, of which \$33,124 was paid. The adjustment is reflected as an increase in the intangible asset and an increase in the contingent consideration. The balance remaining as of December 31, 2019 was \$82,500 on the renewal bonus and \$70,000 on the contingent consideration. During 2020, the Company paid \$34,000 on the renewal bonus and had an adjustment to decrease the contingent consideration related to the revenue targets of \$20,000. A payment of \$35,000 was made on the contingent consideration. The balance remaining as of December 31, 2020 was \$48,500 on the renewal bonus and \$15,000 on the contingent consideration. In 2021, the Company paid off the full balance remaining for the contingent consideration of \$63,500. As of December 31, 2021 there was \$-0- remaining on the renewal bonus and contingent consideration.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 FAIR VALUE MEASUREMENTS

The following tables present the fair value hierarchy of liabilities that are measured at fair value on a recurring basis at December 31, 2021 and 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Contingent Consideration (Note 6)			
2021	\$ -	\$ -	\$ -
2020	\$ -	\$ -	\$ 63,500

The contingent consideration is valued based the amount the Company expects to pay, discounted at present value. The expected payment is based on the probability that a target will be achieved, in turn obligating the Company to make a payment according to the asset purchase agreement.

The table below sets forth a summary of changes in the fair value of the Company's Level 3 contingent consideration liabilities for the years ended December 31:

	2021	2020
Beginning Balance	\$ 63,500	\$ 152,500
Increase (Decrease) of Contingent Consideration	-	(20,000)
Payments on Contingent Consideration	(63,500)	(69,000)
Ending Balance	\$ -	\$ 63,500

NOTE 8 MEMBER'S EQUITY

The Company has one class of membership interest and is 100% owned by a single member.

NOTE 9 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2021 and 2020, the Company paid management, consulting, rent, technology, and marketing fees to various related parties with the Company's member totaling \$1,089,146 and \$1,711,635, respectively. At December 31, 2021 and 2020, amounts due to these companies totaled \$498,256 and \$206,076, respectively, and are included in accounts payable on the accompanying balance sheets.

At December 31, 2021 and 2020, the Company had an amount due of \$200,000 to the Company's member for management fees.

At December 31, 2021, the Company had an amount payable of \$80,044 to an affiliate of the Company's member.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 FAIR VALUE MEASUREMENTS

The following tables present the fair value hierarchy of liabilities that are measured at fair value on a recurring basis at December 31, 2021 and 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Contingent Consideration (Note 6)			
2021	\$ -	\$ -	\$ -
2020	\$ -	\$ -	\$ 63,500

The contingent consideration is valued based the amount the Company expects to pay, discounted at present value. The expected payment is based on the probability that a target will be achieved, in turn obligating the Company to make a payment according to the asset purchase agreement.

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	2021	2020
Beginning Balance	\$ 63,500	\$ 152,500
Increase (Decrease) of Contingent Consideration	-	(20,000)
Payments on Contingent Consideration	(63,500)	(69,000)
Ending Balance	\$ -	\$ 63,500

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During the years ended December 31, 2021 and 2020, the Company paid management, consulting, rent, technology, and marketing fees to various related parties with the Company's member totaling \$1,089,146 and \$1,711,635, respectively. At December 31, 2021 and 2020, amounts due to these companies totaled \$498,256 and \$206,076, respectively, and are included in accounts payable on the accompanying balance sheets.

At December 31, 2021 and 2020, the Company had an amount due of \$200,000 to the Company's member for management fees.

At December 31, 2021, the Company had an amount payable of \$80,044 to an affiliate of the Company's member.

REALTY EXECUTIVES INTL. SVCS. LLC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 COMMITMENTS AND CONTINGENCIES

The Company records accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated based on historical claim activity and loss development factors. There can be no assurance there will not be an increase in the scope of these matters or that any future or pending lawsuits, claims, proceedings, or investigations will not be material.

Employee Benefit Plans

The Company has a 401(k) plan which covers all full-time employees. Employees may contribute to the plan. The Company has the discretionary rights to determine the Company's contribution to the plan on behalf of its employees. The contribution will not be more than \$1,000 per employee per year and amounts contributed vest according to years of serviced as outlined in the plan. The Company did not make any contributions to the plan on behalf of its employees for each of the years ended December 31, 2021 and 2020.

Operating Leases

During the year ended December 31, 2017, the Company entered into a lease agreement with a related party to lease office space. The lease is for 10 years and expires in June of 2027. Rent expense under the lease agreement was \$383,317 and \$372,100 for the years ended December 31, 2021 and 2020, respectively.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 228,183
2023	228,183
2024	228,183
2025	228,183
2026	228,183
Thereafter	114,091
Total	<u>\$ 1,255,006</u>

NOTE 11 RISKS AND UNCERTAINTIES

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. Specific to the Company, COVID-19 may impact various parts of its 2022 operations and financial results including sales. Management believes the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2021.

EXHIBIT “H”

TO DISCLOSURE DOCUMENT

State Addenda and Agreement Riders

[See Attached]

STATE ADDENDA AND AGREEMENT RIDERS

ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS,

AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR

REALTY EXECUTIVES INTL. SVCS. LLC

BACKGROUND AND PURPOSE

The following modifications are made to the REALTY EXECUTIVES Franchise Disclosure Document (“FDD” or “Disclosure Document”) issued by REALTY EXECUTIVES INTL. SVCS. LLC, an Arizona limited liability company (“we” or “us” or “franchisor”) to franchisee (“you” or “franchisee”) and may supersede, to the extent required by applicable state law, certain portions of the Franchise Agreement between you and us dated _____, 202__ (the “Franchise Agreement”). When the term “Supplemental Agreements” is used, it means any area development agreement, area representative agreement, master franchise agreement, or similar agreement entered into between us and you, if applicable.

Certain states have laws governing franchise relationships and franchise documents. Certain states require modifications to the FDD, Franchise Agreement, Supplemental Agreements and other documents related to the sale of a franchise. This State-Specific Addendum (“State Addendum”) will modify these agreements to comply with the applicable state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum (but only the State Addendum for the applicable State) will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements. If you sign this State Addendum, only the terms applicable to the state or states whose franchise laws apply to your transaction will govern. If you sign this State Addendum, but none of the state franchise laws listed above applies because their jurisdictional requirements have not been met, then this State Addendum will be void and inapplicable to you.

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.

CALIFORNIA

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the Disclosure Document.
2. 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.
3. Neither the franchisor nor any person in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
4. 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 or Supplemental Agreement restricting venue to a forum outside the State of California.
5. The Franchise Agreement and Supplemental Agreements require application of the laws of Arizona. This provision may not be enforceable under California law.
6. The Franchise Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).
7. The Franchise Agreement and Supplemental Agreements may contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
8. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.
9. All fees referenced in Item 5 of this Disclosure Document are subject to deferral pursuant to order of the State of California. Accordingly, you will pay no fees to us until we have completed all of our material pre-opening responsibilities to you and you commence operating the franchised business.
10. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.
11. You must sign a general release of claims if you renew or transfer your Franchise. 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).
12. According to California Usury Law, the highest interest rate allowed is 10% annually.
13. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE

CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT
FINANCIAL PROTECTION & INNOVATION AT <https://dfpi.ca.gov/>.

ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Disclosure Document and the Franchise Agreement and Supplemental Agreements are amended as follows:

1. Illinois law shall apply to and govern the Franchise Agreement and Supplemental Agreements.
2. In accordance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement and Supplemental Agreements that designated jurisdiction and venue in a forum outside of the State of Illinois is void.
3. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. The following risk factor is added to the Special Risks to Consider About This Franchise page of the Disclosure Document:

“2. Spousal Liability. Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse’s marital and personal assets (perhaps including your house) at risk if your franchise fails.

See the last page of this Exhibit I for your required signature.

INDIANA

In recognition of the requirements of the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement and Supplemental Agreements are amended as follows:

1. The laws of the State of Indiana supersede any provisions of the Disclosure Document, Franchise Agreement and Supplemental Agreements if such provisions are in conflict with Indiana law.
2. The Franchise Agreement and Supplemental Agreements are amended to provide that such agreements will be construed in accordance with the laws of the State of Indiana.
3. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of Indiana, is deleted from any Franchise Agreement and Supplemental Agreement issued in the State of Indiana.
4. The prohibition by Indiana Code § 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement or Supplemental Agreement (as applicable), shall supersede the provisions of the Franchise Agreement or Supplemental Agreement (as applicable) in the State of Indiana to the extent they may be inconsistent with such prohibition.
5. Liquidated damages and termination penalties are prohibited by law in the State of Indiana and, therefore, the Disclosure Document, the Franchise Agreement and Supplemental Agreements are amended by the deletion of all references to liquidated damages and termination penalties and the addition of the following language to the original language that appears therein:

Notwithstanding any such termination, and in addition to the obligations of the franchisee as otherwise provided, or in the event of termination or cancellation of the Franchise Agreement under any of the other provisions therein, the franchisee nevertheless shall be, continue and remain liable to franchisor for any and all damages which franchisor has sustained or may sustain by reason of such default or defaults and the breach of the Franchise Agreement on the part of the franchisee for the unexpired Term of the Franchise Agreement.

At the time of such termination of the Franchise Agreement, the franchisee covenants to pay to franchisor within 10 days after demand as compensation all damages, losses, costs and expenses (including reasonable attorney's fees) incurred by franchisor, and/or amounts which would otherwise be payable thereunder but for such termination for and during the remainder of the unexpired Term of the Franchise Agreement. This Agreement does not constitute a waiver of the franchisee's right to a trial on any of the above matters.

6. No release language set forth in the Disclosure Document or Franchise Agreement or Supplemental Agreement shall relieve franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana. Any provision in the Franchise Agreement or Supplemental Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

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.

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful 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.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. Minnesota Rule 2860.4400(D) prohibits us from requiring you to assent to a general release.
2. We will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement or Supplemental Agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights as provided for in Minnesota Statutes, chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. In addition, we will comply with the provisions of Minnesota Rule 2860.4400(J), which state that you cannot waive any rights, you cannot consent to our obtaining injunctive relief, we may seek injunctive relief, and a court will determine if a bond is required.
4. We will comply with Minnesota Statute Section 80C.12, Subd. 1(g), which requires that we protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

We will comply with Minnesota Statute Section 80C.17, Subd. 5 regarding limitation of claims.

NEW YORK

In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§680 through 695, the Disclosure Document, Franchise Agreement and Supplemental Agreements are amended as follows:

1. The following information is added to the cover page of the Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following risk factors are added to the Special Risks to Consider About This Franchise page of the Disclosure Document:

“2. Minimum Payments. You must make minimum advertising, and other 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 Sales Performance Levels. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise and loss of your investment.”

3. The following is added at the end of Item 3 of the Disclosure Document:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

4. The following is added to the end of the “Summary” sections of Item 17(c) of the Disclosure Document, titled **“Requirements for franchisee to renew or extend,”** and Item 17(m) of the Disclosure Document, entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

5. The following language replaces the “Summary” section of Item 17(d) of the Disclosure Document, titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

6. The following is added to the end of the “Summary” section of Item 17(v) of the Disclosure Document, titled “Choice of forum”, and Item 17(w) of the Disclosure Document, 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.

7. Franchise Questionnaires and Acknowledgements. 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. Receipts. 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 earlier 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.

WASHINGTON

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

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

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

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

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

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

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

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement and Supplement Agreements (if applicable) if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

(Signatures on following page)



APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Applicable Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreements (if applicable) and any other specified agreement(s) entered into by us and the undersigned franchisee. To the extent any terms of an applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement, Supplemental Agreement (if applicable) and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- | | | |
|-------------------------------------|---------------------------------------|---------------------------------------|
| <input type="checkbox"/> California | <input type="checkbox"/> Michigan | <input type="checkbox"/> South Dakota |
| <input type="checkbox"/> Hawaii | <input type="checkbox"/> Minnesota | <input type="checkbox"/> Virginia |
| <input type="checkbox"/> Illinois | <input type="checkbox"/> New York | <input type="checkbox"/> Washington |
| <input type="checkbox"/> Indiana | <input type="checkbox"/> North Dakota | <input type="checkbox"/> Wisconsin |
| <input type="checkbox"/> Maryland | <input type="checkbox"/> Rhode Island | |

Dated: _____, 202____

FRANCHISOR:

REALTY EXECUTIVES INTL. SVCS. LLC, an Arizona
limited liability company

By: _____

Title: _____



FRANCHISEE:

By: _____

Title: _____

EXHIBIT “I”

TO

DISCLOSURE DOCUMENT

Franchisee Organizations

- A. Franchisee Organizations We Have Created, Sponsored Or Endorsed: None
- B. Independent Franchisee Associations: None

EXHIBIT “J”

TO

DISCLOSURE DOCUMENT

Financing Documents

[See Attached]



PROMISSORY NOTE

U.S. \$ _____

_____, 202____
Phoenix, Arizona

FOR VALUE RECEIVED, _____, a(n) _____
 (“Debtor”), jointly and severally hereby promises to pay to the order of REALTY EXECUTIVES INTL. SVCS. LLC, an Arizona limited liability company (“Creditor”), at the office of Creditor located at 4343 E. Outlier Blvd., Suite 123, Phoenix, Arizona 85008, the principal amount of \$ _____, together with interest on the principal balance outstanding hereunder, from (and including) the date of this Note set forth above until (but not including) the date of payment, at a per annum rate equal to the Stated Interest Rate specified below in accordance with the following terms and conditions:

1. Contracted For Rate of Interest. The contracted for rate of interest of the indebtedness evidenced hereby, without limitation, shall consist of the following: (i) the Stated Interest Rate (as hereinafter defined), as from time to time in effect, calculated monthly, applied to the principal balance from time to time outstanding hereunder; and (ii) all Additional Sums (as hereinafter defined), if any. Debtor agrees to pay an effective rate of interest which is the sum of the Stated Interest Rate plus any additional rate of interest resulting from the application of the Additional Sums, if any.

2. Stated Interest Rate. The principal balance outstanding hereunder from time to time shall bear interest at the Stated Interest Rate. The Stated Interest Rate shall be equal to _____% per annum.

3. Late Charge. If Creditor has not received the full amount of any interest or principal payment by the end of 10 calendar days after the date it is due under this Note, Debtor will pay a late charge to Creditor at a rate applied to the overdue payment equal to the lesser of 24% per annum (prorated on a daily basis) or the highest rate permitted by your State’s law. Debtor will pay this late charge on all late payments. Any late charge incurred by Debtor will be paid upon demand by Creditor.

4. Payments. Debtor agrees to repay the Note in _____ monthly installments according to the below payment schedule (consisting of principal and accrued interest except as otherwise provided), with the first installment due on the _____ day of _____, 202__ and subsequent installments due on the 15th day of each month thereafter until the earlier of: (i) the date on which the principal and all accrued interest and other amounts payable hereunder are paid in full; or (ii) any sale, transfer, assignment or other disposition (including termination) of Debtor’s franchise rights under the Realty Executives Franchise Agreement, dated _____, 202__ (the “Franchise Agreement”), relating to the Realty Executives franchise for which the initial franchise fee is being financed.

<u>Date</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal Balance</u>

5. Application and Manner of Payments. Payments received by Creditor with respect to the indebtedness evidenced hereby shall be applied in such order and manner as Creditor in its sole and absolute discretion may elect. Unless otherwise elected by Creditor, all such payments shall first be applied to any late charge under Section 3, then to accrued and unpaid interest at the Stated Interest Rate, next to the principal balance then outstanding hereunder, and the remainder to any Additional Sums or other costs or added charges provided for herein or in the Franchise Agreement. Payments of principal and interest hereunder shall be made at the address

for Creditor first set forth above, or at such other address as Creditor may specify to Debtor in writing.

6. Prepayments. Payments of principal hereof may be made at any time, or from time to time, in whole or in part, without penalty, provided that all previously matured interest and other charges accrued to the date of prepayment are also paid in full. Notwithstanding any partial prepayment of principal hereof, there will be no change in the due date or amount of scheduled payments due hereunder unless Creditor, in its sole and absolute discretion, agrees in writing to such change.

7. Events of Default; Termination of Franchise Agreement. The occurrence of any one or more of the following events shall constitute an “Event of Default” hereunder, and upon such Event of Default, the entire principal balance outstanding hereunder, together with all accrued interest and other amounts payable hereunder, at the election of Creditor, shall become immediately due and payable, without any notice to Debtor, and Creditor may, in Creditor’s sole and absolute discretion, terminate the Franchise Agreement, without any notice to Debtor except as may otherwise be required under the terms of the Franchise Agreement or applicable law: (i) nonpayment of principal, interest or other amounts when the same shall become due and payable hereunder; (ii) the calling of a meeting of the creditors of Debtor or any other person or entity who is or may become liable hereunder; (iii) the making by Debtor or any other person or entity who is or may become liable hereunder of an assignment for the benefit of its creditors; (iv) the appointment of (or application for appointment of) a receiver of Debtor or any other person or entity who is or may become liable hereunder, or the involuntary filing against or voluntary filing by Debtor, or any other person or entity who is or may become liable hereunder, of a petition or application for relief under federal bankruptcy law or any similar state or federal law, or the issuance of any writ of garnishment, execution or attachment for service with respect to Debtor or any person or entity who is or may become liable hereunder, or any property of Debtor or property of any person or entity who is or may become liable hereunder; (v) Debtor transfers any right or obligation under this Note without Creditor’s prior written consent; (vi) Creditor terminates the Franchise Agreement pursuant to the terms contained therein; or (vii) Debtor has committed an event of default under the Franchise Agreement and has failed to cure the default within the applicable cure period, if any.

8. Personal Guaranty. In the event that Debtor is an entity, each person owning any equity interest in Debtor, as well as the spouse of each such person, shall personally guaranty Debtor’s obligations under this Note pursuant to the Personal Guaranty executed in connection with the Franchise Agreement. Depending on the creditworthiness of such individuals and the community property laws of the states in which they reside, Creditor may require that the spouse of one or more of these individuals execute the Personal Guaranty as well.

9. Additional Sums. All fees, charges, goods, things in action or any other sums or things of value, other than the interest resulting from the Stated Interest Rate paid or payable by Debtor (collectively, the “Additional Sums”), whether pursuant to this Note, the Franchise Agreement or any other document or instrument in any way pertaining to this financing transaction, or otherwise with respect to this financing transaction, that, under the laws of the State of Arizona, may be deemed to be interest with respect to this financing transaction, for the purpose of any laws of the State of Arizona that may limit the maximum amount of interest to be charged with respect to this financing transaction, shall be payable by Debtor as, and shall be deemed to be, additional interest, and for such purposes only, the agreed upon and “contracted for rate of interest” of this financing transaction shall be deemed to be increased by the rate of interest resulting from the Additional Sums. Debtor understands and believes that this financing transaction complies with the usury laws of the State of Arizona; however, if any interest or other charges in connection with this financing transaction are ever determined to exceed the maximum amount permitted by law, then Debtor agrees that: (a) the amount of interest or charges payable pursuant to this financing transaction shall be reduced to the maximum amount permitted by law; and (b) any excess amount previously collected from Debtor in connection with this financing transaction that exceeded the maximum amount permitted by law at the time such amount became payable hereunder, will be credited against the principal balance then outstanding hereunder. If the outstanding principal balance hereunder has been paid in full, the excess amount paid will be refunded to Debtor.

10. Waivers. Except as set forth in this Note or the Franchise Agreement, to the extent permitted by applicable law, Debtor, and each person who is or may become liable hereunder, severally waive and agree not to assert: (a) demand, diligence, grace, presentment for payment, protest, notice of nonpayment, nonperformance, extension, dishonor, maturity, protest and default; and (b) recourse to guaranty or suretyship defenses (including, without limitation, the right to require the Creditor to bring an action on this Note). Creditor may extend the time for payment of or renew this Note or release any party from liability hereunder, and any such extension, renewal, release or other indulgence shall not alter or diminish the liability of Debtor or any other person or entity who is or may become liable on this Note except to the extent expressly set forth in a writing evidencing or constituting such extension, renewal, release or other indulgence.

11. Costs of Collection. Debtor agrees to pay all costs of collection, including, without limitation, attorneys' fees, whether or not suit is filed or arbitration proceedings commenced, and all costs of suit and/or arbitration and preparation for suit (whether at trial or appellate level) and/or arbitration, in the event any payment of interest, principal or other amount is not paid when due, or in case it becomes necessary to exercise any other right or remedy hereunder or in the Franchise Agreement, or in the event Creditor is made party to any litigation proceeding because of the existence of the indebtedness evidenced hereby, or if at any time Creditor should incur any attorneys' fees in any proceeding under any federal bankruptcy law (or any similar state or federal law) in connection with the indebtedness evidenced hereby. In the event of any court proceeding, attorneys' fees shall be set by the court and not by the jury and shall be included in any judgment obtained by Creditor.

12. No Waiver by Creditor. No delay or failure of Creditor in exercising any right hereunder shall affect such right, nor shall any single or partial exercise of any right preclude further exercise thereof.

13. Governing Law. This Note shall be construed in accordance with and governed by the laws of the State of Arizona, without regard to the choice of law rules of the State of Arizona.

14. Jurisdiction and Venue. Debtor hereby expressly agrees that in the event any actions or other legal proceedings are initiated by or against Debtor or Creditor involving any alleged breach or failure by any party to pay, perform or observe any sums, obligations or covenants to be paid, performed or observed by it under this Note or the Franchise Agreement, or involving any other claims or allegations arising out of the transactions evidenced or contemplated by this Note or the Franchise Agreement, regardless of whether such actions or proceedings shall be for damages, specific performance or declaratory relief or otherwise, such actions shall be brought in the jurisdiction and venue specified in the Franchise Agreement. Debtor consents to such jurisdiction and venue and waives any defenses related thereto. Any action arising under this Note shall be brought in accordance with Section 21 of the Franchise Agreement.

15. Joint and Several Liability. If Debtor is comprised of more than one person or entity, the obligations of each of the persons or entities of which Debtor is comprised shall be joint and several.

16. Time of Essence. Time is of the essence of this Note and each and every provision hereof.

17. Conflicts; Inconsistency. In the event of any conflict or inconsistency between the provisions of this Note and the provisions of the Franchise Agreement, the provisions of this Note shall govern and control to the extent necessary to resolve such conflict or inconsistency.

18. Amendments. No amendment, modification, change, waiver, release or discharge hereof and hereunder shall be effective unless evidenced by an instrument in writing and signed by the party against whom enforcement is sought.

19. Severability. If any provision hereof is invalid or unenforceable, the other provisions hereof shall remain in full force and effect and shall be liberally construed in favor of Creditor in order to effectuate the

other provisions hereof.

20. Binding Nature. The provisions of this Note shall be binding upon Debtor and the heirs, personal representatives, successors and assigns of Debtor, and shall inure to the benefit of Creditor and any subsequent holder of all or any portion of this Note, and their respective successors and assigns. Creditor may choose to transfer all or any part of its interest in this Note without notice to Debtor.

21. Notice. Any notice or other communication with respect to this Note shall be given in the manner set forth in the Franchise Agreement.

22. Construction. This Note shall be construed as a whole, in accordance with its fair meaning, and without regard to or taking into account any presumption or other rule of law requiring construction against the party preparing this Note. The section headings set forth in this Note are for convenience only and shall not have substantive meaning hereunder or be deemed part of this Note.

IN WITNESS WHEREOF, Debtor has executed this Note as of the date first set forth above.

Debtor

By: _____
Name: _____
Title: _____

Address for service of Debtor:

_____, _____

EXHIBIT “K”

TO

DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT “L”

TO

DISCLOSURE DOCUMENT

Receipts

[See Attached]



RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If REALTY EXECUTIVES INTL. SVCS. LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale or granting of franchise. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or 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.

If REALTY EXECUTIVES INTL. SVCS. LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in Exhibit "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are **(to be completed by franchise seller involved in sales process):**

Name: David Celaya

Address: 4343 E. Outlier Blvd., Suite 123, Phoenix, Arizona 85008

Phone: 602-957-0747

Name: _____

Address: 4343 E. Outlier Blvd., Suite 123, Phoenix, Arizona 85008

Phone: _____

Our agent to receive service of process is listed in Exhibit "B" to this Disclosure Document.

Issuance Date: April 19, 2024

I have received the REALTY EXECUTIVES Franchise Disclosure Document that included the following Exhibits:

Exhibit A	List of State Administrators and Agents for Service of Process
Exhibit B	Franchisor's Agent for Service of Process
Exhibit C	Franchise Agreement
Exhibit D	General Release
Exhibit E	Table of Contents to Manual
Exhibit F	List of Franchisees
Exhibit G	Financial Statements
Exhibit H	State Addenda and Agreement Riders
Exhibit I	Franchisee Organizations
Exhibit J	Financing Documents
Exhibit K	State Effective Dates
Exhibit L	Receipts

Date: _____

FRANCHISEE: _____

State: _____

Print Name: _____

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If REALTY EXECUTIVES INTL. SVCS. LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale or granting of franchise. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or 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.

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The franchise seller(s) involved with the sale of this franchise is/are **(to be completed by franchise seller involved in sales process):**

Name: David Celaya

Address: 4343 E. Outlier Blvd., Suite 123, Phoenix, Arizona 85008

Phone: 602-957-0747

Name: _____

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Phone: _____

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Exhibit J	Financing Documents
Exhibit K	State Effective Dates
Exhibit L	Receipts

Date: _____

FRANCHISEE: _____

State: _____

Print Name: _____