

## FRANCHISE DISCLOSURE DOCUMENT



**TES Franchising, LLC**  
A Connecticut limited liability company  
464 Heritage Road, Suite 3  
Southbury, Connecticut 06488  
(203) 405-2120  
jpettit@franchisesource.com

The Entrepreneur's Source ("TES") is a franchised business that provides coaching, placement and franchising services to individuals, businesses, franchise prospects and franchisors ("TES Business(es)").

The total investment necessary to begin operation of a The Entrepreneur's Source franchise is \$114,350 to \$125,950 ~~for~~ for a single unit. This includes \$~~100,900~~ 103,000 to \$~~101,100~~ 103,450 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jessica Pettit at 464 Heritage Road, Suite 3, Southbury, CT 06488, (203) 405-2120.

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

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

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

Issuance Date: April ~~18, 2023~~ 12, 2024.

For use in all states except Illinois, California, Maryland and Washington

## How to Use This Franchise Disclosure Document

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

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

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

Your state may have a franchise law, or other law, which 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 D.

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, arbitration and/or litigation only in Connecticut. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Connecticut than in your own state.

2. **Minimum Advertising Payments.** You must make minimum advertising payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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



**NOTICE REQUIRED BY  
STATE OF MICHIGAN**

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

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that the 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 terms 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 six (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 or 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 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 the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

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

## TABLE OF CONTENTS

| <u>Item</u>  | <u>Page</u>   |
|--|---------------|
| <del>TABLE OF CONTENTS</del> .....   | <del>i</del>  |
| <del>ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES</del> .....                 | <del>3</del>  |
| <del>ITEM 2 BUSINESS EXPERIENCE</del> .....  | <del>4</del>  |
| <del>ITEM 3 LITIGATION</del> .....   | <del>6</del>  |
| <del>ITEM 4 BANKRUPTCY</del> .....   | <del>6</del>  |
| <del>ITEM 5 INITIAL FEES</del> .....   | <del>6</del>  |
| <del>ITEM 6 OTHER FEES</del> .....   | <del>8</del>  |
| <del>ITEM 7 ESTIMATED INITIAL INVESTMENT</del> .....   | <del>13</del> |
| <del>ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES</del> .....                             | <del>16</del> |
| <del>ITEM 9 FRANCHISEE'S OBLIGATIONS</del> .....   | <del>18</del> |
| <del>ITEM 10 FINANCING</del> .....   | <del>19</del> |
| <del>ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING</del> .....        | <del>23</del> |
| <del>ITEM 12 TERRITORY</del> .....   | <del>29</del> |
| <del>ITEM 13 TRADEMARKS</del> .....  | <del>30</del> |
| <del>ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION</del> .....                             | <del>31</del> |
| <del>ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS</del> ..... | <del>32</del> |
| <del>ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL</del> .....                                | <del>33</del> |
| <del>ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION</del> .....                       | <del>34</del> |
| <del>ITEM 18 PUBLIC FIGURES</del> .....  | <del>37</del> |
| <del>ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS</del> .....                                       | <del>37</del> |
| <del>ITEM 20 OUTLETS AND FRANCHISEE INFORMATION</del> .....  | <del>42</del> |
| <del>ITEM 21 FINANCIAL STATEMENTS</del> .....  | <del>48</del> |
| <del>ITEM 22 CONTRACTS</del> .....   | <del>48</del> |
| <del>ITEM 23 RECEIPTS</del> .....  | <del>48</del> |
| <del>TABLE OF CONTENTS</del> .....   | <del>i</del>  |

|   |                  |
|---|------------------|
| <b><u>ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES.....</u></b>                  | <b><u>4</u></b>  |
| <b><u>ITEM 2 BUSINESS EXPERIENCE .....</u></b>  | <b><u>5</u></b>  |
| <b><u>ITEM 3 LITIGATION .....</u></b>   | <b><u>7</u></b>  |
| <b><u>ITEM 4 BANKRUPTCY.....</u></b>  | <b><u>8</u></b>  |
| <b><u>ITEM 5 INITIAL FEES .....</u></b>   | <b><u>8</u></b>  |
| <b><u>ITEM 6 OTHER FEES .....</u></b>   | <b><u>9</u></b>  |
| <b><u>ITEM 7 ESTIMATED INITIAL INVESTMENT .....</u></b>   | <b><u>15</u></b> |
| <b><u>ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....</u></b>                             | <b><u>17</u></b> |
| <b><u>ITEM 9 FRANCHISEE’S OBLIGATIONS.....</u></b>  | <b><u>20</u></b> |
| <b><u>ITEM 10 FINANCING.....</u></b>  | <b><u>21</u></b> |
| <b><u>ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING.....</u></b>         | <b><u>24</u></b> |
| <b><u>ITEM 12 TERRITORY .....</u></b>   | <b><u>31</u></b> |
| <b><u>ITEM 13 TRADEMARKS .....</u></b>  | <b><u>32</u></b> |
| <b><u>ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....</u></b>                             | <b><u>33</u></b> |
| <b><u>ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....</u></b> | <b><u>34</u></b> |
| <b><u>ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....</u></b>                                | <b><u>35</u></b> |
| <b><u>ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....</u></b>                        | <b><u>36</u></b> |
| <b><u>ITEM 18 PUBLIC FIGURES .....</u></b>  | <b><u>39</u></b> |
| <b><u>ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS .....</u></b>                                       | <b><u>39</u></b> |
| <b><u>ITEM 20 OUTLETS AND FRANCHISEE INFORMATION .....</u></b>  | <b><u>44</u></b> |
| <b><u>ITEM 21 FINANCIAL STATEMENTS.....</u></b>   | <b><u>54</u></b> |
| <b><u>ITEM 22 CONTRACTS.....</u></b>  | <b><u>55</u></b> |
| <b><u>ITEM 23 RECEIPTS.....</u></b>   | <b><u>55</u></b> |

**EXHIBITS:**

|           |   |
|-----------|---|
| Exhibit A | Franchise Agreement   |
|           | Attachment 1- Franchise Data Sheet                          |
|           | Attachment 2- Ownership Interests in Franchise Owner        |
|           | Attachment 3- Owners Agreement                              |
|           | Attachment 4-Automated Clearing House Payment Authorization |
|           | Attachment 5-Franchise Disclosure Questionnaire             |
|           | Attachment 6- State Addenda to the Franchise Agreement      |

|             |  |
|-------------|--|
| Exhibit B   | List of Current and Former Franchisees                     |
| Exhibit C   | Financial Statements                                       |
| Exhibit D   | List of State Administrators/Agents for Service of Process |
| Exhibit E   | Operations Manual Table of Contents                        |
| Exhibit F   | State Addenda to the Disclosure Document                   |
| Exhibit G-1 | General Release Agreement                                  |
| Exhibit G-2 | System Protection Agreement                                |
| Exhibit H   | Receipts   |

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

To simplify the language in this Franchise Disclosure Document, “TES Franchising,” “we,” “our,” or “us” means TES Franchising, LLC, the franchisor. “You,” “your,” and “Franchisee” means the person, and its owners if the Franchisee is a business entity, who licenses the franchise from TES Franchising.

The Franchisor and Any Parents, Predecessors, and Affiliates

TES Franchising is a Connecticut limited liability company organized on October 8, 1997. We operate under the name TES Franchising, LLC and “The Entrepreneur’s Source,” and no other name. Our principal business address is ~~464~~ 464 Heritage Road, Suite 3, Southbury, Connecticut 06488. We began offering TES Business franchises on September 23, 1997. We offered TES regional developer franchises from 1999 to 2010, but no longer do so.

We have not and do not operate any franchises like those described in this Franchise Disclosure Document, or in any other line of business. We do not conduct any other business other than franchising TES Businesses. We do not have any parent companies or predecessors.

Exhibit D contains our agents for service of process.

We have another affiliate, AdvCoach Franchising, LLC (“AFL”) with a principal business address at 464 Heritage Road, Suite 3, Southbury Connecticut 06488. AFL offered franchises from September 2005 to April 2020. AFL is no longer offering franchises.

Our affiliates do not provide products or services to our franchisees.

International Franchising. We previously offered franchises in Canada from 2003-2012 and 2016-2018. We began to offer franchises again in Canada since 2020. As of December 31, ~~2022~~ 2023, we have one franchised outlet in Canada.

The Franchise We Offer

We offer franchises (“Franchise” or “TES Franchise”) for TES Businesses and provide training and support to franchisees that operate TES Businesses. We offer franchises for the use of our TES for the operation of TES Businesses. TES Businesses are operated under our proprietary TES system (“System”) and trademarks, trade names, service marks, and logos (“Marks”). The System may be changed or modified by us throughout your ownership of the Franchise.

TES Businesses advise and coach individuals looking to explore franchising. TES Businesses work with franchisors, licensors and other businesses to assist them in obtaining prospective franchisees to award their franchise or non-franchise businesses (“Placement Services”). TES Businesses also work with businesses seeking to expand through franchising. You must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit A (“Franchise Agreement”). You may operate one (1) TES Business for each Franchise Agreement you sign. You may operate your TES Business as an owner/operator or you may contract an individual to manage the direct day-to-day operations of the TES Business on a full time basis (“Principal Operator”).

You are not required to rent or purchase real estate and will most likely operate your TES Business from your home. You may choose to rent commercial office space or an executive suite, but it is not required.

## The Market and Competition

TES Businesses services are not seasonal in nature. The market for the services offered by TES Businesses is well developed and highly competitive. You will compete with independent, franchised and other chain operators of business brokerage and franchise consulting businesses. You will also compete with independent businesses and individuals who provide consulting and coaching services to the business sector, including accounting firms, and/or other business coaching companies. TES Businesses may also compete with other TES Business franchisees. Our affiliate AFL's franchisees engage in business coaching. AFL franchisees do not offer Placement Services.

## Industry Specific Laws and Regulations

Your TES Business is subject to federal, state and local laws and regulations apply to businesses generally. You must also comply with state and federal franchise sales and disclosure laws. You may be required to register as a broker in certain states. It is your sole responsibility, on an ongoing basis, to investigate and satisfy all local, state and federal laws, since they vary from place to place and can change over time.

## **ITEM 2 BUSINESS EXPERIENCE**

### Founder and Managing Member: Terry Powell, CFE

Mr. Terry Powell ~~serves~~has served as our Managing Member since January 1997. Mr. Powell is also ~~Co-Founder and Managing Member Performance Enhancement Franchising, LLC since December 2019. Mr. Powell is also Founder and~~serveshas served as Managing Member of AdviCoach Franchising, LLC since September 2005 in Southbury, CT.

### CEO (Chief Executive Officer): Marissa Frois

Ms. Frois joined TES in February 2011 and has served as CEO since December 2021 in Southbury, CT. She also served as Strategic Integrator from July 2020 to December 2021. From February 2011 to July 2020, Ms. Frois served in different roles for TES, including as Head of the Digital Innovation and Marketing Team. Ms. Frois works from our Performance Enhancement Center in Southbury, CT.

### Strategic Integrator: Justin Brogan

Mr. Brogan joined TES in February 2018 and has served as Strategic Integrator since October 2022. He has also served as a Business Intelligence Strategist for TES from October 2019 to October 2022. He also served as a Franchise Business Coach (formerly known as Performance Enhancement Coach) for TES from February 2018 to October 2019. ~~Previously, Mr. Brogan was a Managing Member and franchisee of a Two Men and a Truck franchise in Westchester County, New York from June 2014 to February 2018. Mr. Brogan works from our Performance Enhancement Center in Southbury, CT.~~

### ~~Business Development~~Executive Growth Strategist: Susan Stilwell

Ms. Stilwell joined TES in November 2005 and has served as the Business Development Strategist for TES in Southbury, CT since joining TES. In 2023, she moved into the role of Executive Growth Strategist. She also served as Strategic Integrator from July 2020 to December 2021. ~~From November 2005~~

~~to September 2015, Ms. Stilwell also served as Vice President of FranchiseSource Brands International, a multi-brand franchise organization that includes the franchise brands: The Entrepreneur's Source, AdvCoach, Business Partner and Decor and You.~~  
CFO (Chief Financial Officer): Mike Dylag

Mr. Dylag joined TES in May 2020 and serves as our CFO on a consulting basis, working from our Performance Enhancement Center in Southbury, CT. Since 2019, Mr. Dylag has provided CFO consulting services to various companies across multiple industries, including franchising, healthcare providers, software, and IT business services. ~~Previously, Mr. Dylag served as CFO of BrookBeam Dental in Kingston, NY, from March 2017 to May 2019 and as CFO for Talivity, Inc. (formerly OGH, LLC) in Wilton, CT, from January 2005 to December 2016.~~

TES Brand Ideology: Tamara Loring

Ms. Loring is in charge of our TES Brand Ideology and works from our Performance Enhancement Center in Southbury, CT. and has held this position since July 2020. Prior to that she served in various capacities at TES since March 2002.

Business Support Strategist & System Licensing Standards Manager: Jessica Pettit

Ms. Pettit joined TES as the System Licensing Standards Manager in November 2015, and works from our Performance Enhancement Center in Southbury, Connecticut, CT. Previously, Ms. Pettit has served in other roles for The Entrepreneur's Source since joining the organization in March 2015, including Cross Department Support Partner and other Management and Support roles.

Director of Franchise Development: Eric Missbrenner

Mr. Missbrenner joined TES in April 2022 as TES Member Relationship Associate. In September 2023, he transitioned into the role of Director of Franchise Development. Prior to joining TES, Mr. Missbrenner was the Director of International Franchise Acquisition for The Alternative Board in Westminster, Colorado from April 2020 until April 2022, and from November 2017 through April 2022, he also served as National Director of Sales/Certified Master Trainer for Allen Training Centers, Inc. in Westminster, Colorado.

Member Strategist: Gregory M. Cook, CFE

Mr. Cook joined TES as Member Strategist in June 2023. He also served as Member Relationship Strategist of TES from September 2019 to April 2021. From April 2021 until June 2023, he served as President and CEO of Silvercrest, a technology company headquartered in Palm Springs, CA.

Training and Support Strategist: Kevin Stewart

Mr. Stewart joined TES as Performance Enhancement Coach in August 2019 in Southbury, Connecticut. He has also served in the role of Head of Training from 2021 to 2022 and from October of 2022 until February 2024 he served in the role of Solutions Catalyst. In February of 2024, he was promoted to the title of Training and Support Strategist. Prior to joining TES, Mr. Stewart was the owner of FirstLight HomeCare of North Dallas from October 2011 until September 2019, in Dallas Texas.

Lead Franchise Business Coach: Michael Decouflé



Mr. Decouflé joined TES as Performance Enhancement Coach in August 2019 in Southbury, Connecticut, and was promoted to Lead Franchise Business Coach in 2021. Prior to that Mr. Decouflé served as Regional Manager for Premium Service Brands in Charlottesville, Virginia from April 2018 until July 2019. ~~He also served as Regional Manager of Premium Franchise Brands in Alpharetta, Georgia from March 2016 to March 2018.~~

Franchise Business Coach & Training Lead: Brigitte Thewes

Ms. Thewes joined TES as a Franchise Business Coach and a member of the Training Team in January 2022 in Southbury, Connecticut. She has also served as the Training Lead for the TES Training Team since October 2022. Previously, Ms. Thewes was the Operations Manager for Ultimate Franchise / 18|8 Fine Men's Salons in the Orange County/Los Angeles, CA area from November 2006 to December 2019.

Solutions Catalyst: Kevin Stewart

Marketing & Digital Innovation Strategist: Marc Butler

Mr. ~~Stewart~~~~Butler~~ joined TES ~~as Performance Enhancement Coach in August 2019 in Southbury, Connecticut. He has also served in the role of Head of Training from 2021~~Marketing & Digital Innovation Strategist in January 2024. He previously worked with TES in a Consulting Role prior to 2022. ~~In October of 2022, he was promoted to joining the title of Solutions Catalyst.~~TES Team. Prior to ~~that~~joining TES, Mr. ~~Stewart~~ ~~was~~ ~~Butler~~ served as Senior Vice President, Marketing / Strategic Planning at Hooters of America located in ~~the owner of FirstLight HomeCare of North Dallas from October 2011 until September 2019, in Dallas Texas~~Atlanta, Georgia area, from 2013 through June 2023.

Client Engagement Strategist: Michael Brennan

Mr. Brennan joined TES as the Client Engagement Strategist in February 2019, in Southbury, Connecticut. ~~Previously, Mr. Brennan worked at T-Mobile as a Marketing Segmentation Manager from July 2012—May 2016 in Bellevue, Washington.~~

Controller: Cory Denninger

Mr. Denninger has served as our controller since January 2011. ~~Mr. Cory Denninger has also served as controller for, working from our Performance Enhancement Franchising, LLC since December 2019~~Center in Southbury, CT. Mr. Denninger ~~has also served~~as Controller for AdviCoach Franchising, LLC since January 2011 in Southbury, Connecticut.

### ITEM 3 LITIGATION

Concluded Actions

*In the matter of TES Franchising, LLC. (FTC Decision and Order Docket No. C-4525)*

On April 7, 2015 the Federal Trade Commission filed a Complaint against TES Franchising (File No. 1523015). The Complaint alleged false and misleading representations in the handling of consumer disputes because TES Franchising held itself out as a participant of the Safe Harbor Frameworks and the

TRUSTe self-regulatory program on its website. The Federal Trade Commission allegations related to the arbitration entity and costs utilized in resolving Safe Harbor disputes. The Federal Trade Commission and TES Franchising entered into a Consent Agreement which was approved on May 20, 2015 and prohibits TES Franchising from misrepresenting participation in and memberships involving dispute resolution; requires disclosure of the Order, to persons responsible for ensuring compliance with the Consent Agreement; requires Federal Trade Commission notification of corporate changes; and, the maintenance of reports and compliance documentation to the Federal Trade Commission. The Consent Agreement terminates May 20, 2035.

*In the matter of TES Franchising, LLC v. Garth Leech and Jessica Leech (Case 01-21-0001-8977 and Docket No. UWY-CV-2160634745)*

In Arbitration Case# 01-21-0001-8977 and Docket #UWY-CV-2160634745 TES Franchising LLC was awarded \$102,341.50 from franchisees Garth and Jessica Leech, by orders dated October 11, 2021, and March 7, 2022. The franchisees had terminated their franchise without legal justification and were ordered to pay all fees due for the remaining years of their franchise plus attorney's fees to TES Franchising, LLC.

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

#### **ITEM 4 BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

#### **ITEM 5 INITIAL FEES**

##### *Initial Franchise Fee*

You will pay us an initial franchise fee ("Initial Franchise Fee") of \$75,000 when you sign the Franchise Agreement. The Initial Franchise Fee is payment for all of the pre-opening assistance that we provide to allow you to open your TES Business, and also offsets some of our franchisee recruitment expenses. All Initial Franchise Fees are uniform, except as provided below. We offer a reduced Initial Franchise Fee under the following circumstances:

Veteran's Discount. We participate in the International Franchise Association VetFran Program. Under this program, honorably discharged veterans of the United States armed forces receive a 15% discount on the Initial Franchise Fee. You are required to provide us with a copy of your DD214 to receive this discount.

##### *Training*

After you sign the Franchise Agreement, you will be enrolled in our Onboarding Training Module, and our initial Phase 1 Training on-site event ("OSE" or "On-Site Events"), and this is followed by our 12 Week Training Program in between Phase 1 and Phase 2, consisting of Virtual Learning & Education Calls, and our virtual Phase 2 Training, all of which are discussed in Item 11. You will be required to pay us a training fee of \$25,000 ("Training Fee") for your principal operator, you (or your approved Principal Operator). The Training Fee is due in full at the time you sign the Franchise Agreement.

If you intend to include a Business Development Assistant in your TES Business, they may attend Phase 1 and Phase 2 training within 12 months of the signing of your Franchise Agreement for an additional fee of \$7,500. The function of a Business Development Assistant is strictly a support and administrative role, and they may not function in the role of a Coach at any time. Any Business Development Assistant will be required to sign the System Protection Agreement (Exhibit G-2).

#### *Managed Services and Technology Program*

We have made arrangements with several vendors for preferred pricing for products and services used by TES Businesses. Some of these services are provided by us or paid for by us and others are billed by the vendors. We combine monthly fees and pro rate yearly fees and charge you one monthly Managed Services and Technology Program fee (“MST Fee”). The MST Fee is currently \$150 per user per month. Because this fee is partly determined by the fees charged by our vendors, it may be adjusted throughout the year and may fluctuate from year to year. This fee begins on the last day of the month you attend your OSE Phase 1 Training.

#### *Brand Building Investment*

We have established a “Brand Building Fund” for the purpose of promoting the Marks and the System. You are required to pay a Brand Building Fund contribution (“Brand Building Investment”) of \$750 per month. This fee, at our discretion, may be increased to up to \$950 per month upon ninety (90) days’ notice. This fee begins on the last day of the month (on or about) 90-days after you attend your OSE Phase 1 Training.

#### *Refundability of Initial Fees*

All initial fees are fully earned by us when paid and are nonrefundable.

### **ITEM 6 OTHER FEES**

| Type <sup>(1)</sup>                | Amount                          | Due Date    | Remarks  |
|------------------------------------|---------------------------------|-------------|--|
| Placement Fee Share <sup>(2)</sup> | 25% of Placement Fees collected | As incurred | Franchisors pay us a placement fee for transactions originated by TES Businesses (“ <u>Placement Fee</u> ”). We retain 25% of each Placement Fee as the “ <u>Placement Fee Share</u> .” We will remit to you 75% of each Placement Fee, which is known as your “ <u>Net Placement Fee</u> ,” five days following clearance of the Placement Fee. |

| Type <sup>(1)</sup>  | Amount                                   | Due Date   | Remarks  |
|--|--|--|--|
| <u>Additional Revenue Fee Share <sup>(4)</sup></u>         | <u>25% of the Revenue collected</u>      | <u>As incurred</u>   | <u>Franchisors, in addition to a placement fee, may pay us bonuses or incentives for transactions originated by TES Businesses. We retain 25% of each Additional Revenue Fee. We will remit to you 75% of any Additional Revenue Fee which is known as your “Net Additional Revenue Fee,” five days following clearance of the Additional Revenue Fee.</u>   |
| <u>Affiliate Partner Referral Fee Share <sup>(5)</sup></u> | <u>25% of the Referral Fee collected</u> | <u>As incurred</u>   | <u>Our Affiliate Partners may pay us a Referral Fee for referring TES clients to them. We retain 25% of the Affiliate Partner Referral Fee. We will remit to you 75% of any Affiliate Partner Referral Fees which is known as your “Net Affiliate Partner Referral Fee,” received on your behalf, as outlined in the Operations Manual.</u>  |
| <u>Funding Partner Referral Fee Share <sup>(6)</sup></u>   | <u>20% of the Referral Fee collected</u> | <u>As incurred</u>   | <u>Funding Partners may pay us a Referral Fee for referring TES clients to them for financing. We retain 20% of the Funding Partner Referral Fee. We will remit to you 80% of any Funding Partner Referral Fees, which is known as your “Net Funding Partner Referral Fee,” received on your behalf, as outlined in the Operations Manual.</u>   |
| Brand Building Investment                                  | \$750 per month                          | Deducted the last business day of the month for the following month (First deduction taken on or about 90 Days after you attend Phase 1 OSE) | This contribution will be used for a system-wide Brand Building Fund for our use in promoting and building the TES brand. We reserve the right to adjust this fee upon ninety (90) days’ notice as needed based on market demands or increased expenses. It will not be increased to more than \$950. You will begin paying this fee on the last business day of the month on or about 90-days after you attend your OSE Phase 1 Training Event. |

| Type <sup>(1)</sup>                         | Amount   | Due Date   | Remarks  |
|---|--|--|--|
| Marketing                                   | Minimum of \$300 per month   | Monthly  | We require you to invest a minimum of \$300 per month on proactive marketing and advertising on your TES Business. The amount you spend should be based around your projected earnings. You agree, at your sole cost and expense, to invest in activities and resources such as: digital or printed advertisements, networking events, business development activities, printing of marketing materials, etc. in accordance with advertising programs established by us. |
| Managed Services and Technology Program Fee | Currently \$150 per month per individual                                 | Deducted the last business day of the month for the next month (First deduction taken the last business day of the month you attend Phase 1 OSE) | This fee may increase or decrease depending on the fees charged by outside vendors and the services provided. You will begin paying this fee on the last business day of the month that you attend your OSE Phase 1 Training Event.  |
| Annual Conference Fee                       | Currently \$450 or the then-current fee per person                       | Approximately two (2) months prior to the annual conference  | Your Principal Operator is required to attend this conference every year. This fee is due whether or not you attend our annual conference in any given year. You are responsible for travel, lodging, meals, personal expenses, and wages incurred by you or your personnel.   |
| Ongoing Training                            | Daily Attendance Fee   | As incurred  | We reserve the right to offer and hold such additional ongoing training programs and franchise owners meetings regarding such topics and at such times and locations as we may deem necessary or appropriate. We also reserve the right to make these training programs mandatory for you and/or designated owners, and/or representatives of yours.   |
| Additional Assistance Fee                   | Currently \$770 per day plus any travel expenses, if travel is required. | Seven (7) days before the requested additional assistance  | We may charge you for personally requested or required (based on performance) additional assistance/training including but not limited to refresher training courses, advanced training courses, and/or additional or special assistance or training. These fees amount will depend on the training required.  |

| Type <sup>(1)</sup>           | Amount  | Due Date   | Remarks   |
|-------------------------------|---|--|---|
| System Modification           | Actual Cost   | As incurred  | We may modify the system, and you are responsible for all costs related to modifying the operation of your Franchise to meet modified system requirements.  |
| Transfer Fee                  | 25% of the then current Franchise Fee   | You must submit a transfer request in writing. Your license must be in full compliance to be considered for an approval of transfer. | Payable only in connection with the transfer of your TES Business/ Franchise Agreement to another owner or entity owned by another individual. <i>This does not include a transfer of ownership from you as an individual to your legal entity.</i>   |
| Renewal Fee                   | \$5,000   | At the time of renewal following the term of your initial 10-year agreement.   | Payable if you qualify for a renewal of your Franchise and choose to enter into a successor franchise agreement.  |
| Audit Expenses <sup>(3)</sup> | Cost of audit and inspection, any understated amounts, and any related accounting and legal expenses (we estimate this cost to be between \$1,000 and \$12,000) | Upon invoice   | Payable only if an audit reveals that you understated monthly Gross Revenues by more than two percent (2%) or you fail to submit required reports. Audit fees include all out-of-pocket expenses for conducting the audit, including travel, lodging and meals, attorneys' and/or accountants' fees. Audit will be paid by us if you comply with the request for the audit and no discrepancy greater than 2% is found. |
| Insurance                     | Cost plus a 20% administrative fee  | On demand  | If you fail to obtain insurance, we may obtain insurance for you and you must reimburse us for the cost of insurance obtained plus 20% of the premium as an administrative cost of obtaining the insurance.   |
| Late Payment Fee              | \$100 per occurrence, plus lesser of the daily equivalent of 12% per year simple interest or the highest rate allowed by law                                    | As incurred  | Payable if any payment due to us or our affiliates is not made by the due date. Interest accrues from the original due date until payment is received in full.  |
| Insufficient Funds Fee        | \$100 per occurrence  | As incurred  | Payable if any check or electronic funds payment (" <u>EFT</u> ") is not successful due to insufficient funds, stop payment, or any similar event.  |

| Type <sup>(1)</sup>                         | Amount   | Due Date    | Remarks  |
|---|--|-------------|--|
| Indemnification                             | Will vary under circumstances  | As incurred | You must indemnify and reimburse us for any expenses or losses that we or our representatives incur if we are held liable for claims from your operation of the Franchised Business  |
| Professional Fees and Expenses              | Will vary under circumstances  | As incurred | You must reimburse us for any legal or accounting fees that we incur as a result of any breach or termination of your Franchise Agreement. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement. |
| Client Satisfaction Reimbursement           | Varies under circumstances   | As incurred | We may, in our sole discretion, remedy any issues with customers of your TES Business, including full reimbursement of any fees paid to you. You may be required to reimburse us for any such reimbursements.  |
| Mediation                                   | Actual Cost  | As incurred | The parties shall each bear their own costs of mediation and shall share equally the filing fee imposed by AAA and the mediator's fees.  |
| Arbitration                                 | One-half of the arbitrator's and administration expenses incurred during the arbitration process; provided, however, that the prevailing party shall be entitled to recover its expenses, including reasonable attorneys' fees, accounting fees and arbitrator and administrative expenses   | As incurred |  |
| Future Fees and Future Placement Fee Shares | Amount of All Managed Services & Technology Fees and all Brand Building Fees that would be due for the remainder of the term of the FA and a projection of all Placement Fee Shares that would be due for the remainder of the FA, in each case, upon either unlawful termination of the franchise by you or termination of the franchise for cause by us. | As incurred | If you are in good standing and in full compliance with all of the terms of this Agreement, you may request to sign a Mutual Separation Agreement in which we will agree to cap your liability for the early termination of this Agreement at \$25,000.                      |

Notes: Unless otherwise noted, all fees are uniform and non-refundable.

1. Fees. All fees paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors

and suppliers. We require you to pay fees and other amounts due to us via EFT or other similar means. You are required to complete the EFT authorization (in the form attached to this Franchise Agreement as Attachment 4). We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement.

2. Placement Fee Share. You are required to pay us a Placement Fee Share which equals 25% of any Placement Fees. Placement Fees are fees paid by franchisors for franchise sales transactions originated by your TES Business. Placement Fees are required to be paid directly to us by franchisors. In the event a Placement Fee is paid directly to you, you must submit the entire Placement Fee to us immediately upon receipt. Placement Fees are not earned until we have received payment in good funds that clear our bank account. We will transfer the Net Placement Fee to the bank account you assign for your TES Business five days following our receipt of cleared Placement Fees. The Net Placement Fee is the Placement Fees originated we receive minus the Placement Fee Share.
3. Gross Revenues. “Gross Revenues” means all amounts derived from your activities in connection with the TES Business, whether received in cash, in services, in kind, on credit or otherwise. Gross Revenue does not include the payment of any required state sales or service taxes.
4. Additional Revenue Fee Share. You are required to pay us a Revenue Fee Share which equals 25% of any Additional Revenue Fee received in addition to a Placement Fee. Additional Revenue Fees are fees paid by franchisors for bonuses or incentives for transactions originated by TES Businesses. Additional Revenue Fees are required to be paid directly to us by franchisors. In the event an Additional Revenue Fee is paid directly to you, you must submit the entire Additional Revenue Fee to us immediately upon receipt. Additional Revenue Fees are not earned until we have received payment in good funds that clear our bank account. We will transfer the Net Additional Revenue Fee to the bank account you assign for your TES Business five days following our receipt of cleared Placement Fees. The Net Additional Revenue Fee is the Additional Revenue Fees originated we receive minus the Additional Revenue Fee Share.
5. Affiliate Partner Referral Fee Share. You are required to pay us an Affiliate Partner Referral Fee Share which equals 25% of any Affiliate Partner Referral Fee received. Affiliate Partner Referral Fees are fees paid by our Affiliate Partners for referring TES clients to them. Affiliate Partner Referral Fees are required to be paid directly to us by our Affiliate Partners. In the event an Affiliate Partner Referral Fee is paid directly to you, you must submit the entire Affiliate Partner Referral Fee to us immediately upon receipt. Affiliate Partner Referral Fees are not earned until we have received payment in good funds that clear our bank account. We will transfer the Net Affiliate Partner Referral Fees to the bank account you assign for your TES Business. The Net Affiliate Partner Referral Fees is the Affiliate Partner Referral Fee originated we receive minus the Affiliate Partner Referral Fee Share. Affiliate Partner Referral Fees received on your behalf are paid to you as outlined in the Operations Manual.
6. Funding Partner Referral Fee Share You are required to pay us a Funding Partner Referral Fee Share which equals 20% of any Funding Partner Referral Fee received. Funding Partner Referral Fees are fees paid by our Funding Partners for referring TES clients to them. Funding Partner Referral Fees are required to be paid directly to us by our Funding Partners. In the event an Affiliate Partner Referral Fee is paid directly to you, you must submit the entire Funding Partner Referral Fee to us immediately upon receipt. Funding Partner Referral Fees are not earned until we have received payment in good funds that clear our bank account. We will transfer the Net Funding



Partner Referral Fees to the bank account you assign for your TES Business. The Net Funding Partner Referral Fees is the Funding Partner Referral Fee originated we receive minus the Funding Partner Referral Fee Share. Funding Partner Referral Fees received on your behalf are paid to you as outlined in the Operations Manual.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**A. SINGLE UNIT FRANCHISE**

| Type of Expenditure                              | Amount   |          | Method of Payment | When Due                                      | To Whom Payment is to be Made |
|--|----------|----------|-------------------|---|-------------------------------|
|  | Low      | High     |                   |   |                               |
| Initial Franchise Fee (Note 1)                   | \$75,000 | \$75,000 | Lump sum          | At the time you sign your Franchise Agreement | Us                            |
| Training Fee (Note 2)                            | \$25,000 | \$25,000 | Lump sum          | At the time you sign your Franchise Agreement | Us                            |
| Travel And Living Expenses (Note 3)              | \$2,000  | \$3,500  | As incurred       | As incurred                                   | Airlines, Hotels, Restaurants |
| Insurance Premiums – Annual (Note 4)             | \$700    | \$1,500  | As incurred       | Before opening                                | Insurance Company             |
| Equipment (Note 5)                               | \$150    | \$2,500  | As incurred       | Before opening                                | Approved Suppliers            |
| Initial Marketing (Note 6)                       | \$1,000  | \$2,000  | As incurred       | Before opening                                | Approved Suppliers            |
| MST Fees and Brand Building Investments (Note 7) | \$3,000  | \$3,000  | As incurred       | As incurred                                   | Us                            |
| Conference Fee (Note 8)                          | \$0      | \$450    | As incurred       | As incurred                                   | Us                            |
| Conference Travel and Living Expenses (Note 9)   | \$0      | \$3,000  | As incurred       | As incurred                                   | Airlines, Hotels, Restaurants |

| Type of Expenditure                          | Amount       |              | Method of Payment | When Due    | To Whom Payment is to be Made |
|--|--------------|--------------|-------------------|-------------|-------------------------------|
|  | Low          | High         |                   |             |                               |
| Additional Funds – 6 Months (Note 10)        | \$7,500      | \$10,000     | As incurred       | As incurred | Third Parties                 |
| TOTAL ESTIMATED INITIAL INVESTMENT (Note 11) | \$114,350.00 | \$125,950.00 |                   |             |                               |

Notes: All payments to us are non-refundable. Whether payments to third-parties are refundable would depend upon their policies.

1. Initial Franchise Fee. The Initial Franchise Fee is \$75,000. We disclose financing terms in Item 10. We offer a 15% reduction for an honorably discharged Veteran. You are required to provide us with a copy of your DD214 to receive this discount. We will also accept a spouse's DD214, but we do require a Marriage Certificate to confirm the relationship.
2. Initial Training Fee. The Initial Training Fee is \$25,000.
3. Travel and Living Expenses. This amount is an estimate for five (5) to seven (7) days of lodging, airfare, meals, vehicle rental and incidentals while attending the OSE Phase 1 training in Southbury, CT. You must pay your own entire out-of-pocket expenses while attending the training. You are required to travel to Southbury, Connecticut (or location of training event) to attend training. You will incur additional travel and living expenses when attending this event.
4. Insurance Premiums. This amount is an estimate for your first year of insurance premiums. We provide current insurance specifications in Item 8 below. Your costs may vary by state. Please utilize a licensed Insurance Agent registered in the state your business is registered in.
5. Equipment. This estimate includes an all-in-one copier, printer, and scanner appropriate for a small home office and a laptop computer with a Microsoft Operating system (currently supported version). You may use equipment that you already own provided it meets our specifications. Computers with Apple based operating systems are not fully compatible with our systems and ~~are~~ therefore do not an accepted/recommend this choice for your required laptop. ~~You may use equipment that you already own provided it meets our specifications.~~ However, if you have the ability to operate your Apple Computer in a Windows Environment, you may try to engage this as an option for this requirement. Should you choose to proceed with an Apple computer under a Windows Environment, we urge you to be fully aware that you are assuming the risk associated with this decision, and should it not work, you agree to purchase a laptop that is compliant with our system and our requirements.
6. Initial Marketing. This estimate includes the purchase of such items as business cards, letterhead, fliers, and prospect, client brochures, workshops, networking, membership dues, marketing, and advertising.

7. MST Fees and Brand Building Investments. This estimate reflects the first six (6) months after you sign your Franchise Agreement. You will begin paying MST Fees on the last business day of the month after you attend OSE Phase 1 Training. You will begin paying the Brand Building Fee on the last business day of the month (on or about) 90-days after you attend your OSE Phase 1 Training Event. In the first 6 months of your business, this amount reflects 5 Months of MST Fees and 3 Months of BBF Fees.
8. Conference Fee. Your attendance at our Annual Conference is required. Our annual conference may take place within the first 6 months of your Franchise Agreement.
9. Conference Travel and Living Expenses. Our annual conference may take place within the first 6 months of your Franchise Agreement. This is an estimate for your flight, hotel, transportation, and meals not included as part of the conference.
10. Additional Funds – 6 Months. This estimates your first six (6) months' start-up expenses and includes office supplies, travel and entertainment possible payroll, state licensing, business supplies (such as DISC, Your Career Revolution Books) and other possible overhead costs. There must be one (1) designated person who devotes his or her full time to each TES Business. This may be you or one of your owners or aan approved Principal Operator that you contract.
11. Figures May Vary. The expenses are estimates only; we cannot guarantee that you will not have additional expenses starting the TES Business. The costs will depend upon such factors as: how much you follow our methods and procedures; your management skills, experience and business acumen; the prevailing wage rate; local economic conditions; the market for our products and services; competition; and the sales levels reached during the initial six (6) month period. We have relied upon our management's combined experience in the franchise business to compile these estimates. You should carefully review these figures with a business advisor before making any decision.

## **ITEM 8**

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

#### **The Goods or Services Required to be Purchased or Leased**

##### *Advertising Material*

You must either use advertising templates which we make available or specify or obtain our approval before placing any advertising.

##### *Bookkeeping*

We recommend that you hire a bookkeeper or accountant and reserve the right to require a particular supplier or vendor.

##### *Computer Hardware and Software*

You must use the computer hardware and software that we periodically designate to operate your TES Franchise. You must obtain the computer hardware, software licenses, maintenance and support services, and other related services that meet our specifications from the suppliers we specify.

## Insurance

You must obtain the insurance coverage required under the Franchise Agreement. The insurance company must be authorized to do business in the state where your TES Business is located and must be rated "A" or better by A.M. Best & Company, Inc. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional named insured parties. You may, with our written consent, elect to have reasonable deductibles for the coverages described in above. Certificates of insurance must be sent in upon annual expiration date.

Currently we require or recommend at least the following minimum insurance policy coverages for your operation of the Franchised Business:

### REQUIRED:

| Type   | Amount  |
|--|---|
| Comprehensive General Liability Insurance  | \$1,000,000 per occurrence/ \$2,000,000 aggregate             |
| <del>Umbrella</del>  | <del>\$1,000,000 per occurrence / \$3,000,000 aggregate</del> |
| Employer's Liability, Worker's compensation, and other insurance as may be required by the state or locality in which your Business is located and operated. | As required by state law                                      |

### OPTIONAL:

|  |   |
|--|---|
| <del>Umbrella</del>                                  | <del>Consult your insurance agent</del> |
| Professional Liability Insurance                     | Consult your insurance agent            |
| Additional Comprehensive General Liability Insurance | Consult your insurance agent            |
| Business Interruption- 6 months                      | Consult your insurance agent            |
| Errors & Omissions Insurance                         | Consult your insurance agent            |

### Whether We or Our Affiliates Are Approved Suppliers

We are an approved supplier of advertising material, but not the only approved supplier. We are the only approved supplier of the Managed Services and Technology Program.

### **Officer Interests in Suppliers**

Our officer, Terry Powell, owns an interest in us. No franchisor officer owns an interest in any other supplier.

### **Approval of Alternate Suppliers**

If you desire to have a non-approved supplier of a product or service designated as an approved supplier, you must submit samples of the supplier's products or services to us, along with a written statement describing why such items, services, or suppliers should be approved for use in the System. We do not charge a fee to evaluate the proposed supplier. We do not make our supplier specifications and/or standards generally available to franchisees or suppliers. While we will be required to respond to a request within 60 days, we generally respond to a request for an additional approved supplier within seven (7) days. Our written approval must be received before you use products not purchased from an approved supplier. We may revoke our approval at any time if we determine, in our discretion, that the supplier no longer meets our standards. When you receive written notice of a revocation, you must stop selling any disapproved products, and stop purchasing from any disapproved supplier.

### **Specifications**

We issue specifications to franchisees. We notify you of new or modified standards, specifications, and guidelines through periodic amendments or supplements to the Operations Manual or through written communication (including electronic communication).

### **Revenue from Franchisee Purchases**

During the last fiscal year ending December 31, ~~2022~~2023, our revenue from required purchases or leases by franchisees was ~~\$262,751,307,300~~, representing ~~1.26~~13% of our total revenue of ~~\$20,779,760,27,217,191~~.

In our last fiscal year ending December 31, ~~2022~~2023, our affiliates did not earn any revenue from required purchases or leases by franchisees.

### **Required Purchases and Leases as a Proportion of Costs**

We estimate that approximately 20% of purchases required to open your TES Franchise and 20% of purchases required to operate your TES Franchise will be from us or from other approved suppliers and under our specifications.

### **Supplier Payments to Us**

We reserve the right to receive payments from suppliers from required purchases or leases by franchisees.

### **Cooperatives**

We do not have any purchasing or distribution cooperatives.

### **Purchase Arrangements**

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

### **Material benefits**

We do not provide material benefits to franchisees based on their use of designated or approved suppliers, however, you must be in compliance with your franchise agreement to renew it and we may terminate your franchise agreement for non-compliance.

## **ITEM 9 FRANCHISEE'S OBLIGATIONS**

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

| Obligation  | Section in Franchise Agreement  | Item in Franchise Disclosure Document |
|---|---|---------------------------------------|
| a. Site selection and acquisition/lease                     | Section 3.1   | Items 7, 8, and 11                    |
| b. Pre-opening purchases/leases                             | Sections 3.1, 3.2, 3.3, 3.4   | Items 7, 8, and 11                    |
| c. Site development and other pre-opening requirements      | Sections 3.1 and 3.4  | Items 7, 8, and 11                    |
| d. Initial and ongoing training                             | Sections 4.3 and 5.1  | Items 5, 6, 7, and 11                 |
| e. Opening  | Sections 3.4  | Items 7 and 11                        |
| f. Fees   | Sections 2.4, 4.3, 5.1, 6, 10.1, 10.3, 10.8, 11.1, 11.2, 11.3, 12, 13.2, 14.5, 15 | Items 5, 6, 7, 8, and 11              |
| g. Compliance with standards and policies/operations manual | Sections 2.4, 3.3, 3.4, 5.2, 5.3, and 10  | Items 8, 11, and 12                   |
| h. Trademarks and proprietary information                   | Sections 7 and 9  | Items 13 and 14                       |
| i. Restrictions on products/services offered                | Section 10.2  | Item 16                               |
| j. Warranty and customer service requirements               | Section 10.7  | None                                  |
| k. Territorial development and sales quotas                 | Section 3.1   | Item 12                               |
| l. Ongoing product/service purchases                        | Sections 3.4, 5.1, 10.2, 10.3, 10.8, 10.9, 11.2, and 11.4                         | Items 8 and 11                        |

| Obligation  | Section in Franchise Agreement     | Item in Franchise Disclosure Document |
|---|------------------------------------|---------------------------------------|
| m. Maintenance, appearance, and remodeling requirements | Sections 10.1 and 10.5             | Items 8 and 11                        |
| n. Insurance  | Section 10.8                       | Items 6, 7, and 8                     |
| o. Advertising  | Sections 6.2 and 11                | Items 6, 7, and 11                    |
| p. Indemnification                                      | Section 8.3                        | Items 6 and 13                        |
| q. Owner's participation/ management and staffing       | Sections 4.1 and 10.7              | Items 11 and 16                       |
| r. Records and reports                                  | Section 12                         | Item 6                                |
| s. Inspections and audits                               | Section 13                         | Item 6                                |
| t. Transfer   | Section 14                         | Items 6 and 17                        |
| u. Renewal  | Section 2.4                        | Item 17                               |
| v. Post-termination obligations                         | Section 16                         | Item 17                               |
| w. Non-competition covenants                            | Sections 9.3, 14.5, 16.4, and 17.1 | Item 17                               |
| x. Dispute resolution                                   | Sections 17.8, 17.9, and 17.10     | Item 17                               |
| y. Personal Guaranty                                    | Attachment 3                       | Item 15                               |

## ITEM 10 FINANCING

We may refer you for financing to third party lenders and disclose the terms of each such financing arrangement below:

### **Lender Name: Guidant Financial**

|                     |  |
|---------------------|--|
| Item Financed       | Initial Franchise and Training Fees  |
| Source of Financing | Rollover for business start-up; SBA loans; Portfolio Loans; Unsecured Financing, Term Loans, & Equipment leasing         |
| Down Payment        | Rollover For Business Start-Up: 0%<br>Term Loans: 0% SBA: 10 – 30%   |
| Amount Financed     | Rollover For Business Start-Up: Unlimited<br>Term Loans: Up to 150K<br>SBA: 7(a) Loans up to \$5M; 504 loans up to \$10M |
| Interest Rate       | Rollover For Business Start-Up: N/A – no debt<br>Term Loans: Varies based on credit score, usage, history and loan term. |

|   |  |
|---|--|
|   | SBA: Varies based on transaction type and current prime rate.  |
| Period of Repayment   | Rollover For Business Start-Up: N/A<br>Term Loans: 3-12 years, depending on loan<br>SBA: 10-25 years, depending on use of funds.   |
| Monthly Payment   | Rollover For Business Start-Up: \$0<br>Term Loans: TBD on loan size and interest rate<br>SBA – TBD on loan size  |
| Security Required   | Rollover For Business Start-Up: N/A – no debt<br>Term Loans: N/A<br>SBA: Lien on all business assets; other personal collateral such as lien on residence may be required  |
| Whether a Person Other than the Franchisee Must Personally Guarantee the Debt | Rollover For Business Start-up: N/A<br>Term Loans: Must be personally guaranteed.<br>SBA: All owners in excess of 20% of both the real estate holding company and operating company are required to guarantee. Other principals may be required to guarantee and regardless of ownership percentage.                                 |
| Prepayment Penalty  | Rollover For Business Start-Up: N/A<br>Term Loans: Depends on the loan chosen.<br>SBA: N/A if term is less than 15 years   |
| Liability Upon Default  | Rollover For Business Start-Up: N/A<br>Term Loans: Ability to accelerate obligation including but not limited to late fees and any costs associated with collection of the stated debt.<br>SBA: Ability to accelerate obligation including but not limited to late fees and any costs associated with collection of the stated debt. |
| Waiver of Defenses or Other Legal Right on Default                            | Rollover For Business Start-Up: N/A<br>Term Loans: Varies by State<br>SBA: Varies by State   |

**Lender Name: AllCap Funding**

|                     |   |
|---------------------|---|
| Item Financed       | Initial Franchise and Training Fees                       |
| Source of Financing | Unsecured Installment loans and Unsecured Lines of Credit |
| Down Payment        | Nothing down. Fees out of funding                         |
| Amount Financed     | \$20,000 - \$600,000. Average \$100,000-\$250,000         |
| Interest Rate       | TERM From 5% - 20% Most average 10-14%                    |



|   |  |
|---|--|
| Period of Repayment   | TERM Average of 5-7 years for Term, and one term lender that goes to 12 years                      |
| Monthly Payment   | On average 1.5-2% of the loan amount   |
| Security Required   | Unsecured  |
| Whether a Person Other than the Franchisee Must Personally Guarantee the Debt | TERM: It can be acquired by another person for the franchisee. They do not have to be on the loan. |
| Prepayment Penalty  | TERM: No pre-payment penalty   |
| Liability Upon Default  | Unsecured debt would go to collections   |
| Waiver of Defenses or Other Legal Right on Default                            | Varies by lender   |

**Lender Name: Benetrends**

|   |  |
|---|--|
| Item Financed   | Initial Franchise and Training Fees, real-estate, site improvements, equipment, furniture, and any other legitimate business expenses  |
| Source of Financing   | (401(k) Rollover For Business Start-Up), SBA loan consulting for startups and acquisitions, secured and unsecured commercial financing |
| Down Payment  | SBA 10% -30% of total project costs<br>None required for Rollover For Business Start-Up  |
| Amount Financed   | \$50k to \$5 million. Commercial lending possible for larger amounts   |
| Interest Rate   | Maximum of 2.75% above prime<br>N/A for Rollover For Business Start-Up   |
| Period of Repayment   | 7 to 25 years<br>N/A for Rollover For Business Start-Up  |
| Monthly Payment   | Dependent on loan amount and term<br>N/A for Rollover For Business Start-Up  |
| Security Required   | Varies with loan terms and conditions<br>N/A for Rollover For Business Start-Up  |
| Whether a Person Other than the Franchisee Must Personally Guarantee the Debt | Varies with loan terms and conditions<br>N/A for Rollover For Business Start-Up  |
| Prepayment Penalty  | Yes, on 7a loans with terms exceeding 15 years, and only if you pay more than 25% of your balance in the first year                    |
| Liability Upon Default  | Contingent on loan terms and SBA loan default provisions.<br>N/A for Rollover For Business Start-Ups                                   |
| Waiver of Defenses or Other Legal Right on Default                            | Varies by state.<br>N/A for Rollover For Business Start-Ups  |

**Lender Name: Unsecured Funding Source**

|  |  |
|--|--|
| <del>Item Financed</del>   | <del>Initial Franchise and Training Fees Operating capital</del> |
| <del>Source of Financing</del>   | <del>Varies. May include Unsecured and Business loans</del>      |
| <del>Down Payment</del>  | <del>10-20% Depending on loan amount (0%)</del>                  |
| <del>Amount Financed</del>   | <del>Based Upon Client Request</del>                             |
| <del>Interest Rate</del>   | <del>Varies.</del>   |
| <del>Period of Repayment</del>   | <del>Up to 10 Years</del>  |
| <del>Monthly Payment</del>   | <del>Varies upon amount financed</del>                           |
| <del>Security Required</del>   | <del>Varies</del>  |
| <del>Whether a Person Other than the Franchisee Must Personally Guarantee the Debt</del> | <del>No</del>  |
| <del>Prepayment Penalty</del>  | <del>Varies depending on product</del>                           |
| <del>Liability Upon Default</del>  | <del>Personal Guarantee</del>                                    |
| <del>Waiver of Defenses or Other Legal Right on Default</del>                            | <del>None</del>  |

We do not guarantee your note, lease or obligation. We do not have a practice or intent to sell, assign, or discount to a third party all or part of any financing arrangement.

Guidant Financial pays to us a \$1,000 referral fee for referring franchisees to them for financing, the terms of which we disclose in the table above. The other lenders whose financing programs are described above pay to us referral fees that range from \$750-\$1,500. Currently, we split this referral fee with the referred franchisee who receives 80% of the referral amount.

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

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

Pre-Opening Obligations

Before you open your TES Franchise, we (or our affiliates or designees) will provide the following assistance and services to you:

1. Enroll you in our pre-On-Site Training Program, which includes our Onboarding Training Module, assignment of a Franchise Business Coach, attendance at our Phase 1 On-Site Event Training Program, and provide you with on-site and virtual education programs. (Franchise Agreement, Section 4.3)  
).

2. Provide specifications for equipment, inventory, products, materials, supplies and services required to operate your TES Business (Franchise Agreement - Section 5.1).

3. Grant you online access to the Operations Manual. Exhibit E contains the table of contents to our Operations Manual. The Operations Manual is interactive and totals approximately ~~574~~619 pages. (Franchise Agreement, Section 5.2).

### *Schedule for Opening*

You are required to begin set up of your TES Business within four (4) business days of your signing the Franchise Agreement. Within four (4) business days of signing of the Franchise Agreement, you will be enrolled in the pre-On-Site Events (Onboarding Training Module) and On-Site (Phase 1) and Virtual (Phase 2) Events training programs and granted access to our technology systems which include access to technologies for marketing and offering goods and services. Franchisees typically attend and complete on-site training within 30 to ~~60~~120 days of signing their Franchise Agreement. You must complete your pre-On-Site Event Checklist and the ~~first~~Phase 1 Onsite Event training program prior to functioning as a coach in your TES Business. Opening must occur within ~~90~~120 days of signing your Franchise Agreement and payment of the Initial Franchise Fee. Some factors which may affect this timing are your ability to secure any necessary financing, your ability to obtain any necessary permits and certifications, the time to complete required training, ~~the timing of the delivery of any inventory or equipment, and hiring and training of your staff.~~ You are expected to use best efforts to complete all training as outlined below and in the Operations Manual, in a timely and consecutive manner.

### Continuing Obligations

During the operation of your TES Business, we (or our affiliates or designees) will provide the following assistance and services to you:

1. Provide advice regarding your TES Business operations. Advice will be given during our regular business hours and through written materials, electronic methods, telephone, or other methods in our discretion (Franchise Agreement – Section 5.1).

2. Provide you with advice and guidance on advertising and marketing (Franchise Agreement-Sections 5.1 and 10.3).

3. Allow you to continue to use confidential materials, including the Operations Manual and the Marks (Franchise Agreement - Sections 5.1, 5.2, 9.1 and 10).

4. Provide additional training, refresher training courses, and additional training or assistance that, in our discretion, you need or request. You will be responsible for training your employees and independent contractors. You will be responsible for hiring, training, directing, scheduling, and supervising your employees and independent contractors in the day-to-day operations of the Business. You may be required to pay additional fees for this training or assistance (Franchise Agreement – Section 4.3). Conference attendance is required. Anyone who does not attend the annual conference is required to complete all training programs in the manner we designate.

5. Maintain and administer the Brand Building Fund. Although we do not intend to do so, we may dissolve the Brand Building Fund upon written notice. (See Franchise Agreement-Section 11.4)

### Optional Assistance

During the term of the Franchise Agreement, we (or our designee) may, but are not required to, provide the following assistance and services to you:

1. Modify, update, or change the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new products, new equipment, or new techniques.
2. Make periodic assessments of the TES Business for the purpose of assisting in all aspects of the operation and management of the TES Business, prepare written reports concerning these assessments outlining any suggested changes or improvements in the operation of the TES Business, and detailing any problems in the operations which become evident as a result of any assessment. If the assistance is provided at your request, you may be required to reimburse our expenses and pay our then current training charges.
3. Hold periodic national or regional conferences, including an annual conference, to discuss business and operational issues affecting TES franchisees.

### Advertising

#### *Brand Building Fund*

We have established a Brand Building Fund to assist in activities on behalf of all Franchisees. Examples of activities may include: Business development efforts, client nurturing automation, national and local PR and brand awareness and social media automation, in addition for the purpose of promoting the marks and the system. This list is not all inclusive and may be amended at any time by the Franchisor based on current initiatives by the marketing department. You are required to pay a Brand Building Investment of \$750 per month. We reserve the right to adjust this fee upon a ninety (90) days' notice as needed based on market demands or increased expenses. It will not be increased to more than \$950. Your contribution to the Brand Building Fund will be in addition to all other advertising requirements set out in this Item 11.

Each franchisee will be required to contribute to the Brand Building Fund but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement. Franchisor-owned outlets may, but are not required, to contribute to the Brand Building Fund on the same basis as franchisees.

The Brand Building Fund will be administered by us, or one of our affiliates or designees, in our discretion, and we may use a professional advertising agency or media buyer to assist us. The Brand Building Fund will be in a separate bank account, commercial account, or savings account.

We have complete discretion on how the Brand Building Fund will be utilized. We may reimburse ourselves or our authorized representatives from the Brand Building Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes, and all other reasonable direct or indirect expenses that may be incurred by us or our authorized representatives and associated with the programs funded by the Brand Building Fund. Advertising may be placed in local, regional, national, or international media of our choice, including, but not limited to, print, direct mail, radio, television, or Internet including digital advertisements, social media, blogging automation. We may also use the Brand Building Fund to conduct research and develop marketing strategies.

We do not guarantee that advertising expenditures from the Brand Building Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located.

We will not use the Brand Building Investments for advertising that is principally a solicitation for the sale of franchises, but we reserve the right to include a notation in any advertisement indicating “Franchises Available” or similar phrasing or include information regarding acquiring a franchise on or as a part of materials and items produced by or for the Brand Building Fund.

Any unused funds in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the Brand Building Fund on any terms we deem reasonable.

Because this fund will not be audited, audited financial statements will not be available to franchisees. We will provide an annual accounting for the Brand Building Fund that shows how the Brand Building Fund proceeds have been spent for the previous year upon written request.

During our most recent fiscal year ended December 31, ~~2022~~2023, the Brand Building Fund was spent as follows: ~~36.45~~65.81% on production, ~~54.43~~26.28% on media placement, ~~9.12~~7.92% on its administrative expenses, and 0% on the solicitation of new Franchisees.

### *Marketing*

We require you to invest a minimum of \$300 per month on proactive marketing and advertising (“Marketing Requirement.”) The amount you spend should be based around your projected earnings. You agree, at your sole cost and expense, to invest in activities and resources such as: digital or printed advertisements, networking events, business development activities, printing of marketing materials, etc. in accordance with advertising programs established by us. FA Sec. 11.1.

### *Marketing Resources, Pre-Approvals for Marketing Materials, and Internet Marketing*

You may be required to order sales and marketing material from us or our designated suppliers. It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, you must obtain our prior approval, which may be granted or denied in our sole discretion. If our written approval is not received within 30 days from the date we receive the requested information, the request will be deemed as not approved. Use of logos, Marks, and other name identification materials must follow our approved standards. You may not use our logos, Marks, and other name identification materials on items to be sold or services to be provided without our prior written approval.

~~You may not conduct marketing activities outside of your designated territory.~~ We may allow you to market your TES Business through social media sites so long as you follow our online policies and procedures, which are contained in the Operations Manual. Our online policies and procedures may change as technology and the Internet changes. Under our online policies and procedures, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising, and co-branding arrangements. We may not allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the Marks. We may require you to allow us access to your social media pages to manage content. Participation in social media is not considered marketing outside of your territory. In all social media activities, you must identify yourself as

an independently-owned and operated franchisee. There is no advertising council composed of franchisees. TES does not require franchisees to participate in any local or regional advertising cooperatives.

We have established a main TES website for TES Businesses (“TES Website”) and TES microsites for each franchisee. Your microsite will include information relating to your specific business and select content that we provide from our TES Website. Your page will also showcase TES products and services. We reserve the right to change the requirements relating to your microsite at any time. We intend any franchisee website be accessed only through our microsite. Your monthly MST Fee includes website maintenance fees to the supplier that provides website maintenance services.

We have right to use the Brand Building Fund to develop, maintain, and update the TES Website. We may update and modify the TES Website from time to time. You must promptly notify us whenever any information on your listing changes or is not accurate. We have final approval rights of all information on the TES Website. We may implement and periodically modify System standards relating to the TES Website. We are only required to reference your TES Business on the TES Website/microsite while you are in full compliance with your Franchise Agreement and all System standards. If you are in default of any obligation under the Franchise Agreement or System standards, then we may temporarily remove references to your TES Business from the TES Website/microsites until you fully cure the subject default(s).

#### Computer System

You are required to have an updated laptop computer, a PC with Microsoft Operating system manufactured within the past three years, for your TES Business. This laptop may be one that you already own. You are not required to have a specific brand of computer. Computers with Apple based operating systems are not fully compatible with our systems and ~~are~~ therefore do not ~~an accepted~~ recommend this choice for your required laptop. However, if you have the ability to operate your Apple Computer in a Windows Environment, you may try to engage this as an option for this requirement. Should you choose to proceed with an Apple computer under a Windows Environment, we urge you to be fully aware that you are assuming the risk associated with this decision, and should it not work, you agree to purchase a laptop that is compliant with our system and our requirements.

You are required to also have the following software programs: Microsoft Office suite (currently supported version); and antivirus software. We estimate that the cost to purchase the computer system will be between \$800 and \$1,500, depending on the laptop you purchase. We recommend QuickBooks or a similar accounting software program; work with your accounting professional to determine the best option for your business.

You must arrange for installation, maintenance and support of the computer system at your cost. There are no limitations in the Franchise Agreement regarding the costs of such required support, maintenance, repairs, or upgrades relating to the computer system. We estimate the annual cost of such required support, maintenance, repairs or upgrades to be approximately \$500. We may revise our specifications for the computer system periodically. You must upgrade or replace your computer system at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation.

We have the right to independently access your electronic information and data through our proprietary data management and intranet system and to collect and use your electronic information and data in any manner we promote developing the System and the sale of Franchises. This may include posting financial information of each TES franchisee on an intranet website or using this data in our Disclosure

Document. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system (Franchise Agreement, Section 12).

### Training

You will immediately (within four (4) business days of signing the Franchise Agreement) start the Onboarding Training Module that must be completed prior to attending On-Site Phase 1 Training. Franchisees typically attend and complete On-Site Phase 1 training within 30-120 days of signing their Franchise Agreement. Phase 1 Training is held On-Site in Southbury, CT. Our Phase ~~1~~ 2 is virtual, and ~~Phase 2~~ the expectation is that you will do the activity required to be eligible to complete your Phase 2 as scheduled, roughly 11-14 weeks after Phase 1. Our Phase 1, Phase 2, and other Training Modules are designed to provide you with a full understanding of our System ~~and~~. Training is ongoing and required throughout the term of your Franchise Agreement (Franchise Agreement, Section 4.3).

You will be required to pay us the Training Fee of \$25,000 for you (or your approved Principal Operator). When attending on-site classes, you must pay for your own meals, travel, and lodging expenses, and any miscellaneous expenses of travel.

You (~~and~~ or your Principal Operator, if applicable) must participate and successfully complete our training program and successfully complete all curricula throughout the term of your Franchise Agreement.

### **TRAINING PROGRAM**

| Subject   | Hours of Classroom Training | Hours of On-The-Job Training | Location       |
|---|-----------------------------|------------------------------|----------------|
| TRAINING PROGRAM  |                             |                              |                |
| Week 1 – Onboarding Training Module; Assignments prior to Phase 1   | 0                           | 20                           | Home Office    |
| Week 2 – Onboarding Training Module; Assignments prior to Phase 1   | 0                           | 20                           | Home Office    |
| Week 3– OSE Phase 1   |                             |                              | Southbury, CT* |
| OSE Phase 1: Operations Manual  | 3                           | 0                            |                |
| OSE Phase 1: Call Blocks and Role Plays   | 6                           | 0                            |                |
| OSE Phase 1: System, Client Experience and Coaching Sessions  | 20                          | 0                            |                |
| OSE Phase 1: Marketing  | 3                           | 0                            |                |
| OSE Phase 1: Tools  | 8                           | 0                            |                |
| Weeks 4- 15 Virtual Learning & Education Calls  | 0                           |                              | Home Office    |
| Call Recordings & Self Assessments  | 0                           | 10                           |                |
| Virtual Learning through our Virtual Learning Platform  | 0                           | 8                            |                |
| Ongoing Performance Enhancement – Calls with PECs and Training Team ( <u>Training Touchpoints and Dojo opportunities for role playing</u> ) | 0                           | <del>1640</del>              |                |
| Self-Review of Operations Manual  | 0                           | 24                           |                |
| Week 16: Phase 2  |                             |                              | Home Office    |

| Subject  | Hours of Classroom Training | Hours of On-The-Job Training | Location    |
|--|-----------------------------|------------------------------|-------------|
| Phase 2: TES System Review   | 4                           | 0                            |             |
| Phase 2: System, Client Experience and Coaching Sessions   | 20.5                        | 0                            |             |
| Phase 2: Tools   | 8                           | 0                            |             |
| Phase 2: Marketing   | 2                           | 0                            |             |
| Phase 2: Skills  | 6                           | 0                            |             |
| ONGOING <u>EDUCATION &amp; PEC SUPPORT &amp; JUMP-START PROGRAM</u>  |                             |                              |             |
| Skill Building Activities – <u>One on One Coaching Sessions, PPGs (Peer Performance Groups), Education sessions and Mastery Series</u> (Weeks 17-26) | 0                           | <u>3624</u>                  | Home Office |
| Local Marketing Activities – (Weeks 17-26)   | 0                           | <u>67,520</u>                | Home Office |
| Studying and Admin Activities – (Weeks 17-26)  | 0                           | <u>636</u>                   | Home Office |
| TOTAL  | 80.5                        | <u>207,5202</u>              |             |

\* If it is not possible to conduct live training, we will conduct training virtually.

Phase 1 and Phase 2 training is offered approximately every other month, at least four times each year. You (and/or your Principal Operator, if applicable) will enroll in Phase 2 training approximately 90 days after completion of Phase 1.

The Training Department, our Franchise Business Coaches, and other members of the corporate headquarters staff and TES franchisees, as needed, will conduct the training programs. Each instructor has been trained to present all of the various curriculum topics.

Tamara Loring has been employed by TES Franchising since 2002 and is currently in charge of Brand Ideology. Ms. Loring has over 20 years of experience with us and over 20 years of experience in the field.

Brigitte Thewes has been employed by TES Franchising since January 2022 and is the Training Lead for the TES Training Team and also serves as a Franchise Business Coach. Ms. Thewes has over 1718 years of experience in the field.

Kevin Stewart has been employed by TES Franchising since August 2019 and is currently the Curriculum Training and Solutions Catalyst Support Strategist. Mr. Stewart has 45 years of experience with us and over 20 years of experience in the field.

Michael Decouflé has been employed by TES Franchising since August 2019 and is currently in the Lead Franchise Business Coach and assists with our OSE Training. Mr. Decouflé has 45 years of experience with us and 67 years of experience in the field.

In addition to our instructors, a team of persons designated by the Franchisor, who may include active franchisees, as well as support staff, all of whom have industry experience, assist our instructors. In addition, we draw upon the substantial experience of our management, personnel from our various suppliers, experts in various relevant fields and occasionally from other franchisees.



### *Ongoing Training*

We may require that you complete additional training or refresher programs either at the corporate headquarters in Southbury, Connecticut or at your TES Franchise. Training topics may include how to use any new required equipment, explaining any new systems, or reviewing any new procedures, as well as reeducation on the fundamentals of our system. Most training programs occur virtually at no additional cost to you. You may be required to pay any additional assistance fees for refresher programs that take place on-site at the corporate headquarters in Southbury, Connecticut or at your TES Franchise.

If you request or require any additional training support or services from us in addition to that which we ordinarily provide to our franchisees, you must pay the additional assistance fees for such additional support or services.

You must attend and participate in a minimum of 75% of our annual on-going training, educational programs and system updates offered by us.

### **ITEM 12 TERRITORY**

~~The franchise is not for a specific location or location to be approved by us; however, the location must be located within your assigned state ("Territory"). We generally will not place more than one (1) TES Business per 500,000 population within the United States ("Territory Policy").~~

Because the TES Business is primarily operated virtually, the TES Franchise is a non-exclusive license only, and does not grant you any exclusive area or territory rights. Franchisees are not prohibited from seeking customers in any geographic area provided they follow the policies and procedures in our Operations Manual, which may be modified over the term of your Franchise Agreement.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

~~The franchise is not for a specific location or location to be approved by us; however, the location must be located within your assigned state ("Territory"). We generally will not place more than one (1) TES Business per 500,000 population within the United States ("Territory Policy").~~

If you desire to relocate your TES Business during the term of your Franchise Agreement with us, you must make a request in writing to us. We will approve or disapprove based on a number of factors, including but not limited to, our ability to place TES Businesses into the requested location, our plans for development into the requested location, and other business considerations that we, in our sole discretion, consider relevant to the question of relocation.

You do not obtain any options, rights of first refusal, or similar rights to acquire additional franchises.

You will not receive any minimum territory. You are permitted to work from home and we anticipate that you will do so. We do not require you to obtain office space outside of your home, nor do we recommend that you do so.



If your marketing efforts interfere with existing franchisees, we may restrict direct marketing, and direct mail marketing activities to certain potential customers located in areas defined by designated postal zip codes.

We reserve the right to use all channels of distribution, such as the Internet, catalog sales, telemarketing, and other direct marketing sales, as well as television and radio advertising to make sales within the Territory using our Marks. We also reserve the right to manage and service company-owned client contracts; offer, grant, and support other TES Businesses; both within the Territory and elsewhere. We will not pay you compensation for soliciting or accepting orders inside the Territory. We do not represent or warrant to you that you will have any right to participate in these business activities, whether as a franchisee or otherwise. Our affiliates may use other channels of distribution, such as the Internet, catalog sales, telemarketing, and other direct marketing sales, as well as television and radio advertising to make sales within the Territory using trademarks different from the ones you use under the franchise agreement.

We do not currently have plans to operate or franchise a business under a different trademark that sells or will sell services similar to those that you will offer.

### ITEM 13 TRADEMARKS

The franchise agreement license to you the right to use the following principal trademarks (“Marks”) registered with the U.S. Patent and Trademark Office (the “USPTO”):

| Mark  | Registration Date  | Registration No. | Principal or Supplement Register of the USPTO |
|---|--------------------|------------------|---|
| THE ENTREPRENEUR’S SOURCE   | July 6, 2010       | 3,813,477        | Principal Register                            |
|  | July 31, 2012      | 4,182,433        | Principal Register                            |
|  | March 2, 2021      | 6,280,525        | Principal Register                            |
| Battered Career Syndrome  | February 12, 2019  | 5,675,248        | Principal Register                            |
| Employment to Empowerment   | Feb. 12, 2019      | 5,675,248        | Principal Register                            |
| FRANCHISE MATCH   | September 26, 2000 | 2,389,415        | Principal Register                            |
| YOU 2.0   | July 9, 2013       | 4,365,981        | Principal Register                            |

| Mark              | Registration Date | Registration No. | Principal or Supplement Register of the USPTO |
|-------------------|-------------------|------------------|---|
| YOUR BUSINESS 2.0 | June 24, 2013     | 4,359,279        | Principal Register                            |
| YOUR CAREER 2.0   | July 18, 2019     | 5,778,546        | Principal Register                            |

We have filed all required affidavits and renewals for the registered Marks.

There are no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation involving the Marks. No agreement significantly limits our right to use or license the Marks in a manner material to your Franchise. We do not know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

The Franchise Agreement and your payment of the Placement Fee Share grant you the non-exclusive right and license to use the System, which includes the use of the proprietary Marks. You must follow our guidelines and requirements when using the Marks. You cannot use our name or Mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You must indicate to the public in any contract, advertisement, and with a conspicuous sign in your Office that you are an independently owned and operated licensed franchisee of TES Franchising, LLC. You may not use the Marks in the sale of unauthorized services or products or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale, or other disposition of the TES Business, or any interest in the Franchise. All rights and goodwill from the use of the Marks accrue to us. If it becomes advisable at any time, in our sole discretion, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue, or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

You must notify us immediately when you learn about an infringing or challenging use of the Marks. If you are in compliance with the Franchise Agreement, we will defend you against any claim brought against you by a third party alleging your use of the Marks in accordance with the Franchise Agreement, infringes upon that party's intellectual property rights. We may require your assistance, but we will exclusively control any proceeding or litigation relating to our Marks. We have no obligation to pursue any infringing users of our Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. You must not directly or indirectly contest our right to the Marks. We may acquire, develop, and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.

#### **ITEM 14**

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

No patents or patents pending are material to the franchise at this time.

The information in the Operations Manual is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the content and format of our products, and any other writings and recordings in print or electronic form are also protected by

copyright and other laws. Although we have not applied for copyright registration for the Operations Manual, our advertising materials, the content and format of our products, or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“Copyrighted Works”) for the operation of your TES Franchise, but such copyrights remain our sole property.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your TES Franchise, during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other TES Franchises during the term of the Franchise Agreement.

You must notify us within three (3) days after you learn about another’s use of language, a visual image, or a recording of any kind that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information, or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information, or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of or challenge to your use of any Copyrighted Works, Confidential Information, or Trade Secrets, or claim by any person of any rights in any Copyrighted Works, Confidential Information, or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information, or Trade Secrets. You may not communicate with anyone except us, our counsel, or our designees regarding any infringement, challenge or claim. We will take action as we deem appropriate regarding any infringement, challenge, or claim, and the sole right to control exclusively any litigation or other proceeding arising out of any infringement, challenge, or claim under any Copyrighted Works, Confidential Information, or Trade Secrets. You must sign any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding or to protect and maintain our interests in the Copyrighted Works, Confidential Information, or Trade Secrets.

#### **ITEM 15**

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

You are responsible for ensuring all obligations under the Franchise Agreement are met, including the obligation for the TES Business to operate full time. Your Principal Operator (if any) may operate the TES Business on a ~~fulltime~~full-time basis and be you or someone you designate- that has been approved by the Franchisor. The franchisee ~~and/or~~ Principal Operator must successfully complete our Training program.

All Key Individuals (the term “Key Individuals” is defined as Principal Owners, their spouses, your officers, directors, Principal Operators, and independent contractors or employees who have had access to the Confidential Information) must sign the System Protection Agreement, the form of which is attached to this Franchise Disclosure Document as Exhibit G-2. If you are an entity, each owner (i.e., each person holding an ownership interest in you) of more than ten percent (10%) ownership interest must sign an

owner's agreement, the form of which is attached to the Franchise Agreement as Attachment 3. Unless your spouse is a co-owner of the franchise, or an entity that owns this franchise, your spouse is not required to guarantee the obligations in the Franchise Agreement.

#### **ITEM 16**

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

You must sell or offer for sale only those services and products authorized by us and which meet our standards and specifications. You must follow our policies, procedures, methods, and techniques. You must sell or offer for sale all types of services and products specified by us. We may change or add to our required services and products at our discretion with prior notice to you (See Item 8). If we change or add to our required services and products, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. You must discontinue selling and offering for sale any services or products that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

You may not sell products through other channels of distribution such as wholesale or mail order sales. You may not establish an account or participate in any social networking sites or blogs (including, without limitation, Facebook, Twitter or any other social or professional networking site or blog) or mention or discuss the franchise, us or any of our affiliates, unless you notify us in advance and subject to our online policy. You may not sell or offer products or services to other TES Franchisees without our prior written approval. You may not mention or discuss the TES Franchise, us, or our affiliates, without our prior written consent and as subject to our online policy contained in the Operations Manual.

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

**This table lists important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Franchise Disclosure Document.**

| Provision   | Section in Franchise Agreement | Summary   |
|---|--------------------------------|---|
| a. Length of the Franchise term                   | Section 2.1                    | Ten (10) years.   |
| b. Renewal or extension of the term               | Section 2.4                    | If you are in good standing, you may renew for one (1) additional ten (10) year period.   |
| c. Requirements for Franchisee to renew or extend | Section 2.4                    | Your successor franchise rights permit you to remain as a Franchise after the initial term of your Franchise Agreement expires. You must: provide us at least 12 but not more than 18 months advance written notice prior to the end of the term; correct any deficiencies in the operation of your TES Franchise identified in our written notice to you before expiration; sign our then-current franchise agreement and any ancillary documents for the successor term, and this new franchise agreement may have materially different terms and conditions (including, for example, those concerning fees and territorial rights) from the Franchise Agreement that covered your initial term; pay a renewal fee; and sign a general release of any and all claims against us, our officers, directors, employees, and agents . |
| d. Termination by Franchisee                      | Sections 2, 14, 15             | You may terminate the Franchise Agreement if you are in compliance with it and we are in material breach and we fail to cure that breach within 30 days of receiving written notice. You may also terminate by not renewing or by selling the franchise pursuant to the Terms of the Franchise Agreement.   |
| e. Termination by franchisor without cause        | No provision                   | Not applicable.   |
| f. Termination by franchisor with cause           | Section 15                     | We can terminate upon certain violations of the Franchise Agreement by you.   |
| g. “Cause” defined – curable defaults             | Section 15                     | You have ten (10) days to cure monetary defaults. You have 30 days to cure the default of any other provision of the Franchise Agreement or specification, standard, or operating procedure.  |

| Provision   | Section in Franchise Agreement | Summary  |
|---|--------------------------------|--|
| h. “Cause” defined – non-curable defaults                       | Section 15                     | Subject to applicable state law, non-curable defaults; conviction of felony or crime involving dishonesty; repeated defaults, even if cured; abandonment; trademark misuse; violation of non-competition covenants; under-reporting of Gross Revenues; and unapproved transfers.   |
| i. Franchisee’s obligations on termination/ non-renewal         | Section 16                     | Obligations include payment of all amounts due, refraining from using our Marks, returning to us or destroying all customer lists, forms, and materials bearing our Marks or concerning the TES Franchise, complete de-identification, return of the Operations Manual, all confidential information, and trade secrets, and abiding by the post-term non-compete provisions in the Franchise Agreement. In addition, you agree to pay us, within 30 days after notification by us, the amount of All Managed Services & Technology Fees and all Brand Building Fees that would be due for the remainder of the term of the FA and our projection of all Placement Fee Shares that would be due for the remainder of the FA, in each case, upon either unlawful termination of the franchise by you or termination of the franchise for cause by us. |
| j. Assignment of contract by franchisor                         | Section 14.3                   | No restriction on our right to assign.   |
| k. “Transfer” by Franchisee – defined                           | Section 14                     | Transfer includes any voluntary, involuntary, direct, or indirect assignment, sale, gift, exchange, grant of a security interest, or change of ownership in the Franchise Agreement, the Franchise, or any interest in the Franchise.  |
| l. Franchisor approval of transfer by Franchisee                | Section 14.4                   | We have the right to approve all transfers.  |
| m. Conditions for franchisor approval of transfer by Franchisee | Section 14.5                   | New owner must have sufficient business experience, aptitude, and financial resources to operate the TES Franchise, as determined by the sole discretion of the franchisor; you must pay all amounts due us or our affiliates; new owner and its director must successfully complete our training programs; you must pay us a transfer fee; you and your principal owners must sign a general release in favor of  |

| Provision   | Section in Franchise Agreement | Summary   |
|---|--------------------------------|---|
|   |                                | us, our affiliates, and our and their officers, directors, employees, and agents; new owner must assume all obligations under your Franchise Agreement or, at our option, sign a new franchise agreement using our then-current form; you and your Principal Owners (or, in the case of Principal Owners making any such Transfer, those Principal Owners) must execute a non-competition agreement in favor of both TES Franchising and the Proposed New Owner no less restrictive than provision in Section 16.4. We also may approve the material terms of the transfer and require that you subordinate any installment payments to the new owners' obligation to pay us. |
| n. Franchisor's right of first refusal to acquire Franchisee's business   | Section 14.6                   | We have 30 days to match any offer for your TES Business.   |
| o. Death or disability of Franchisee                                      | Section 14.7                   | The Franchise Agreement must be transferred or assigned to a qualified party within 6 months of the death or disability of all owners, or the Franchise Agreement may be terminated.  |
| p. Non-competition covenants during the term of the Franchise             | Section 9.3                    | You may not offer the same or similar products or services as your TES Business.  |
| q. Non-competition covenants after the Franchise is terminated or expires | Section 16.4                   | No competing business for two (2) years within 50 miles of your TES Franchise, any TES Business or any company owned business (including after assignment or transfer).   |
| r. Modification of the Franchise Agreement                                | Section 20                     | No modifications to Franchise Agreement during the term unless agreed to in writing, but the Operations Manual is subject to change at any time in our discretion. Modifications are permitted on renewal.  |
| s. Integration/merger clause  | Section 20                     | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of this Franchise Disclosure Document and Franchise Agreement may not be enforceable.   |
| t. Dispute resolution by arbitration or mediation                         | Section 17.9, 17.10            | Except for certain claims, all disputes in must be mediated and arbitrated in the county where we maintain our principal place of business (currently, Southbury, Connecticut) (subject to applicable state law).   |



| Provision          | Section in Franchise Agreement | Summary  |
|--------------------|--------------------------------|--|
| u. Choice of forum | Section 17.13                  | All arbitration and litigation must be in the county where we maintain our principal place of business (currently, Southbury, Connecticut), (subject to applicable state law). |
| v. Choice of law   | Section 17.13                  | Except as may be governed by federal law, Connecticut law applies (subject to applicable state law).   |

## ITEM 18 PUBLIC FIGURES

We do not use any public figures to promote our Franchise.

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to disclose 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 performance at a particular location or under particular circumstances.

The information below is a historical financial performance representation for all U.S. franchised TES Businesses ~~in operation~~ open for business for 1 year or more during the 2023, 2022, ~~and 2021, and 2020~~, calendar years and operated for the entire year. A TES Businesses is considered open for business upon successful completion of OSE Phase 1 Training. There were 186 TES Businesses open for business on December 31, 2023, of which 140 TES Businesses were open for business for 1 year or more. We excluded from this data set 7 TES Businesses that were not open for business for the entire 2023 calendar year. There were 148 TES Businesses operating open for business on December 31, 2022, of which ~~122~~ 119 TES Businesses were ~~in operation~~ open for business for 1 year or more. We excluded from this data set 26 TES Businesses that ~~that~~ were not open for the entire 2022 calendar year. There were 134 TES Businesses operating open for business on December 31, 2021, of which ~~107~~ 105 TES Businesses were ~~in operation~~ open for business for 1 year or more. We excluded from this data set 14 TES Businesses that that were not open for the entire 2021 calendar year. ~~There were 119 operating TES Businesses on December 31, 2020, of which there were 100 TES Businesses that were in operation for 1 year or more. We excluded from this data set 24 TES Businesses that were not open for the entire 2020 calendar year.~~ There were 2 TES

Businesses that closed during 2021 after being open for less than 12 months. There were no TES Businesses that closed during 2023 or 2022 ~~or 2020~~ after being open for business for less than 12 months.

TABLE ONE – Yearly Placement Fees

Table One shows the average yearly Annual Income generated by all TES Businesses open for business for 1 year or more, for each of the last three calendar years. We have not subtracted the Placement Fee Share from the Annual Income (25% of the Placement Fee that we withhold as a required payment to us). The Average Annual Income amounts have all been rounded up to the nearest whole number.

|                      | Number of Franchised TES Businesses | TES Businesses (open <u>for business</u> 1+ year) | Average Annual Income Per TES Business (open <u>for business</u> 1+ years) | Number & % of TES Businesses (open <u>for business</u> 1+ years) that Attained or Exceeded the Average Annual Income |                   | Median Annual Income Per TES Business (open <u>for business</u> 1+ years) | TES Business (open <u>for business</u> 1+ years) Highest Annual Income | TES Business (open <u>for business</u> 1+ years) Lowest Annual Income |
|----------------------|-------------------------------------|---|--|--|-------------------|---|--|---|
| <del>2022</del> 2023 | <del>148</del> 186                  | <del>122</del> 140                                | <del>\$117,964</del> 143,639   | <del>46</del> 51   | <del>38</del> 36% | <del>\$85,770</del> 117,975   | <del>\$768,000</del> 485,250   | \$0   |
| <del>2021</del> 2022 | <del>134</del> 148                  | <del>107</del> 119                                | <del>\$111,291</del><br><del>\$118,468</del>                               | <del>42</del> 45   | <del>39</del> 38% | <del>\$95</del> 85,000  | <del>\$454,876</del> 768,000   | \$0   |
| <del>2020</del> 2021 | <del>119</del> 134                  | <del>100</del> 105                                | <del>\$120,114</del><br><del>\$113,068</del>                               | <del>43</del> 42   | <del>43</del> 40% | <del>\$97,500</del> 96,000  | <del>\$524,941</del> 454,876   | \$0   |

TABLE TWO – Placement Fees by Years in Business

Table Two shows the Annual Income generated by all TES Businesses open for business for 1 year or more for 20222023, based on the number of months that they were open for business. We have provided the average Annual Income, median Annual Income, and the highest and lowest Annual Income generated by each of these groups. We have not subtracted the Placement Fee Share described above from the Average Annual Income (25% of the Placement Fee that we withhold as a required payment to us). All Annual Income have been rounded up to the nearest whole number.

| TES Franchised Businesses - Months <del>in</del> <u>Open for</u> Business | Total Businesses | Average Annual Income Per TES Business       | Number & % of TES Businesses that Attained or Exceeded the Average Annual Income |                   | Median Annual Income Per TES Business        | Highest Annual Income for TES Businesses     | Lowest Annual Income for TES Businesses |
|---|------------------|--|--|-------------------|--|--|---|
| 120 Months Plus   | <del>15</del> 16 | <del>\$196,261</del><br><del>\$225,206</del> | <del>68</del>  | <del>40</del> 50% | <del>\$185,960</del><br><del>\$241,250</del> | <del>\$768,000</del><br><del>\$399,800</del> | \$0                                     |

|   |                           |  |                  |                   |  |  |  |
|---|---------------------------|--|------------------|-------------------|--|--|--|
| <del>96</del><br>84 to 120<br>Months  | <del>411</del>            | <del>\$91,422</del><br><u>\$120,045</u>  | <del>2 5</del>   | <del>50 45%</del> | <del>\$70,344</del><br><u>\$110,000</u>  | <del>\$225,000</del><br><u>317,920</u>   | \$0                                    |
| 72 <del>96</del> to 84<br>Months  | <del>40 11</del>          | <del>\$99,893</del><br><u>\$144,486</u>  | <del>5 4</del>   | <del>50 36%</del> | <del>\$92,000</del><br><u>\$98,350</u>   | <del>\$216,200</del><br><u>\$349,980</u> | <del>\$0</del><br><u>\$56,296</u>      |
| 60-72<br>Months   | <del>42 18</del>          | <del>\$110,921</del><br><u>\$143,113</u> | <del>5 7</del>   | <del>42 39%</del> | <del>\$84,750</del><br><u>\$100,375</u>  | <del>\$293,250</del><br><u>\$373,000</u> | <del>\$0</del><br><u>\$30,000</u>      |
| 48 to 60<br>Months  | <del>48 20</del>          | <del>\$140,164</del><br><u>\$137,789</u> | <del>8 6</del>   | <del>44 30%</del> | <del>\$106,490</del><br><u>\$107,975</u> | <del>\$308,500</del><br><u>\$406,750</u> | <del>\$25,960</del><br><u>\$0</u>      |
| 36 to 48<br>Months  | <del>20 12</del>          | <del>\$153,837</del><br><u>\$162,864</u> | <del>9 4</del>   | <del>45 33%</del> | <del>\$137,402</del><br><u>\$134,000</u> | <del>\$349,190</del><br><u>\$485,250</u> | <del>\$41,000</del><br><u>\$30,800</u> |
| 24 to 36<br>Months  | <del>46 25</del>          | <del>\$82,676</del><br><u>\$128,635</u>  | <del>9 10</del>  | <del>56 40%</del> | <del>\$90,000</del><br><u>\$115,402</u>  | <del>\$352,609</del><br><u>\$302,823</u> | \$0                                    |
| 12 to 24<br>Months  | 27                        | <del>\$67,761</del><br><u>\$114,604</u>  | 12               | 44%               | <del>\$60</del><br><u>\$111,000</u>      | <del>\$170,000</del><br><u>\$262,050</u> | \$0                                    |
| Total<br>Business<br>Units in<br><del>2022</del> <u>2023</u><br>open <del>for</del><br><u>business</u><br>over 1 year | <del>122</del> <u>140</u> | <del>\$117,964</del><br><u>\$143,639</u> | <del>46 51</del> | <del>38 36%</del> | <del>\$85,770</del><br><u>\$117,975</u>  | <del>\$768,000</del><br><u>\$485,250</u> | \$0                                    |

TABLE THREE – Average Placement Fee Per Transaction

Table Three shows the Average Placement Fee per transaction for the TES Businesses open for business for 1 year or more, for each of the last three calendar years. “Transaction” means each franchise placement facilitated by a TES Business for which a Placement Fee was paid. We have not subtracted the Placement Fee Share described above from the Average Placement Fee (25% of the Placement Fee that we withhold as a required payment to us). The Average Placement Fee amounts have all been rounded up to the nearest whole number.

|                             | Number of Franchised TES Businesses | TES Businesses (open <u>for business</u> 1+ year) | Average Placement Fees Per TES Business (open <u>for business</u> 1+ years) | Number & % of TES Businesses (open <u>for business</u> 1+ years) that Attained or Exceeded the Average Placement Fees |                           | Median Placement Fees Per TES Business (open <u>for business</u> 1+ years) | TES Business (open <u>for business</u> 1+ years) Highest Placement Fees Earned | TES Business (open <u>for business</u> 1+ years) Lowest Placement Fees Earned |
|-----------------------------|-------------------------------------|---|---|---|---------------------------|--|--|---|
| <del>2022</del> <u>2023</u> | <del>148</del> <u>186</u>           | <del>122</del> <u>140</u>                         | <del>\$25,536</del> <u>\$30,416</u>   | <del>75</del> <u>57</u>   | <del>61</del> <u>41</u> % | <del>\$27,500</del> <u>\$30,000</u>  | <del>\$147,500</del> <u>\$154,000</u>  | <del>\$1,9588,0</del>   |
| <del>2021</del> <u>2022</u> | <del>134</del> <u>148</u>           | <del>107</del> <u>119</u>                         | <del>\$24,479</del> <u>\$25,372</u>   | <del>61</del> <u>73</u>   | <del>57</del> <u>61</u> % | <del>\$25,072</del> <u>\$27,497</u>  | <del>\$70,000</del> <u>\$147,500</u>   | <del>\$9,980</del> <u>\$1,9</u>   |
| <del>2020</del> <u>2021</u> | <del>119</del> <u>134</u>           | <del>100</del> <u>105</u>                         | <del>\$23,474</del> <u>\$24,548</u>   | <del>65</del> <u>60</u>   | <del>65</del> <u>57</u> % | <del>\$24,662</del> <u>\$25,696</u>  | <del>\$80</del> <u>\$70,000</u>  | <del>\$5,568</del> <u>\$9,9</u>   |

TABLE FOUR – TOP and BOTTOM 5 TES Businesses open for business for 1 year or more

Table Four shows the Annual Income generated by the top and bottom TES Businesses open for 1 year or more for each of the last three calendar years. We have not subtracted the Placement Fee Share described above from the Average Placement Fee (25% of the Placement Fee that we withhold as a required payment to us). All Annual Income have been rounded up to the nearest whole number.

TOP 5 TES Businesses open for business for 1 year or more:

|             | TES Business 1   | TES Business 2   | TES Business 3   | TES Business 4   | TES Business 5   | Median           |
|-------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <u>2023</u> | <u>\$485,250</u> | <u>\$406,750</u> | <u>\$399,800</u> | <u>\$380,500</u> | <u>\$379,379</u> | <u>\$399,800</u> |
| 2022        | \$768,000        | \$414,260        | \$363,942        | \$352,609        | \$349,190        | \$363,942        |
| 2021        | \$454,876        | \$386,480        | \$371,575        | \$347,199        | \$304,742        | \$371,575        |
| <u>2020</u> | <u>\$524,941</u> | <u>\$464,465</u> | <u>\$396,269</u> | <u>\$357,230</u> | <u>\$344,845</u> | <u>\$396,269</u> |

Bottom 5 TES Businesses open for business for 1 year or more:

|                      | TES<br>Business<br>1 | TES<br>Business<br>2 | TES Business<br>3 | TES<br>Business<br>4 | TES<br>Business<br>5 | Median |
|----------------------|----------------------|----------------------|-------------------|----------------------|----------------------|--------|
| <del>2022</del> 2023 | \$0                  | \$0                  | \$0               | \$0                  | \$0                  | \$0    |
| 2021 <del>2022</del> | \$0                  | \$0                  | \$0               | \$0                  | \$0                  | \$0    |
| <del>2020</del> 2021 | \$0                  | \$0                  | \$0               | \$0                  | \$0                  | \$0    |

The financial information in this Item 19 does not reflect the costs of sales, operating expenses, or other costs or expenses that you may incur. You should conduct an independent investigation of the costs and expenses you will incur in operating your TES Business. Franchisees or former franchisees, listed in this Franchise Disclosure Document, may be one source of this information. Prior to the Issuance Date, the term Placement Fee was known as “Referral Fee” and Placement Fee Share was known as “Placement Fee.” Only the names of these fees have changed; the definition of these fees has not. Please note that current and former franchisees may refer to these fees using either term.

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

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

Other than the preceding financial performance representation, we do not make any financial performance representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Jessica Pettit at 464 Heritage Road, Suite 3, Southbury, Connecticut 06488, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1

System-wide Outlet Summary  
For years ~~2020~~2021 to ~~2022~~2023

| Outlet Type   | Year            | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change    |
|---------------|-----------------|----------------------------------|--------------------------------|---------------|
| Franchised    | <del>2020</del> | <del>124</del>                   | <del>119</del>                 | <del>-5</del> |
|               | 2021            | 119                              | 134                            | +15           |
|               | 2022            | 134                              | 148                            | +14           |
|               | <u>2023</u>     | <u>148</u>                       | <u>186</u>                     | <u>+38</u>    |
| Company Owned | <del>2020</del> | <del>0</del>                     | <del>0</del>                   | <del>0</del>  |
|               | 2021            | 0                                | 0                              | 0             |
|               | 2022            | 0                                | 0                              | 0             |
|               | <u>2023</u>     | <u>0</u>                         | <u>0</u>                       | <u>0</u>      |
| Total Outlets | <del>2020</del> | <del>124</del>                   | <del>119</del>                 | <del>-5</del> |
|               | 2021            | 119                              | 134                            | +15           |
|               | 2022            | 134                              | 148                            | +14           |
|               | <u>2023</u>     | <u>148</u>                       | <u>186</u>                     | <u>+38</u>    |

Table No. 2

Transfers of Outlets from Franchisees to New Owners  
(other than the Franchisor)  
For years ~~2020~~2021 to ~~2022~~2023

| State   | Year            | Number of Transfers |
|---------|-----------------|---------------------|
| Florida | <del>2020</del> | <del>0</del>        |
|         | 2021            | 0                   |
|         | 2022            | 1                   |
|         | <u>2023</u>     | <u>0</u>            |

| State  | Year            | Number of Transfers |
|--------|-----------------|---------------------|
| Totals | <del>2020</del> | <del>0</del>        |
|        | 2021            | 0                   |
|        | 2022            | 1                   |
|        | <del>2023</del> | <del>0</del>        |

Table No. 3

Status of Franchised Outlets  
For years ~~2020~~2021 to ~~2022~~2023

| State      | Year                              | Outlets at Start of the Year | Outlets Opened                           | Terminations  | Non-Renewals  | Reacquired by Franchisor | Ceased Operations- Other Reasons         | Outlets at End of the Year |
|------------|-----------------------------------|------------------------------|--|---------------|---------------|--------------------------|--|----------------------------|
| Arizona    | <del>2020</del><br><del>021</del> | <del>43</del>                | 1  | <del>20</del> | 0             | 0                        | 0  | <del>34</del>              |
|            | <del>2021</del><br><del>022</del> | <del>34</del>                | <del>10</del>                            | 0             | 0             | 0                        | 0  | 4                          |
|            | <del>2022</del><br><del>023</del> | 4                            | <del>03</del>                            | 0             | 0             | 0                        | 0  | <del>47</del>              |
|            |                                   |                              |  |               |               |                          |  |                            |
| Arkansas   | <del>2020</del><br><del>021</del> | <del>12</del>                | <del>10</del>                            | 0             | 0             | 0                        | 0  | 2                          |
|            | <del>2021</del><br><del>022</del> | 2                            | 0  | 0             | 0             | 0                        | 0  | 2                          |
|            | <del>2022</del><br><del>023</del> | 2                            | <del>01</del>                            | 0             | 0             | 0                        | 0  | <del>23</del>              |
|            |                                   |                              |  |               |               |                          |  |                            |
| California | <del>2020</del><br><del>021</del> | <del>1615</del>              | <del>4</del> <sup>(5)</sup> <del>0</del> | <del>31</del> | <del>12</del> | 0                        | <del>1</del> <sup>(6)</sup> <del>2</del> | <del>1511</del>            |
|            | <del>2021</del><br><del>022</del> | <del>1511</del>              | <del>02</del>                            | <del>10</del> | <del>20</del> | 0                        | <del>1</del> <sup>(2)</sup> <del>0</del> | <del>1113</del>            |
|            | <del>2022</del><br><del>023</del> | <del>1113</del>              | <del>21</del>                            | <del>01</del> | 0             | 0                        | <del>01</del> <sup>(1)</sup>             | <del>1312</del>            |
|            |                                   |                              |  |               |               |                          |  |                            |
| Colorado   | <del>2020</del><br><del>021</del> | 2                            | <del>01</del>                            | 0             | 0             | 0                        | 0  | <del>23</del>              |
|            | <del>2021</del><br><del>022</del> | <del>23</del>                | 1  | 0             | 0             | 0                        | 0  | <del>34</del>              |
|            | <del>2022</del><br><del>023</del> | <del>34</del>                | <del>10</del>                            | 0             | 0             | 0                        | 0  | 4                          |

| State                | Year                           | Outlets at Start of the Year | Outlets Opened          | Terminations          | Non-Renewals          | Reacquired by Franchisor | Ceased Operations-Other Reasons      | Outlets at End of the Year |
|----------------------|--------------------------------|------------------------------|-------------------------|-----------------------|-----------------------|--------------------------|--------------------------------------|----------------------------|
|                      |                                |                              |                         |                       |                       |                          |                                      |                            |
| Connecticut          | <del>2020</del><br><u>2021</u> | 3                            | <del>0</del> <u>1</u>   | <del>0</del> <u>1</u> | 0                     | 0                        | 0                                    | 3                          |
|                      | <del>2021</del><br><u>2022</u> | 3                            | <del>1</del> <u>0</u>   | <del>1</del> <u>0</u> | <del>0</del> <u>1</u> | 0                        | 0                                    | <del>3</del> <u>2</u>      |
|                      | <del>2022</del><br><u>2023</u> | <del>3</del> <u>2</u>        | 0                       | 0                     | <del>1</del> <u>0</u> | 0                        | 0                                    | 2                          |
|                      |                                |                              |                         |                       |                       |                          |                                      |                            |
| District of Columbia | <del>2020</del><br><u>2021</u> | 1                            | 0                       | 0                     | 0                     | 0                        | 0                                    | 1                          |
|                      | <del>2021</del><br><u>2022</u> | 1                            | <del>0</del> <u>1</u>   | 0                     | 0                     | 0                        | 0                                    | <del>1</del> <u>2</u>      |
|                      | <del>2022</del><br><u>2023</u> | <del>1</del> <u>2</u>        | <del>1</del> <u>0</u>   | 0                     | 0                     | 0                        | <del>0</del> <u>1</u> (3)            | <del>2</del> <u>1</u>      |
|                      |                                |                              |                         |                       |                       |                          |                                      |                            |
| Florida              | <del>2020</del><br><u>2021</u> | <del>8</del> <u>10</u>       | <del>4</del> <u>1</u>   | <del>2</del> <u>1</u> | 0                     | 0                        | 0                                    | 10                         |
|                      | <del>2021</del><br><u>2022</u> | 10                           | <del>1</del> <u>3</u>   | <del>1</del> <u>0</u> | 0                     | 0                        | <del>0</del> <u>1</u> (4)            | <del>10</del> <u>12</u>    |
|                      | <del>2022</del><br><u>2023</u> | <del>10</del> <u>12</u>      | <del>3</del> <u>(5)</u> | <del>0</del> <u>1</u> | 0                     | 0                        | <del>1</del> <sup>(3)</sup> <u>0</u> | <del>12</del> <u>14</u>    |
| Georgia              | <del>2020</del><br><u>2021</u> | 6                            | 1 <sup>(7)</sup>        | <del>1</del> <u>0</u> | 0                     | 0                        | 0                                    | <del>6</del> <u>7</u>      |
|                      | <del>2021</del><br><u>2022</u> | <del>6</del> <u>7</u>        | 1                       | <del>0</del> <u>1</u> | 0                     | 0                        | 0                                    | 7                          |
|                      | <del>2022</del><br><u>2023</u> | 7                            | <del>1</del> <u>5</u>   | <del>1</del> <u>0</u> | 0                     | 0                        | 0                                    | <del>7</del> <u>12</u>     |
|                      |                                |                              |                         |                       |                       |                          |                                      |                            |
| Illinois             | <del>2020</del><br><u>2021</u> | 4                            | 1                       | <del>0</del> <u>1</u> | 0                     | 0                        | <del>1</del> <sup>(5)</sup> <u>0</u> | 4                          |
|                      | <del>2021</del><br><u>2022</u> | 4                            | <del>1</del> <u>0</u>   | 1                     | 0                     | 0                        | 0                                    | <del>4</del> <u>3</u>      |
|                      | <del>2022</del><br><u>2023</u> | <del>4</del> <u>3</u>        | <del>0</del> <u>3</u>   | <del>1</del> <u>0</u> | 0                     | 0                        | 0                                    | <del>3</del> <u>6</u>      |



| State         | Year                           | Outlets at Start of the Year | Outlets Opened   | Terminations  | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year |
|---------------|--------------------------------|------------------------------|------------------|---------------|--------------|--------------------------|---------------------------------|----------------------------|
|               |                                |                              |                  |               |              |                          |                                 |                            |
| Indiana       | <del>2020</del><br><u>2021</u> | <del>42</del>                | 0                | <del>20</del> | 0            | 0                        | 0                               | 2                          |
|               | <del>2021</del><br><u>2022</u> | 2                            | 0                | 0             | 0            | 0                        | 0                               | 2                          |
|               | <del>2022</del><br><u>2023</u> | 2                            | 0                | 0             | 0            | 0                        | 0                               | 2                          |
|               |                                |                              |                  |               |              |                          |                                 |                            |
| Kansas        | <del>2020</del><br><u>2021</u> | 0                            | 0                | 0             | 0            | 0                        | 0                               | 0                          |
|               | <del>2021</del>                | <del>0</del>                 | <del>0</del>     | <del>0</del>  | <del>0</del> | <del>0</del>             | <del>0</del>                    | <del>0</del>               |
|               | 2022                           | 0                            | 1                | 0             | 0            | 0                        | 0                               | 1                          |
|               | <del>2023</del>                | <del>1</del>                 | <del>0</del>     | <del>0</del>  | <del>0</del> | <del>0</del>             | <del>0</del>                    | <del>1</del>               |
|               |                                |                              |                  |               |              |                          |                                 |                            |
| Kentucky      | <del>2020</del><br><u>2021</u> | <del>21</del>                | 0                | <del>10</del> | 0            | 0                        | 0                               | 1                          |
|               | <del>2021</del><br><u>2022</u> | 1                            | 0                | 0             | 0            | 0                        | 0                               | 1                          |
|               | <del>2022</del><br><u>2023</u> | 1                            | 0                | 0             | 0            | 0                        | 0                               | 1                          |
|               |                                |                              |                  |               |              |                          |                                 |                            |
| Louisiana     | <del>2020</del><br><u>2021</u> | 1                            | 0                | 0             | 0            | 0                        | 0                               | 1                          |
|               | <del>2021</del>                | <del>1</del>                 | <del>0</del>     | <del>0</del>  | <del>0</del> | <del>0</del>             | <del>0</del>                    | <del>1</del>               |
|               | <del>2022</del>                | <del>1</del>                 | <del>0</del>     | <del>0</del>  | <del>0</del> | <del>0</del>             | <del>0</del>                    | <del>1</del>               |
|               |                                |                              |                  |               |              |                          |                                 |                            |
| Maryland      | 2020                           | 2                            | 1 <sup>(8)</sup> | 0             | 0            | 0                        | 0                               | 3                          |
|               | 2021                           | 3                            | 1                | 0             | 0            | 0                        | 0                               | 4                          |
|               | 2022                           | 4                            | 0                | 0             | 0            | 0                        | 0                               | 4                          |
|               |                                |                              |                  |               |              |                          |                                 |                            |
| Massachusetts | 2020                           | 4                            | 0                | 0             | 0            | 0                        | 1 <sup>(9)</sup>                | 3                          |
|               | 2021                           | 3                            | 1                | 0             | 1            | 0                        | 0                               | 3                          |
|               | 2022                           | 3                            | 0                | 0             | 0            | 0                        | 0                               | 3                          |
|               |                                |                              |                  |               |              |                          |                                 |                            |
| Michigan      | 2020                           | 5                            | 0                | 0             | 0            | 0                        | 0                               | 5                          |
|               | 2021                           | 5                            | 2                | 0             | 0            | 0                        | 0                               | 7                          |
|               | 2022                           | 7                            | 0                | 0             | 0            | 0                        | 0                               | 7                          |

| State                | Year                       | Outlets at Start of the Year | Outlets Opened    | Terminations      | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year |
|----------------------|----------------------------|------------------------------|-------------------|-------------------|--------------|--------------------------|---------------------------------|----------------------------|
| <u>Minnesota</u>     | <u>2020</u>                | <u>1</u>                     | <u>1</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>2</u>                   |
|                      | <u>2021</u>                | <u>2</u>                     | <u>0</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>2</u>                   |
|                      | <u>2022</u>                | <u>2</u>                     | <u>1</u>          | <u>1</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>2</u>                   |
|                      |                            |                              |                   |                   |              |                          |                                 |                            |
| <u>Mississippi</u>   | <u>2020</u>                | <u>0</u>                     | <u>1</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
|                      | <u>2021</u>                | <u>1</u>                     | <u>0</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
|                      | <u>2022</u>                | <u>1</u>                     | <u>0</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
|                      | <u>2023</u>                | <u>1</u>                     | <u>0</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
|                      |                            |                              |                   |                   |              |                          |                                 |                            |
| <u>Maryland</u>      | <u>2021</u>                | <u>3</u>                     | <u>1</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>4</u>                   |
|                      | <u>2022</u>                | <u>4</u>                     | <u>0</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>4</u>                   |
|                      | <u>2023</u>                | <u>4</u>                     | <u>1(3)</u>       | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>5</u>                   |
|                      |                            |                              |                   |                   |              |                          |                                 |                            |
| <u>Massachusetts</u> | <u>2021</u>                | <u>3</u>                     | <u>1</u>          | <u>0</u>          | <u>1</u>     | <u>0</u>                 | <u>0</u>                        | <u>3</u>                   |
|                      | <u>2022</u>                | <u>3</u>                     | <u>0</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>3</u>                   |
|                      | <u>2023</u>                | <u>3</u>                     | <u>1</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>4</u>                   |
|                      |                            |                              |                   |                   |              |                          |                                 |                            |
| <u>Michigan</u>      | <u>2021</u>                | <u>5</u>                     | <u>2</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>7</u>                   |
|                      | <u>2022</u>                | <u>7</u>                     | <u>0</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>7</u>                   |
|                      | <u>2023</u>                | <u>7</u>                     | <u>2</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>9</u>                   |
| <u>Minnesota</u>     | <u>2021</u>                | <u>2</u>                     | <u>0</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>2</u>                   |
|                      | <u>2022</u>                | <u>2</u>                     | <u>1</u>          | <u>1</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>2</u>                   |
|                      | <u>2023</u>                | <u>2</u>                     | <u>2</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>4</u>                   |
|                      |                            |                              |                   |                   |              |                          |                                 |                            |
| <u>Mississippi</u>   | <u>2021</u>                | <u>1</u>                     | <u>0</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
|                      | <u>2022</u>                | <u>1</u>                     | <u>0</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
|                      | <u>2023</u>                | <u>1</u>                     | <u>0</u>          | <u>0</u>          | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>1</u>                   |
|                      |                            |                              |                   |                   |              |                          |                                 |                            |
| Missouri             | <u>2020</u><br><u>2021</u> | 2                            | <u>0</u> <u>3</u> | <u>0</u> <u>1</u> | 0            | 0                        | 0                               | <u>24</u>                  |
|                      | <u>2021</u><br><u>2022</u> | <u>24</u>                    | <u>3</u> <u>1</u> | <u>1</u> <u>0</u> | 0            | 0                        | 0                               | <u>45</u>                  |
|                      | <u>2022</u><br><u>2023</u> | <u>45</u>                    | <u>1</u> <u>0</u> | 0                 | 0            | 0                        | 0                               | 5                          |

| State          | Year                           | Outlets at Start of the Year | Outlets Opened           | Terminations             | Non-Renewals             | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year |
|----------------|--------------------------------|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------------|----------------------------|
| Montana        | <del>2020</del><br><u>2021</u> | 0                            | <del>0</del><br><u>1</u> | 0                        | 0                        | 0                        | 0                               | <del>0</del><br><u>1</u>   |
|                | <del>2021</del><br><u>2022</u> | <del>0</del><br><u>1</u>     | <del>1</del><br><u>0</u> | 0                        | 0                        | 0                        | 0                               | 1                          |
|                | <del>2022</del><br><u>2023</u> | 1                            | 0                        | 0                        | 0                        | 0                        | 0                               | 1                          |
| Nevada         | <del>2020</del><br><u>2021</u> | <del>1</del><br><u>2</u>     | <del>1</del><br><u>0</u> | 0                        | 0                        | 0                        | 0                               | 2                          |
|                | <del>2021</del><br><u>2022</u> | <del>2</del><br><u>0</u>     | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>2</del><br><u>0</u>   |
|                | <del>2022</del><br><u>2023</u> | <del>2</del><br><u>0</u>     | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>2</del><br><u>0</u>   |
| New Jersey     | 2021                           | <del>2</del><br><u>0</u>     | 0                        | 0                        | 0                        | 0                        | 0                               | <del>2</del><br><u>0</u>   |
|                | <del>2021</del><br><u>2022</u> | <del>0</del><br><u>1</u>     | <del>1</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>1</del><br><u>0</u>   |
|                | <del>2022</del><br><u>2023</u> | <del>1</del><br><u>0</u>     | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>1</del><br><u>0</u>   |
| New Mexico     | 2021                           | <del>4</del><br><u>0</u>     | <del>0</del><br><u>1</u> | <del>1</del><br><u>0</u> | <del>1</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>2</del><br><u>0</u>   |
|                | <del>2021</del><br><u>2022</u> | <del>2</del><br><u>1</u>     | <del>1</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>3</del><br><u>0</u>   |
|                | <del>2022</del><br><u>2023</u> | <del>3</del><br><u>0</u>     | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>3</del><br><u>0</u>   |
| New York       | 2021                           | <del>3</del><br><u>1</u>     | <del>1</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>4</del><br><u>0</u>   |
|                | <del>2021</del><br><u>2022</u> | <del>4</del><br><u>0</u>     | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>4</del><br><u>0</u>   |
|                | <del>2022</del><br><u>2023</u> | <del>4</del><br><u>1</u>     | <del>0</del><br><u>0</u> | <del>1</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>3</del><br><u>0</u>   |
| North Carolina | 2021                           | <del>6</del><br><u>3</u>     | <del>3</del><br><u>1</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>9</del><br><u>10</u>  |
|                | <del>2021</del><br><u>2022</u> | <del>9</del><br><u>10</u>    | <del>1</del><br><u>1</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>10</del><br><u>10</u> |
|                | <del>2022</del><br><u>2023</u> | <del>10</del><br><u>1</u>    | <del>1</del><br><u>6</u> | <del>1</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>10</del><br><u>0</u>  |
| Ohio           | 2021                           | <del>1</del><br><u>1</u>     | <del>1</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>2</del><br><u>3</u>   |
|                | <del>2021</del><br><u>2022</u> | <del>2</del><br><u>1</u>     | <del>1</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>3</del><br><u>4</u>   |
|                | <del>2022</del><br><u>2023</u> | <del>3</del><br><u>1</u>     | <del>1</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u> | <del>0</del><br><u>0</u>        | <del>4</del><br><u>0</u>   |

| State             | Year                       | Outlets at Start of the Year | Outlets Opened         | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year |
|-------------------|----------------------------|------------------------------|------------------------|--------------|--------------|--------------------------|---------------------------------|----------------------------|
|                   |                            |                              |                        |              |              |                          |                                 |                            |
| <u>Oklahoma</u>   | <u>2021</u>                | <u>1</u>                     | <u>1</u>               | <u>0</u>     | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>2</u>                   |
|                   | 2022                       | 2                            | 0                      | 0            | 0            | 0                        | 0                               | 2                          |
|                   |                            |                              |                        |              |              |                          |                                 |                            |
| <u>New Jersey</u> | <u>2020</u><br><u>2023</u> | 2                            | 1                      | 0            | 0            | 0                        | 0                               | 3                          |
|                   | <u>2021</u>                | <u>3</u>                     | <u>1</u>               | <u>1</u>     | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>3</u>                   |
|                   | <u>2022</u>                | <u>3</u>                     | <u>1</u>               | <u>0</u>     | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>4</u>                   |
|                   |                            |                              |                        |              |              |                          |                                 |                            |
| <u>New Mexico</u> | <u>2020</u>                | <u>3</u>                     | <u>1<sup>(9)</sup></u> | <u>0</u>     | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>4</u>                   |
|                   | <u>2021</u>                | <u>4</u>                     | <u>0</u>               | <u>1</u>     | <u>1</u>     | <u>0</u>                 | <u>0</u>                        | <u>2</u>                   |
|                   | <u>2022</u>                | <u>2</u>                     | <u>1</u>               | <u>0</u>     | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>3</u>                   |
|                   |                            |                              |                        |              |              |                          |                                 |                            |
| <u>New York</u>   | <u>2020</u>                | <u>2</u>                     | <u>2</u>               | <u>1</u>     | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>3</u>                   |
|                   | <u>2021</u>                | <u>3</u>                     | <u>1</u>               | <u>0</u>     | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>4</u>                   |
|                   | <u>2022</u>                | <u>4</u>                     | <u>0</u>               | <u>0</u>     | <u>0</u>     | <u>0</u>                 | <u>0</u>                        | <u>4</u>                   |

|                       |             |          |          |          |          |          |          |           |
|-----------------------|-------------|----------|----------|----------|----------|----------|----------|-----------|
| <u>North Carolina</u> | <u>2020</u> | <u>5</u> | <u>1</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>6</u>  |
|                       | <u>2021</u> | <u>6</u> | <u>3</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>9</u>  |
|                       | <u>2022</u> | <u>9</u> | <u>1</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>10</u> |
|                       |             |          |          |          |          |          |          |           |
| <u>Ohio</u>           | <u>2020</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>1</u>  |
|                       | <u>2021</u> | <u>1</u> | <u>1</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>2</u>  |
|                       | <u>2022</u> | <u>2</u> | <u>1</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>3</u>  |

| State          | Year         | Outlets at Start of the Year | Outlets Opened     | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year |
|----------------|--------------|------------------------------|--------------------|--------------|--------------|--------------------------|---------------------------------|----------------------------|
|                |              |                              |                    |              |              |                          |                                 |                            |
| Oklahoma       | 2020         | 1                            | 1 <sup>(6)</sup>   | 1            | 0            | 0                        | 0                               | 1                          |
|                | 2021         | 1                            | 1                  | 0            | 0            | 0                        | 0                               | 2                          |
|                | 2022         | 2                            | 0                  | 0            | 0            | 0                        | 0                               | 2                          |
|                |              |                              |                    |              |              |                          |                                 |                            |
| Oregon         | 2020<br>2021 | 21                           | 0                  | 10           | 0            | 0                        | 0                               | 1                          |
|                | 2021<br>2022 | 1                            | 0                  | 0            | 0            | 0                        | 0                               | 1                          |
|                | 2022<br>2023 | 1                            | 01                 | 0            | 0            | 0                        | 0                               | 12                         |
|                |              |                              |                    |              |              |                          |                                 |                            |
| Pennsylvania   | 2020<br>2021 | 6                            | 10                 | 10           | 0            | 0                        | 0                               | 6                          |
|                | 2021<br>2022 | 6                            | 01                 | 01           | 02           | 0                        | 0                               | 64                         |
|                | 2022<br>2023 | 64                           | 14                 | 1            | 20           | 0                        | 0                               | 47                         |
|                |              |                              |                    |              |              |                          |                                 |                            |
| Rhode Island   | 2020<br>2021 | 0                            | 0                  | 0            | 0            | 0                        | 0                               | 0                          |
|                | 2021<br>2022 | 0                            | 01                 | 0            | 0            | 0                        | 0                               | 01                         |
|                | 2022<br>2023 | 01                           | 10                 | 0            | 0            | 0                        | 0                               | 1                          |
|                |              |                              |                    |              |              |                          |                                 |                            |
| South Carolina | 2020<br>2021 | 20                           | 02                 | 10           | 10           | 0                        | 0                               | 02                         |
|                | 2021<br>2022 | 02                           | 20                 | 0            | 0            | 0                        | 0                               | 2                          |
|                | 2022<br>2023 | 2                            | 01                 | 0            | 0            | 0                        | 0                               | 23                         |
|                |              |                              |                    |              |              |                          |                                 |                            |
| Tennessee      | 2020<br>2021 | 4                            | 0                  | 0            | 0            | 0                        | 0                               | 4                          |
|                | 2021<br>2022 | 4                            | 02(4)              | 0            | 01           | 0                        | 0                               | 45                         |
|                | 2022<br>2023 | 45                           | 2 <sup>(3)</sup> 1 | 0            | 1            | 0                        | 0                               | 5                          |

| State         | Year                           | Outlets at Start of the Year | Outlets Opened           | Terminations  | Non-Renewals  | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year |
|---------------|--------------------------------|------------------------------|--------------------------|---------------|---------------|--------------------------|---------------------------------|----------------------------|
| Texas         | <del>2020</del><br><u>2021</u> | <del>108</del>               | <del>05(7)</del>         | <del>21</del> | 0             | 0                        | 0                               | <del>81</del><br><u>2</u>  |
|               | <u>2022</u>                    | <u>12</u>                    | <u>3</u>                 | <u>0</u>      | <u>0</u>      | <u>0</u>                 | <u>0</u>                        | <u>15</u>                  |
|               | <u>2023</u>                    | <u>15</u>                    | <u>8</u>                 | <u>0</u>      | <u>1</u>      | <u>0</u>                 | <u>1(5)</u>                     | <u>21</u>                  |
| Utah          | 2021                           | <u>80</u>                    | <del>5(+)</del> <u>0</u> | <u>10</u>     | 0             | 0                        | 0                               | <del>120</del>             |
|               | 2022                           | <del>120</del>               | <u>30</u>                | 0             | 0             | 0                        | 0                               | <del>150</del>             |
|               | <u>2023</u>                    | <u>0</u>                     | <u>2</u>                 | <u>0</u>      | <u>0</u>      | <u>0</u>                 | <u>0</u>                        | <u>2</u>                   |
| Virginia      | <del>2020</del><br><u>2021</u> | <del>54</del>                | <del>01(2)</del>         | 0             | 0             | 0                        | <del>1(+)</del> <u>0</u>        | <del>45</del>              |
|               | <del>2021</del><br><u>2022</u> | <del>45</del>                | 1(+)                     | <del>02</del> | 0             | 0                        | 0                               | <del>54</del>              |
|               | <del>2022</del><br><u>2023</u> | <del>54</del>                | <del>10</del>            | <u>20</u>     | 0             | 0                        | 0                               | 4                          |
| Washington    | <del>2020</del><br><u>2021</u> | <del>107</del>               | <del>01</del>            | <u>21</u>     | 0             | 0                        | 1(7)                            | <del>76</del>              |
|               | <del>2021</del><br><u>2022</u> | <del>76</del>                | 1                        | <u>10</u>     | 0             | 0                        | <del>1(+)</del> <u>0</u>        | <del>67</del>              |
|               | <del>2022</del><br><u>2023</u> | <del>67</del>                | <u>3(1)</u>              | 0             | 0             | 0                        | 0                               | <del>710</del>             |
| West Virginia | <del>2020</del><br><u>2021</u> | <u>21</u>                    | 0                        | 1             | 0             | 0                        | 0                               | <u>10</u>                  |
|               | <del>2021</del><br><u>2022</u> | <u>10</u>                    | 0                        | <u>10</u>     | 0             | 0                        | 0                               | 0                          |
|               | <del>2022</del><br><u>2023</u> | 0                            | 0                        | 0             | 0             | 0                        | 0                               | 0                          |
| Wisconsin     | <del>2020</del><br><u>2021</u> | 2                            | <del>01</del>            | 0             | 0             | 0                        | 0                               | <u>23</u>                  |
|               | <del>2021</del><br><u>2022</u> | <u>23</u>                    | 1                        | 0             | <del>01</del> | 0                        | 0                               | 3                          |
|               | <del>2022</del><br><u>2023</u> | 3                            | 1                        | 0             | <u>10</u>     | 0                        | 0                               | <u>34</u>                  |
|               |                                |                              |                          |               |               |                          |                                 |                            |

| State         | Year                           | Outlets at Start of the Year | Outlets Opened          | Terminations            | Non-Renewals  | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year |
|---------------|--------------------------------|------------------------------|-------------------------|-------------------------|---------------|--------------------------|---------------------------------|----------------------------|
| Total Outlets | <del>2020</del><br><u>2021</u> | <del>124</del> <u>119</u>    | <del>24</del> <u>31</u> | <del>22</del> <u>10</u> | <del>24</del> | 0                        | <del>5</del> <u>2</u>           | <del>119</del> <u>134</u>  |
|               | <del>2021</del>                | <del>119</del>               | <del>31</del>           | <del>10</del>           | <del>4</del>  | <del>0</del>             | <del>2</del>                    | <del>134</del>             |
|               | 2022                           | 134                          | 26                      | 6                       | 5             | 0                        | 1                               | 148                        |
|               | <u>2023</u>                    | <u>148</u>                   | <u>49</u>               | <u>5</u>                | <u>2</u>      | <u>0</u>                 | <u>4</u>                        | <u>186</u>                 |

1 One outlet moved from ~~California to~~ Washington ~~to Texas~~.

2 One outlet moved from California to Virginia

<sup>3</sup>3 One outlet moved from District of Columbia to Maryland

<sup>4</sup>4 This franchisee sold their outlet to another franchisee in Tennessee.

5 One outlet moved from ~~Illinois~~Texas to ~~California~~Florida

6 One outlet moved from ~~California~~New Jersey to ~~Oklahoma~~North Carolina

7 One outlet moved from Washington to ~~Georgia~~Texas

<sup>8</sup>8 One outlet moved from Virginia to Maryland.

<sup>9</sup>9 One outlet moved from Massachusetts to New Mexico.

Table No. 4

Status of Company-Owned Outlets

For years ~~2020~~2021 to ~~2022~~2023

| State            | Year                 | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|------------------|----------------------|--------------------------|----------------|------------------------------------|----------------|----------------------------|------------------------|
| All States Total | <del>2020</del> 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |
|                  | <del>2021</del> 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |
|                  | <del>2022</del> 2023 | 0                        | 0              | 0                                  | 0              | 0                          | 0                      |

Table No. 5

Projected Openings as of December 31, ~~2022~~2023

| State       | Franchise Agreements Signed But Outlet Not Open | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|-------------|---|--|---|
| Arizona     | 0   | 1  | 0   |
| California  | 0   | 1  | 0   |
| Colorado    | 0   | 1  | 0   |
| Connecticut | 0   | <del>1</del> <u>2</u>                                    | 0   |
| Florida     | 0   | 1  | 0   |
| Georgia     | 0   | 1  | 0   |
| Idaho       | 0   | <del>1</del> <u>2</u>                                    | 0   |

|                      |          |                 |          |
|----------------------|----------|-----------------|----------|
| Illinois             | 0        | 1               | 0        |
| Indiana              | 0        | 1               | 0        |
| Iowa                 | 0        | <del>12</del>   | 0        |
| Maine                | 0        | 1               | 0        |
| Michigan             | 0        | 1               | 0        |
| Minnesota            | 0        | 1               | 0        |
| Missouri             | 0        | 1               | 0        |
| Nevada               | 0        | <del>12</del>   | 0        |
| <u>New Hampshire</u> | <u>0</u> | <u>1</u>        | <u>0</u> |
| New Jersey           | 0        | <del>12</del>   | 0        |
| New Mexico           | 0        | 1               | 0        |
| New York             | 0        | 1               | 0        |
| North Carolina       | 0        | 1               | 0        |
| Ohio                 | 0        | 1               | 0        |
| Oregon               | 0        | <del>12</del>   | 0        |
| Pennsylvania         | 0        | 1               | 0        |
| South Carolina       | 0        | <del>12</del>   | 0        |
| South Dakota         | 0        | 1               | 0        |
| Tennessee            | 0        | 1               | 0        |
| Texas                | 0        | 1               | 0        |
| Utah                 | 0        | 1               | 0        |
| <u>Vermont</u>       | <u>0</u> | <u>1</u>        | <u>0</u> |
| Virginia             | 0        | 1               | 0        |
| Washington           | 0        | 1               | 0        |
| Wisconsin            | 0        | <del>12</del>   | 0        |
| TOTALS               | 0        | <del>3040</del> | 0        |

Exhibit B contains the names, addresses, and telephone numbers of our current franchisees.

Exhibit B also contains the name, last known address, and telephone number of every franchisee who has had a franchise a Franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during our last fiscal year, or who has not communicated with us within ten (10) weeks of the Issuance Date of this Franchise Disclosure Document. If you buy a Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

Restrictions on Ability to Speak. Some former franchisees have signed confidentiality agreements. In some instances, current or 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.

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific franchise organizations.

## ITEM 21 FINANCIAL STATEMENTS

Exhibit C contains our audited financial statements for our fiscal years ending December 31, 2023 to 2022, and December 31, 2022 to 2021, and 2020.



**ITEM 22**  
**CONTRACTS**

The following exhibits contain proposed agreements regarding the Franchise:

|             |   |
|-------------|---|
| Exhibit A   | Franchise Agreement   |
|             | Attachment 1- Franchise Data Sheet                          |
|             | Attachment 2- Ownership Interests in Franchise Owner        |
|             | Attachment 3- Owners Agreement                              |
|             | Attachment 4-Automated Clearing House Payment Authorization |
|             | Attachment 5-Franchise Disclosure Questionnaire             |
|             | Attachment 6- State Addenda to the Franchise Agreement      |
| Exhibit G-1 | General Release Agreement                                   |
| Exhibit G-2 | System Protection Agreement                                 |

**ITEM 23**  
**RECEIPTS**

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

[remainder of page intentionally left blank]

**EXHIBIT A**

**FRANCHISE AGREEMENT**

**EXHIBIT A**



**TES FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**

## TABLE OF CONTENTS

| <u>Section</u>   | <u>Page</u>   |
|--|---------------|
| 1. <del>INTRODUCTION .....</del>   | <del>1</del>  |
| 2. <del>GRANT OF FRANCHISE .....</del>   | <del>2</del>  |
| 3. <del>THE DEVELOPMENT AND OPENING OF THE FRANCHISE .....</del>   | <del>4</del>  |
| 4. <del>TRAINING .....</del>   | <del>5</del>  |
| 5. <del>GUIDANCE; MANUAL .....</del>   | <del>6</del>  |
| 6. <del>FEES .....</del>   | <del>7</del>  |
| 7. <del>MARKS AND IMPROVEMENTS .....</del>   | <del>9</del>  |
| 8. <del>RELATIONSHIP OF THE PARTIES; INDEMNIFICATION; PHOTO/VIDEO<br/>RELEASE .....</del>                                      | <del>10</del> |
| 9. <del>CONFIDENTIAL INFORMATION; NON COMPETITION .....</del>  | <del>12</del> |
| 10. <del>FRANCHISE OPERATING STANDARDS .....</del>   | <del>13</del> |
| 11. <del>ADVERTISING .....</del>   | <del>16</del> |
| 12. <del>ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS .....</del>  | <del>19</del> |
| 13. <del>INSPECTIONS AND AUDITS .....</del>  | <del>19</del> |
| 14. <del>TRANSFER REQUIREMENTS .....</del>   | <del>20</del> |
| 15. <del>TERMINATION OF THE FRANCHISE .....</del>  | <del>23</del> |
| 16. <del>RIGHTS AND OBLIGATIONS OF COMPANY AND FRANCHISE OWNER<br/>UPON TERMINATION OR EXPIRATION OF THE FRANCHISE .....</del> | <del>24</del> |
| 17. <del>ENFORCEMENT .....</del>   | <del>26</del> |
| 18. <del>NOTICES AND PAYMENTS .....</del>  | <del>30</del> |
| 19. <del>INDEPENDENT PROFESSIONAL JUDGMENT OF YOU AND YOUR<br/>PRINCIPAL OPERATOR .....</del>                                  | <del>30</del> |
| 20. <del>ENTIRE AGREEMENT .....</del>  | <del>30</del> |
| 1. <del>INTRODUCTION .....</del>   | <del>1</del>  |
| 2. <del>GRANT OF FRANCHISE .....</del>   | <del>2</del>  |
| 3. <del>THE DEVELOPMENT AND OPENING OF THE FRANCHISE .....</del>   | <del>4</del>  |
| 4. <del>TRAINING .....</del>   | <del>5</del>  |
| 5. <del>GUIDANCE; MANUAL .....</del>   | <del>6</del>  |

|     |  |    |
|-----|--|----|
| 6.  | FEES .....   | 7  |
| 7.  | MARKS AND IMPROVEMENTS .....   | 10 |
| 8.  | RELATIONSHIP OF THE PARTIES; INDEMNIFICATION; PHOTO/VIDEO<br>RELEASE .....                                     | 11 |
| 9.  | CONFIDENTIAL INFORMATION; NON COMPETITION .....  | 13 |
| 10. | FRANCHISE OPERATING STANDARDS.....   | 14 |
| 11. | ADVERTISING.....   | 18 |
| 12. | ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS .....   | 20 |
| 13. | INSPECTIONS AND AUDITS.....  | 20 |
| 14. | TRANSFER REQUIREMENTS .....  | 21 |
| 15. | TERMINATION OF THE FRANCHISE.....  | 25 |
| 16. | RIGHTS AND OBLIGATIONS OF COMPANY AND FRANCHISE OWNER<br>UPON TERMINATION OR EXPIRATION OF THE FRANCHISE ..... | 25 |
| 17. | ENFORCEMENT .....  | 27 |
| 18. | NOTICES AND PAYMENTS .....   | 31 |
| 19. | INDEPENDENT PROFESSIONAL JUDGMENT OF YOU AND YOUR<br>PRINCIPAL OPERATOR.....                                   | 32 |
| 20. | ENTIRE AGREEMENT.....  | 32 |

ATTACHMENTS:

- Attachment 1- Franchise Data Sheet
- Attachment 2- Ownership Interests in Franchise Owner
- Attachment 3- Owners Agreement
- Attachment 4-Automated Clearing House Payment Authorization
- Attachment 5-Franchise Disclosure Questionnaire
- Attachment 6- State Addenda to the Franchise Agreement

**TES FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**

This Franchise Agreement (this “Franchise Agreement”) is being entered as of the date listed on Attachment 1 to this Franchise Agreement (“Effective Date”). The parties to this Franchise Agreement are TES Franchising, LLC, a Connecticut limited liability company (“we,” “us,” “our,” “TES Franchising” or the “TES Franchising”), and the franchisee listed on Attachment 1 to this Franchise Agreement (“you,” “your,” or “Franchisee”). If you sign this Franchise Agreement as a corporation, partnership, limited liability company, or other legal entity (an “Entity”) you will be bound by certain additional terms and conditions of the Franchise Agreement, as further discussed below.

1. **INTRODUCTION**

This Franchise Agreement includes several attachments, each of which are legally binding and are a part of the complete Franchise Agreement, including an “Owners Agreement” which is attached to this Franchise Agreement as Attachment 3 (the “Owners Agreement”). If you are an Entity, each individual owner (i.e., each natural person holding a direct or indirect ownership interest greater than 5% in you) must sign the Owners Agreement. Certain provisions in this Franchise Agreement also refer, and may be applicable, to Principal Owners. “Principal Owners” means those principal shareholders, partners or members upon whose business skill, financial capability, and personal character we may rely in the case Franchisee is an Entity.

Through the expenditure of considerable time, effort, and money, we and our affiliates have devised a system “System”) for the establishment and operation of a TES Business model that specializes in providing coaching, placement and franchising services to individuals, businesses, franchise prospects and franchisors. This business model includes individual businesses offering all of our franchised services and products (each, individually, a “Business” or “TES Business,” and collectively, the “Businesses” or “TES Business”). We identify the System by the use of certain trademarks, service marks and other commercial symbols, including the mark “TES Franchising” and certain associated designs, artwork and logos, which we may change or add to from time to time (the “Marks”).

From time to time we grant, to persons who meet our qualifications, franchises to own and operate a TES Business under the System. This Franchise Agreement is being presented to you because of the desire you have expressed to obtain the right to develop, own, and operate a TES Business (we refer to your TES Franchising franchise in this Franchise Agreement as the “Franchise”). In signing this Franchise Agreement, you acknowledge you have conducted an independent investigation of the TES Business, and recognize that, like any other businesses, the nature of it may evolve and change over time, that an investment in a TES Business involves business risks, and that the success of this Franchise is primarily dependent on your business abilities and efforts.

We expressly disclaim making, and you acknowledge you have not received or relied on, any guarantee, express or implied, as to the revenues, profits, or likelihood of success of the Franchise. You acknowledge that there have been no representations by us or by our officers, directors, members, employees, or agents that are inconsistent with the statements made in our current Franchise Disclosure Document (“FDD”) or the provisions of this Franchise Agreement. You further represent to us, as an inducement to our entering into this Franchise Agreement with you, there have been no misrepresentations to us in your application for the rights granted by this Franchise Agreement, or in the financial information provided by you or your Principal Owners.

## 2. GRANT OF FRANCHISE

2.1 *Term.* You have applied for a franchise to own and operate a TES Business, in reliance on all of the representations you made in that application, and we have approved your application. As a result, and subject to the provisions of this Franchise Agreement, we grant to you a franchise to operate a Business offering all products, services, and proprietary programs of ours, in accordance with all elements of the System, that we may require for TES Businesses.

This Franchise Agreement shall have an initial term of ten consecutive (10) years (the “Initial Term”). The Initial Term will begin on the Effective Date. Termination or expiration of this current Franchise Agreement will constitute a termination or expiration of your Franchise. (All references to the “Term” of this Franchise Agreement refer to the period from the Effective Date to the date on which this Franchise Agreement actually terminates or expires.)

2.2 *Best Efforts and Full-Term Performance.* Only you are authorized to operate the Franchise. You specifically agree to be obligated to operate the Franchise, perform the obligations of this Franchise Agreement, and continuously exert your best efforts to promote and enhance the business of the Franchise for the full term of this Franchise Agreement. Except as specifically set forth in this Franchise Agreement, you may not delegate or assign any of the Franchise’s rights or obligations under this Franchise Agreement or any aspect of the management or operation of the Franchise.

2.3 *Territory and Relocation; Reservation of Rights.* This Franchise Agreement grants you a non-exclusive territory to operate throughout the United States. You will not receive any territory protections and you will share this territory with us and other franchisees. You must seek our approval to relocate your TES Business to a new location, subject to the territorial rights of other TES Businesses operated by franchisees, us and our affiliates. You may not relocate your TES Business without our prior written consent. We retain all rights with respect to TES Businesses, the Marks and the System, including (by way of example only and not as a limitation): a) to own, franchise or operate TES Businesses at any location, regardless of the proximity to your TES Business; b) to exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce without our prior written approval and subject to the policies and procedures in our Operations Manual (as such term is defined in Section 5.1); c) to use and license the use of other proprietary and non-proprietary marks or methods, which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a business offering similar services as those offered by TES Businesses, which may be similar to or different from the TES Business operated by you; d) to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your TES Business, wherever located; e) to acquire and convert to the System operated by us, any businesses offering services and products similar to those offered by TES Businesses, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and regardless of proximity to your TES Business; and f) to implement multi-area marketing programs, which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

### 2.4 Renewal of Franchise.

(a) *Franchise Owner’s Right to Renew.* Subject to the provisions of subparagraph (b) below, and provided that:

(i) you give us written notice of your intention to renew this Franchise Agreement at least 12 but not more than 18 months prior to the end of the Initial Term;

(ii) you have substantially complied with all provisions of this current Franchise Agreement and all other agreements between us, and have corrected any deficiencies in the operation of your Franchise;

(iii) this current Franchise Agreement or any successor agreement has not been terminated;

(iv) you pay the renewal fee in the amount of five thousand dollars (\$5,000);

(v) you sign a general release of any and all claims against us; and

(vi) pursuant to subsection (c) below, you sign our then current form of Franchise Agreement and ancillary documents, including an Owners Agreement or other guaranty, applicable to TES Businesses as we may require for each renewal period,

then, upon expiration of the Initial Term, you will have the right to renew the Franchise, provided that you meet the requirements to sign a successor Franchise Agreement, for one additional term of ten consecutive years pursuant to our then-current successor franchise agreement.

(b) *Notice of Deficiencies and Other Requirements.* At least six (6) months before the expiration of the Franchise, we agree to give you written notice of any deficiencies in your operation or in the historical performance of the Franchise that could cause us not to renew the Franchise. If we will permit renewal, our notice will state what actions you must take to correct the deficiencies in your operation of the Franchise, and will specify the time period within which those deficiencies must be corrected and any other requirements satisfied. Renewal of the Franchise will be conditioned on your continued compliance with all the terms and conditions of this Franchise Agreement up to and including expiration. If we send a notice of non-renewal, it will state the reasons for our refusal to renew.

(c) *Renewal Agreement; Releases.* To renew the Franchise, TES Franchising, you and your Principal Owners must execute the then-current form of franchise agreement, which may contain materially different terms than this Franchise Agreement (“Successor Franchise Agreement”) and any ancillary agreements we are then customarily using in the grant or renewal of franchises for the operation of TES Businesses (with appropriate modifications to reflect that the agreement relates to the grant of a renewal franchise), except that no initial franchise fee will be payable upon renewal of the Franchise. However, you must pay to us a renewal fee equal to \$5,000. You and your Principal Owners, and you and their spouses, must also execute general releases, in a form satisfactory to us, of any and all claims against us and any affiliates we may have, and our and their respective owners, officers, directors, employees, and agents. At the time of renewal, should a judgment against us be in place, we will not include this judgment in the required releases to be signed.

(d) *Interim Period.* If you do not sign a Successor Franchise Agreement prior to the expiration of this Franchise Agreement and continue to accept the benefits of this Franchise Agreement after the expiration of this Franchise Agreement, then at our option, this Franchise Agreement may be treated either as (i) expired as of the date of expiration with you then operating without a franchise to do so and in violation of our rights; or (ii) continued on a month-to-month basis (“Interim Period”) until one party provides the other with written notice of such party’s intent to terminate the Interim Period, in which case the Interim Period will terminate 30 days after receipt of the notice to terminate the Interim Period. In the latter case, all your obligations shall remain in full force and effect during the Interim Period as if this Franchise Agreement had not expired, and



all obligations and restrictions imposed on you upon expiration of this Franchise Agreement shall be deemed to take effect upon termination of the Interim Period.

### 3. THE DEVELOPMENT AND OPENING OF THE FRANCHISE

3.1 *Development of the Franchise.* You agree at your own expense to do the following: (a) within four (4) days of the Effective Date begin set up of your TES Business, including enrollment in the pre-“On-Site Events” (Onboarding Training Module) (defined in Section 4.3) and the first Phase 1 On-Site Event training program and granted access to our technology systems which include access to technologies for marketing and offering goods and services; (b) within ~~ninety (90)~~one hundred and twenty (120) days of the Effective Date: (1) secure all financing required to fully develop the Franchise; (2) complete pre-On-Site Events (Onboarding Training Module) and the Phase 1 On-Site Event Training Program; (3) purchase an opening inventory of products and other supplies and materials, including all marketing materials required for your ~~grand opening program~~Franchise to be open for business; (4) provide proof, in a form satisfactory to us, that you (~~and/or~~ your Principal Operator, as defined in Section 4.1, if any) are legally authorized and have all licenses necessary to perform all of the services to be offered by your Franchise, and that your organizational structure is consistent with all legal requirements; (5) do any other acts necessary to open the Franchise for business; and (6) open the Franchise for business. Should licensure or accreditation take more than ~~ninety (90)~~one hundred and twenty (120) days, no termination action will be taken, so long as you can provide evidence that action is underway.

3.2 *Computer System.* You agree to use in the development and operation of the Franchise the computer terminals, systems and operating software (“Computer System”) we may specify at any time and from time to time. You acknowledge we may modify such specifications and the components of the Computer System at any time and from time to time, in accordance with this Franchise Agreement. As part of the Computer System, we may require you to obtain specified computer hardware and software, including, without limitation, a license for the proprietary software developed by us or others. Our modification of such specifications for the components of the Computer System may require you to incur costs to purchase, lease and/or obtain by license new or modified computer hardware and/or software, and to obtain service and support for the Computer System during the Term. You acknowledge that we cannot estimate the future costs of the Computer System (or additions or modifications thereto), and that the cost to you of obtaining the Computer System (or additions or modifications thereto), including software, may not be fully amortizable over the remainder of the Term. Nonetheless, you agree to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System (or additions or modifications thereto). Within four (4) business days after you receive notice from us, you agree to obtain the components of the Computer System that we designate and require. You further acknowledge and agree that we and our affiliates have the right to charge a reasonable systems fee for software or systems installation services; modifications and enhancements specifically made for us or our affiliates that are licensed to you; and other maintenance and support services related to the Computer System that we or our affiliates furnish to you. You will have sole responsibility for: (1) the acquisition, operation, maintenance, and upgrading of your Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of third parties; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained, and upgraded. Computers with Apple based operating systems are not fully compatible with our systems and therefore do not recommend this choice for your required laptop. However, if you have the ability to operate your Apple Computer in a Windows Environment, you may try to engage this as an option for this requirement. Should you choose to proceed with an Apple computer under a Windows Environment, we urge you to be fully aware that you are assuming the risk associated with this decision, and should it not work, you agree to purchase a laptop that is compliant with our system and our requirements.

3.3 *Equipment, Furniture, Fixtures, Furnishings and Signs.* You agree to use in the development and operation of the Franchise only those brands, types, and/or models of equipment, furniture, fixtures, furnishings, and signs we have approved.

3.4 *Franchise Opening.* You agree not to open the TES Business until: (1) all of your obligations under Sections 3.1 through 3.4 of this Section 3 have been fulfilled; (2) you and any of your Franchise's employees whom we require complete our pre-opening training programs to our satisfaction; (3) the Initial Franchise Fee (defined below in Section 6.1) and all other amounts due to us have been paid; and (4) you have furnished us with copies of all insurance policies required by Section 10.8 of this Franchise Agreement, or have provided us with appropriate alternative evidence of insurance coverage and payment of premiums as we have requested.

#### 4. TRAINING

4.1 *Principal Operator.* At your request, we may, but are not obligated to, agree for you to employ a Principal Operator to operate the Franchise. The term "Principal Operator" means an individual with primary day-to-day responsibility for the Franchise's operations, and may or may not be you (if you are an individual) or a Principal Owner, officer, director, or employee of yours (if you are an Entity). We do not require that the Principal Operator have an equity interest in the Franchise. The Principal Operator will be obligated to devote his or her full time, best efforts, and constant personal attention to the Franchise's operations, and must have full authority from you to implement the System in connection with the Franchise. You must not hire any Principal Operator or successor Principal Operator without first receiving our written approval of such Principal Operator's qualifications. Each Principal Operator and successor Principal Operator must attend and complete our initial training described below in Section 4.3. Each Principal Operator must sign Exhibit G-2 ("System Protection Agreement"). You must forward to us a copy of each such signed agreement. If we determine, in our sole discretion, whether during or following completion of the initial training program, that your Principal Operator (if any) is not qualified to act as Principal Operator of the Franchise, then we have the right to require you to choose (and obtain our approval of) a new individual for that position. If you intend to include a Business Development Assistant in your TES Business, they may attend Phase 1 and Phase 2 training within 12 months of the signing of your Franchise Agreement for an additional fee of \$7,500. The function of a Business Development Assistant is strictly a support and administrative role, and they may not function in the role of a Coach at any time. Any Business Development Assistant will be required to sign the System Protection Agreement (Exhibit G-2).

4.2 *Coaches.* All persons who offer coaching, placement and franchising services on behalf of the TES Business to your clients including you, or your Principal Operator (if any) are referred to as "Coaches." Only one individual is permitted to act as a "Coach" under any one Franchise License.

4.3 *Training.* You acknowledge it is very important to the operation of the Franchise that you and/or your principal operator receive appropriate training. You agree:

- (a) At least thirty (30) days Before the Franchise opens will be considered open for business, you (and/or your approved Principal Operator, if applicable) must (1) virtually complete our Onboarding Training Module prior to your in-person attendance at our initial on-site event ("OSE" or "On-Site Events") Phase 1 Training program, and (2) attend the OSE Phase 1 Training for your Franchise at the time and place we designate. You (and any other employees that we designate if applicable) must complete these trainings to our satisfaction. These trainings may include classroom instruction and Franchise operation training and will be furnished at our training facility and/or at another location we designate. You will be required to pay us a training fee of \$25,000 for you, or your approved Principal Operator ("Training Fee"). The Training Fee is due in full prior to attending the OSE Phase 1 Training, is fully earned by us when paid, and is not

refundable, whether partially or in full, under any circumstances. All persons who attend our OSE Phase 1 Training must attend for the full length of the training and complete OSE Phase 1 Training to our satisfaction. Your Franchise will be considered open for business upon successful completion of OSE Phase 1 Training. Phase 2 This is followed by our 12 Week Training Program in between Phase 1 and Phase 2, consisting of Virtual Learning & Education Calls, then Phase 2 Training, that will be held ~~virtually~~ approximately 90-Days 11-14 weeks after OSE Phase 1 Training. Our Phase 2 is held virtually, and the expectation is that you will do the activity required to be eligible to complete your Phase 2 as scheduled.

(b) In addition to providing the Onboarding Training Module, ~~and~~ OSE Phase 1 Training, our 12 Week Training Program in between Phase 1 and Phase 2, and Phase 2 Training as described above, we reserve the right to offer and hold such additional ongoing training programs and franchise owners meetings regarding such topics and at such times and locations as we may deem necessary or appropriate. We also reserve the right to make these training programs mandatory for you and/or designated owners, and/or representatives of yours. We may charge you a daily attendance fee in an amount to be set by us for each attendee of yours who attends any mandatory or optional training program or owners meeting. You or your designated personnel must attend a minimum of seventy five percent (75%) of the on-going training, educational programs and system updates offered annually. We require your Principal Operator to attend an annual franchisee conference and pay a conference fee for each year that an annual conference is held (“Conference Fee”), currently \$450, for purposes of defraying your cost of attending such annual conferences regardless of whether or not you attend the annual conference. If you fail to attend an annual conference for any reason, we shall be entitled to use the Conference Fee paid by you for any purpose in our sole discretion. Once paid, the Conference Fee is non-refundable for any reason. We may preclude you from participating in conventions, conferences, or calls if you are in default of this Franchise Agreement or if you had received a notice of default in the previous 12 months. In addition to the Conference Fee, you will be required to stay at the hotel designated by us for the annual conference at your cost and pay all costs associated with you and your personnel attending the annual conference including travel, lodging, meal, transportation and personal expenses.

(c) You agree to pay all wages and compensation owed to, and travel, lodging, meal, transportation, and personal expenses incurred by, all of your personnel who attend the OSE Phase 1 Training, any mandatory or optional training we provide and any convention or conference.

(d) You shall obtain all certifications, registrations, and licenses required by law in order to perform the responsibilities and duties for the Franchise. This includes but is not limited to individual complying with any required State Franchise Registrations. Under most state laws, if you have any ever been convicted or pled guilty or nolo contendere (“no contest”) to any felony or ever been convicted or pled guilty or nolo contendere (“no contest”) to a misdemeanor involving a franchise, you will be precluded from registering.

## 5. GUIDANCE; MANUAL

5.1 *Guidance and Assistance.* During the Term, we may at any time and from time to time furnish you guidance and assistance regarding: (1) specifications, standards, and operating procedures used by TES Businesses; (2) purchasing approved equipment, furniture, furnishings, signs, materials and supplies; (3) development and implementation of local advertising and promotional programs; (4) general operating and management procedures; (5) establishing and conducting additional training programs for your Franchise; and (6) changes in any of the above that occur from time to time. This guidance and assistance may, in our discretion, be furnished in the form of bulletins, written reports and

recommendations, operations manual and other written or electronically-posted materials (the “Operations Manual”), and/or telephone consultations and/or personal consultations at our offices or your Franchise. If (1) you request—and if we agree to provide and/or (2) you are required (based on performance)—any additional, special (on-site or virtual) training to you (and/or your approved personnel) or other assistance in operating your Franchise, then you agree to pay a daily training fee in an amount to be set by us, currently \$770 per day, and all expenses we incur in providing such training or assistance, including any wages or compensation owed to, and travel, lodging, transportation, and living expenses incurred by, our personnel.

5.2 *Operations Manual.* The Operations Manual will contain our standards, specifications, and guidelines for all products and services we require you to obtain in establishing and operating your TES Franchising Franchise and approved vendors for these products and services. The Operations Manual may be composed of or include electronic materials, websites, and/or other written or intangible materials. We may make all or part of the Operations Manual available to you through various means, including the Internet. A previously delivered Operations Manual may be superseded periodically with replacement materials to reflect changes in the specifications, standards, operating procedures and other obligations in operating the Franchise. You must keep your copy of the Operations Manual current, and if you and we have a dispute over the contents of the Operations Manual, then our master copy of the Operations Manual will control. You agree you will not at any time copy any part of the Operations Manual, permit it to be copied, disclose it to anyone not having a need to know its contents for purposes of operating your Franchise, or remove it from the Franchise location without our permission.

At our option, we may post the Operations Manual on a restricted website to which you will have password access. If we do so, you agree to periodically monitor that website for any updates to the Operations Manual or the System’s specifications. Any passwords or other digital identifications necessary to access the Operations Manual on such a website will be deemed to be part of Confidential Information (defined in Section 9.1 below).

5.3 *Modifications to System.* We will continually be reviewing and analyzing developments on the sale and repair of the latest technology products, and based upon evaluating of this information, may change the System, including, but not limited to, adding new components to services offered and equipment used by TES Businesses. Changes in laws regulating the services offered by TES Businesses may (a) require us to restructure our franchise program, (b) require your Principal Operator (~~if any~~you or your approved contractor), Coaches and permitted employees to obtain additional licenses, registrations, or certifications, (c) and/or require you to modify your ownership or organizational structure. You agree, at our request, to modify the operation of the Franchise to comply with all such changes, and to be solely responsible for all related costs.

5.4 *Advisory Councils.* You agree to participate in, and, if required, become a member of any advisory councils or similar organizations we form or organize for TES Businesses.

## 6. FEES

6.1 *Initial Fees.* You agree to pay us the initial franchise fee (the “Initial Franchise Fee”) set forth in Attachment 1 when you sign this Franchise Agreement.

You will pay us an initial franchise fee (“Initial Franchise Fee”) of \$75,000 when you sign the Franchise Agreement. We offer a reduced Initial Franchise Fee under the following circumstances:

Veteran’s Discount. We participate in the International Franchise Association VetFran Program. Under this program, honorably discharged veterans of the United States armed forces receive a 15% discount on the Initial Franchise Fee. You are required to provide us with a copy of your DD214 to receive

this discount. We will also accept a spouse's DD214, but we do require a Marriage Certificate to confirm the relationship.

### *Training*

After you sign the Franchise Agreement, you will be enrolled in our Onboarding Training Module, and initial on-site event ("OSE" or "On-Site Events") OSE Phase 1 Training Program. You will be required to pay us a training fee of \$25,000 ("Training Fee") for your principal operator. The Training Fee is due in full at the time you sign the Franchise Agreement.

### *Refundability of Initial Fees*

All initial fees are fully earned by us when paid and are nonrefundable.

6.2 *Brand Building Fund.* You agree to contribute \$750 per month to a system-wide "Brand Building Fund" for our use in promoting and building The Entrepreneur Source brand (the "Brand Building Investments"). The Brand Building Investments will be deducted the last day of the month for the following month. We reserve the right to adjust this fee upon a ninety (90) days' notice as needed based on market demands or increased expenses. It will not be increased to more than \$950. You will begin paying this fee the last business day of the month (on or about) 90-days after you attend your OSE Phase 1 Training Event. A further description of the Brand Building Fund and your obligations with respect to advertising and promoting the Franchise is found in Section 11 of this Franchise Agreement.

6.3 *Managed Services and Technology Program.* We have made arrangements with several vendors for preferred pricing for products and services used by TES Businesses. Some of these services are provided by us or paid for by us and others are billed by the vendors. We combine monthly fees and pro rate yearly fees and charge your one monthly Managed Services and Technology Program fee ("MST Fee"). The MST Fee is currently \$150 per individual per month. Because this fee is partly determined by the fees charged by our vendors, it may be adjusted throughout the year and may fluctuate from year to year. This fee begins on the last business day of the month you attend your OSE Phase 1 Training Event. The MST Fee is deemed fully earned by us once paid and is non-refundable.

6.4 *Placement Fee— & Other Fees (a) Placement Fee* You are required to pay us a share of placement fees ("Placement Fee Share") of 25% of any "Placement Fees." "Placement Fees" are fees paid by franchisors for franchise sales transactions originated by your TES Business. Placement Fees are required to be paid directly to us by franchisors. In the event a Placement Fee is paid directly to you, you must submit the entire Placement Fee to us immediately upon receipt. Placement Fees received through the efforts of one or more TES franchisees will be distributed in accordance with our multiple party policies and procedures which ~~our~~are contained in our Operations Manual. Placement Fees are not earned until we have received payment in good funds that clear our bank account. We will transfer the Net Placement Fee to the bank account you assign for your TES Business five days following clearance of the Placement Fee. The "Net Placement Fee" is the Placement Fee we receive minus the Placement Fee Share. (b) Additional Revenue Fee You are required to pay us a share of additional revenue fees ("Additional Revenue Fee Share") of 25% of any "Additional Revenue Fees." "Additional Revenue Fees" are fees paid by franchisors in addition to a placement fee, that may include bonuses or incentives for transactions originated by TES Businesses. Additional Revenue Fees are required to be paid directly to us by franchisors. In the event an Additional Revenue Fee is paid directly to you, you must submit the entire Additional Revenue Fee to us immediately upon receipt. Additional Revenue Fees received through the efforts of one or more TES franchisees will be distributed in accordance with our multiple party policies and procedures which are contained in our Operations Manual. Additional Revenue Fees are not earned until we have received payment in good funds that clear our bank account. We will transfer the Net Additional Revenue Fee to



the bank account you assign for your TES Business five days following clearance of the Additional Revenue Fee. The “Net Additional Revenue Fee” is the Additional Revenue Fee we receive minus the Additional Revenue Fee Share. (c) *Affiliate Partner Referral Fee Share* You are required to pay us a share of affiliate partner referral fees (“Affiliate Partner Referral Fee Share”) of 25% of any “Affiliate Partner Referral Fees.” “Affiliate Partner Referral Fees” are referral fees paid by our Affiliate Partners for referrals originated by your TES Business. Affiliate Partner Referral Fees are required to be paid directly to us by Affiliate Partners. In the event an Affiliate Partner Referral Fee is paid directly to you, you must submit the entire Affiliate Partner Referral Fee to us immediately upon receipt. Affiliate Partner Referral Fees received through the efforts of one or more TES franchisees will be distributed in accordance with our multiple party policies and procedures which are contained in our Operations Manual. Affiliate Partner Referral Fees are not earned until we have received payment in good funds that clear our bank account. We will transfer the Net Affiliate Partner Referral Fee as outlined in the Operations Manual. The “Net Affiliate Partner Referral Fee” is the Affiliate Partner Referral Fee we receive minus the Affiliate Partner Referral Fee Share. (d) *Funding Partner Referral Fee Share* You are required to pay us a share of funding partner referral fees (“Funding Partner Referral Fee Share”) of 20% of any “Funding Partner Referral Fees.” “Funding Partner Referral Fees” are referral fees paid by our Funding Partners for referrals originated by your TES Business. Funding Partner Referral Fees are required to be paid directly to us by Funding Partners. In the event a Funding Partner Referral Fee is paid directly to you, you must submit the entire Funding Partner Referral Fee to us immediately upon receipt. Funding Partner Referral Fees received through the efforts of one or more TES franchisees will be distributed in accordance with our multiple party policies and procedures which are contained in our Operations Manual. Funding Partner Referral Fees are not earned until we have received payment in good funds that clear our bank account. We will transfer the Net Funding Partner Referral Fee as outlined in the Operations Manual. The “Net Funding Partner Referral Fee” is the Funding Partner Referral Fee we receive minus the Funding Partner Referral Fee Share.

6.5 *Interest on Late Payments.* All MST Fees, Placement Fee Share, Brand Building Investments, amounts due from you for purchases from us or our affiliates, and other amounts which you owe us or our affiliates (unless otherwise provided for in a separate agreement between us or our affiliates) will begin to accrue interest after their respective due dates at the lesser of (i) the highest commercial contract interest rate permitted by state law, or (ii) the rate of twelve percent (12%) per annum plus \$100 per incident. You acknowledge that the inclusion of this Section 6 does not mean we agree to accept or condone late payments, nor does it indicate that we have any intention to extend credit to, or otherwise finance, your operation of the Franchise. In the event that any automatic payment is not honored by the bank from which funds are drawn, we have the right to require that any payments due us or any affiliates we may have be made by certified or cashier’s check. We also have the right to charge you a fee of \$100 for any payment that is not honored by the bank upon which it is drawn. Payments due us or our affiliates will not be deemed received until such time as funds from the deposit of any amount, whether check or automatic debit, by us or our affiliates is collected from your account.

6.6 *Electronic Funds Transfer.* We have the right to require you to participate in an electronic funds transfer program under which MST Fees, Placement Fee Share, Brand Building Investments, and any other amounts payable to us or our affiliates are deducted or paid electronically from your bank account (the “Account”). In the event you are required to authorize us to initiate debit entries, you agree to make the funds available in the Account for withdrawal by electronic transfer no later than the payment due date. If at any time we determine that you have underpaid any MST Fees, Placement Fee Share, Brand Building Investments or other amounts due us under this Franchise Agreement, then we will be authorized to initiate immediately a debit to the Account in the appropriate amount, plus applicable interest, in accordance with the foregoing procedure. Any overpayment will be credited, without interest, against the MST Fees, Placement Fee Share, Brand Building Investments, and other amounts we would otherwise debit from your Account during the following reporting periods. Our use of electronic funds transfers as a method of collecting MST Fees, Placement Fee Share, Brand Building Investments, or any other amounts due us does

not constitute a waiver of any of your obligations to provide us with weekly reports as provided in Section 12, nor shall it be deemed a waiver of any of the rights and remedies available to us under this Franchise Agreement.

6.7 *Application of Payments.* When we receive a payment from you, we have the right, in our sole discretion, to apply it as we see fit to any past due indebtedness of yours due to us or our affiliates, whether for MST Fees, Placement Fee Share, Brand Building Investments, purchases, interest, or for any other reason, regardless of how you may designate that a particular payment should be applied.

6.8 *Method of Payment.* We have the right to periodically specify (in the Operations Manual or otherwise by writing) different payees and/or payment methods, such as, but not limited to, weekly or monthly payment, payment by auto-draft, credit card and payment by check.

## 7. MARKS AND IMPROVEMENTS

7.1 *Ownership and Goodwill of Marks.* You acknowledge that your right to use the Marks is derived solely from this Franchise Agreement and is limited to your operation of the Franchise pursuant to and in compliance with this Franchise Agreement and all applicable standards, specifications, and operating procedures we prescribe from time to time during the term of the Franchise. You understand and acknowledge that our right to regulate the use of the Marks includes, without limitation, any use of the Marks in any form of electronic media, such as Websites or web pages, or as a domain name or electronic media identifier. If you make any unauthorized use of the Marks, it will constitute a breach of this Franchise Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that all your usage of the Marks and any goodwill established by your use will inure exclusively to our benefit and the benefit of our affiliates, and that this Franchise Agreement does not confer any goodwill or other interests in the Marks on you (other than the right to operate the Franchise in compliance with this Franchise Agreement). All provisions of this Franchise Agreement applicable to the Marks will apply to any additional trademarks, service marks, commercial symbols, designs, artwork, or logos we may authorize and/or license you to use during the term of this Franchise Agreement.

7.2 *Limitations on Franchise Owner's Use of Marks.* You agree to use the Marks as the sole trade identification of the Franchise. You must indicate to the public, in the form we prescribe, in any contract, advertisement and with a conspicuous sign in your Franchise location that you are the independently owned and operated licensed franchisee of TES Franchising, LLC. You agree not to use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos and additional trade and service marks licensed to you under this Franchise Agreement), or in any modified form. You also shall not use any Mark or any commercial symbol similar to the Marks with the performance or sale of any unauthorized services or products, or in any other manner we have not expressly authorized in writing. You agree to display the Marks in the manner we prescribe at the Franchise and for advertising and marketing materials, and to use, with the Marks, any notices of trade and service mark registrations we specify. You further agree to obtain any fictitious or assumed name registrations if required under applicable law.

7.3 *Notification of Infringements and Claims.* You agree to immediately notify us in writing of any apparent infringement of, or challenge to your use of any Mark, or claim by any person of any rights in any Mark or similar trade name, trademark, or service mark of which you become aware. You agree not to communicate with anyone except us and our counsel in connection with any such infringement, challenge, or claim. We have the right to exclusively control any litigation or other proceeding arising out of any actual or alleged infringement, challenge, or claim relating to any Mark. You agree to sign any documents, render any assistance, and do any acts our attorneys say is necessary or advisable to protect and

maintain our interests in any litigation or proceeding related to the Marks, or to otherwise protect and maintain our interests in the Marks.

7.4 *Discontinuance of Marks.* If it becomes advisable at any time in our sole judgment for the Franchise to modify or discontinue the using any Mark, or use one or more additional or substitute trade or service marks, including the Marks used as the name of the Franchise, then you agree, at your sole expense, to comply with our directions to modify or otherwise discontinue using the Mark, or use one or more additional or substitute trade or service marks, within a reasonable time after our notice to you.

7.5 *Indemnification of Franchise Owner.* We agree to indemnify you against, and reimburse you for, all damages for which you are held liable in any trademark infringement proceeding arising out of your use of any Mark pursuant to and in compliance with this Franchise Agreement, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim, and have otherwise complied with this Franchise Agreement.

7.6 *Improvements.* Any improvements or additions to the System, website or any other documents or information pertaining to or relating to the System or the TES Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the TES Business or any advertising and promotional ideas or inventions related to the TES Business (collectively, the “Improvements”) conceived or developed by you shall become our property. You agree to assign and do hereby assign to us, all right, title and interest in and to the Improvements, including the right to grant sublicenses to any such Improvement. You shall fully disclose the Improvements to us, without disclosure of the Improvements to others, and shall obtain our written approval prior to using such Improvements. Any such Improvement may be used by us and all of our other Businesses without any obligation to Franchisee for royalties or other fees. We may, at our discretion, apply for and own copyrights, patents, trade names, trademarks and service marks relating to any such Improvement, and you shall cooperate with us in securing such rights. We may also consider such Improvements as our property and trade secrets. In return, we shall authorize you to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other franchisees. All Improvements created by you or any other person or entity retained or employed by you are our property, and we shall be entitled to use and license others to use such Improvements unencumbered by moral rights. If any of the Improvements are copyrightable materials, they shall be works made for hire within the meaning of the United States Copyright Act and, to the extent the copyrightable materials are not works made for hire or rights in the copyrightable materials do not automatically accrue to us, you irrevocably assign and agree to assign to us, our successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such copyrighted materials, which you and the author of such copyrighted materials warrant and represent as being created by and wholly original with the author. Where applicable, you agree to obtain any other assignments of rights in the Improvements from another person or entity necessary to ensure our right in the Improvements as required in this Section 7.

## 8. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION; PHOTO/VIDEO RELEASE

8.1 *Independent Contractor; No Fiduciary Relationship.* You acknowledge and agree that this Franchise Agreement does not create a fiduciary relationship between you and us, that you and we are independent contractors, and that nothing in this Franchise Agreement is intended to make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to conspicuously identify yourself in all public documents and in all your dealings with customers, suppliers, public officials, Franchise personnel, and others as the owner of the Franchise under a Franchise Agreement, and to place any other notices of independent ownership on your forms, business cards, stationery, advertising, and other materials as we may require from time to time. You will not hold yourself out as our agent, employee, partner or co-venturer. All employees or independent contractors hired by or



working for you will be your employees or independent contractors alone and will not, for any purpose, be deemed our employees or subject to our control, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. You and we will file our own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation payments with respect to our respective employees and operations, and we will save and indemnify one another of and from any liability of any nature whatsoever by virtue thereof. We will not be obligated for any damages, claim, or obligation to any person or property, directly or indirectly arising out of your operation of the Franchise, whether or not caused by your negligent or willful action or failure to act, or your use of the Marks in a manner not in accordance with this Franchise Agreement. You must use your legal name on all documents for use with employees and contractors (including, but not limited to, employment applications, time cards, pay checks, and employment and independent contractor agreements), and you must not use any of the Marks on these documents, in signing any contract, check, negotiable instrument, or legal obligation, in applying for any license or permit, or in a manner that may result in our liability for your debts or obligations. We have no responsibility to ensure that the TES Business is developed and operated in compliance with all applicable laws, ordinances and regulations, and we shall have no liability in the event the development or operation of the TES Business violates any law, ordinance, or regulation. Upon our request, you, your Coaches and each of your employees must sign an employment relationship acknowledgement form within seven (7) days stating that you alone are the employer and operate the TES Business.

8.2 *No Liability, No Warranties.* We have not authorized or empowered you to use the Marks except as provided by this Franchise Agreement. Except as expressly authorized by this Franchise Agreement, neither you nor we will make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name of or on behalf of the other, or represent your and our relationship is other than that of franchisor and franchisee.

8.3 *Indemnification.* We will not assume any liability or be deemed liable for any agreements, representations, or warranties you make that are not expressly authorized under this Franchise Agreement, nor will we be obligated for any damages to any person or property directly or indirectly arising out of the operation of the business you conduct pursuant to this Franchise Agreement, whether or not caused by your negligent or willful action or failure to act, including: (i) the infringement, alleged infringement or any other violation by you, your owners or principals of any patent, mark, copyright, or other proprietary right owned or controlled by third parties due to your unauthorized use of all or any portion of the Marks and/or System; (ii) violation, breach or asserted violation or breach of any federal state, or local law, regulation, ruling or industry standard; (iii) libel, slander or any other form defamation; (iv) your employment or other contractual relationship with your employees, workers, managers, or independent contractors, including but not limited to any allegation, claim, finding or ruling that we are an employer of joint employer of your employees, and including any acts or omissions of you or your employees; (v) any loss of data, including but not limited to customer information, resulting from a breach of such data caused by you or your negligence; or (vi) your breach this Franchise Agreement. We will have no liability for any sales, use, excise, income, gross receipts, property, or other taxes levied against you or your assets, or on us, in connection with the business you conduct, or any payments you make to us pursuant to this Franchise Agreement (except for our own income taxes). You agree to indemnify, defend, and hold us, any affiliates we may have, and our and their respective owners, directors, officers, employees, agents, successors, and assigns (individually, an “Indemnified Party,” and collectively, the “Indemnified Parties”), harmless against, and to reimburse such Indemnified Parties for, all such obligations, damages, and taxes for which any Indemnified Party may be held liable, and for all costs the Indemnified Party reasonably may incur in the defense of any such claim brought against the Indemnified Party, or in any such action in which the Indemnified Party may be named as a party, including, without limitation, actual and consequential damages; reasonable attorneys’, accountants’, and/or expert witness fees; cost of investigation and proof of facts; court costs; other litigation expenses; and travel and living expenses. Each Indemnified Party has the

right to defend any such claim against the Indemnified Party. You further agree to hold us harmless and indemnify and defend us for all costs, expenses, and/or losses we incur in enforcing the provisions of this Franchise Agreement, defending our actions taken relating to this Franchise Agreement, or resulting from your breach of this Franchise Agreement, including without limitation, reasonable arbitrator's and attorney fees (including those for appeal), unless, after legal proceedings are completed, you are found to have fulfilled and complied with all of the terms of this Franchise Agreement. Your indemnification obligations described above will continue in full force and effect after, and notwithstanding, the expiration or termination of this Franchise Agreement.

8.4 *Photo/Video Release.* You acknowledge and authorize us to use your likeness in a photograph or video in any and all of our publications, including printed and digital publications and on websites. You agree and understand that any photograph or video using your likeness will become our property and will not be returned. You agree and irrevocably authorize us to edit, alter, copy, exhibit, publish or distribute any photograph or video of you for any lawful purpose. You agree and waive any rights to royalties or any other compensation related to our use of any photograph or video of you. You agree to hold harmless and forever discharge us from all claims, demands, and causes of action which you may have in connection with this authorization. For purposes of this Section 8, you shall refer to your Principal Owners if you are an Entity.

## 9. CONFIDENTIAL INFORMATION; NON COMPETITION

9.1 *Types of Confidential Information.* We possess certain unique confidential and proprietary information and trade secrets comprising the following categories of information, methods, techniques, products, and knowledge developed by us, including but not limited to: (1) services and products offered and sold at TES Businesses; (2) knowledge of sales and profit performance of any one or more TES Businesses; (3) knowledge of all advertising and promotional programs and sources of products sold at TES Businesses; (4) methods, techniques, formats, specifications, procedures, information, systems, and knowledge of, and experience in, the development, operation, and franchising of TES Businesses; and (5) the selection and methods of training employees. We will disclose much of the above-described information to you in, providing Onboarding Training Module, Pre-OSE Training, and Phase 1 OSE Training, Phase 2 Training, the Operations Manual, and providing guidance and assistance to you under this Franchise Agreement. In the course of the operation of your Franchise, you or your employees may develop ideas, concepts, methods, or techniques of improvement relating to the Franchise that you agree to disclose to us, and that we may then authorize you to use in the operation of your Franchise and may use or authorize others to use in other TES Businesses owned or franchised by us or our affiliates. (Any and all information described above in this Section 9.1 that is disclosed to or developed by you pursuant to this Franchise Agreement shall be deemed and referred to as "Confidential Information").

9.2 *Non-Disclosure Agreement.* You agree your relationship with us does not vest in you any interest in the Confidential Information, other than the right to use it in the development and operation of the Franchise, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information belongs to us, may contain trade secrets belonging to us, and is disclosed to you or authorized for your use solely on the condition you agree, and you therefore agree, that you (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Franchise Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form, or in any other form that may be copies or duplicated; and (4) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on disclosure to your Coaches and employees, and using non-disclosure and non-competition agreements we may prescribe or approve for your shareholders,

partners, members, officers, directors, employees, independent contractors, or agents who may have access to the Confidential Information. Any Key Individual, (the term “Key Individuals” is defined as Principal Owners, their spouses, your officers, directors, Principal Operators, and independent contractors or employees who have had access to the Confidential Information) must sign at the inception of their relationship with the Franchise the System Protection Agreement, the current form of which is attached to the Franchise Disclosure Document as Exhibit G-2.

9.3 *In-Term Non-Competition Agreement.* During the term of this Franchise Agreement, except as authorized through this Franchise Agreement, in the United States, neither you, nor any Key Individual, nor any member of your immediate family, shall directly or indirectly (a) induce, canvas, solicit, or request or advise any customers of ours, of the Franchise, or of any TES Franchisee to become customers of any person, firm, or business that competes with any Franchise, any other TES Business, or TES Company owned business; (b) induce, request, or advise any customer of TES, the Franchise, any TES Business or TES Company owned business to terminate or decrease such customer’s relationship with us, any customer of TES, the Franchise, any TES Business or TES Company owned business; or (c) disclose to any other person, firm, partnership, corporation, or other entity the names, addresses, or telephone numbers of any customers of TES, of the Franchise, of any TES Business or of any TES Company owned business except as required by law. (The ownership of one percent (1%) or less of a publicly traded company will not be deemed to be prohibited by this Section 9.3.).

## 10. FRANCHISE OPERATING STANDARDS

10.1 *Condition and Appearance of the Franchise.* You agree that:

(a) The Franchise will not be used for any purpose other than the operation of the TES Business without written approval by us and in compliance with this Franchise Agreement;

(b) you will maintain the condition and appearance of ~~the~~your TES Franchise; ~~its~~your office space, equipment, ~~furniture~~, furnishings, and ~~signs~~any signage (including virtual/Zoom meeting backgrounds) will be kept in accordance with our standards and consistent with the image of ~~an~~a TES Business (as the case may be) as an efficiently operated business offering high quality services, ~~and observing~~upholding the highest standards of cleanliness ~~and visual attractiveness~~, and ~~providing~~ courteous service;

(c) you will promptly replace or add new equipment when we reasonably specify in order to meet changing standards or new methods of service.

(d) you will provide to any and every TES Client, the standard TES Coaching Experience as outlined in the Operations Manual, including but not limited to (a) using the title Career Ownership Coach; (b) sending all required assessments, books, etc.; and (c) implementing any System updates as required.

10.2 *Franchise Services and Products.* You agree that (a) the Franchise will offer for sale all services and products that we from time to time specify for the TES Business, (b) the Franchise will offer and sell approved services and products only in the manner we have prescribed; (c) you will not offer for sale or sell any services or products we have not approved; and (d) you will discontinue selling and offering for sale any services or products that we at any time decide (in our sole discretion) to disapprove in writing. Should products be discontinued, you are allowed to sell off the remaining inventory, provided it is done within twelve (12) months of the notice of discontinuance. You agree to maintain an inventory of approved products sufficient in quantity and variety to realize the full potential of the Franchise. We may, from time to time, conduct market research and testing to determine consumer trends and the salability of new services

and products. You agree to cooperate by participating in our market research programs, test marketing new services and products in the Franchise, and provide us with timely reports and other relevant information regarding such market research. In connection with any such test marketing, you agree to offer a reasonable quantity of the products or services being tested, and effectively promote and make a reasonable effort to sell them. You agree that you will not sell or offer products or services to other TES Franchisees without our prior written approval.

10.3 *Approved Products, Distributors and Suppliers.* We have developed or may develop various unique products or services that may be prepared according to our formulations. We have approved, and will continue to periodically approve, specifications for suppliers and distributors (which may include us and/or our affiliates) for products or services required to be purchased by, or offered and sold at, TES Businesses, which meet our standards and requirements, including, without limitation, standards and requirements relating to product quality, prices, consistency, reliability, and customer relations. You agree that the Franchise will: (1) purchase any required products or services in such quantities as we designate; (2) utilize such formats, formulae, and packaging for products as we prescribe; and (3) purchase all designated products and services only from distributors and other suppliers we have approved.

We may approve a single distributor or other supplier (collectively “supplier”) for any product, and may approve a supplier only as to certain products. We may concentrate purchases with one or more suppliers to obtain lower prices or the best advertising support or services for any group of TES Businesses franchised or operated by us. Approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), or other criteria, and our approval may be temporary, pending our continued evaluation of the supplier from time to time.

If you would like to purchase any items from any unapproved supplier, then you must submit to us a written request for approval of the proposed supplier. We have the right to inspect the proposed supplier’s facilities, and we require that product samples from the proposed supplier be delivered, at our option, either directly to us, or to any independent, certified laboratory that we may designate, for testing. We reserve the right to periodically re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier does not continue to meet any of our criteria.

We and/or our affiliates may be an approved supplier of certain products or services to be purchased by you for use and/or sale by the Franchise. We and any affiliates we may have reserve the right to charge any licensed manufacturer engaged by us or our affiliates a royalty to manufacture products for us or our affiliates, or to receive commissions or rebates from vendors that supply goods or services to you. We or any affiliates we may have may also derive income from our sale of products or services to you and may sell these items at prices exceeding our or their costs in order to make a profit on the sale.

10.4 *Hours of Operation.* You agree to operate the Franchise for such times and during such hours as we may prescribe from time to time. You must operate the Franchise as a full time business but may take reasonable vacations and time off and vary your hours as permitted by the Operations Manual.

10.5 *Specifications, Standards and Procedures.* You agree to comply with all mandatory specifications, standards, and operating procedures relating to the operation of the Franchise. You also must comply with any mandatory specifications, standards, and operating procedures that we prescribe from time to time in the Operations Manual, or otherwise communicate to you in writing. Any required standards exist to protect our interests in the System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. The required standards generally will be set forth in the Operations Manual or other written materials. The Operations Manual also will include guidelines or recommendations in addition to required standards. In some instances, the

required standards will include recommendations or guidelines to meet the required standards. You may follow the recommendations or guidelines or some other suitable alternative, provided you meet and comply with the required standards. In other instances, no suitable alternative may exist. In order to protect our interests in the System and Marks, we reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines. However, while the Operations Manual is designed to protect our reputation and the goodwill of the Marks, it is not designed to control the day-to-day operation of the TES Business.

10.6 *Compliance with Laws and Good Business Practices.* You agree to secure and maintain in force in your name all required licenses, permits and certificates relating to the operation of the Franchise. You also agree to operate the Franchise in full compliance with all applicable laws, ordinances, and regulations, including without limitation all government regulations relating to worker's compensation insurance, unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes, and sales taxes. You agree to comply with all applicable laws pertaining to the privacy of customer, employee, and transactional information ("Privacy Laws"). You also agree to comply with our standards and policies pertaining to Privacy Laws. If there is a conflict between our standards and policies pertaining to Privacy Laws and actual applicable law, you will: (a) comply with the requirements of applicable law; (b) immediately give us written notice of said conflict; and (c) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law. You agree not to publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to said policy.

All advertising you employ must be completely factual, in good taste (in our judgment), and conform to the highest standards of ethical advertising and all legal requirements. You agree that in all dealings with us, your customers, your suppliers, and public officials, you will adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You further agree to refrain from any business or advertising practice that may be harmful to the business of TES Franchising, the Franchise, and/or the goodwill associated with the Marks and other TES Businesses. If we are contacted by a customer with a complaint or issue, we may in our sole discretion remedy any issue with customers of your TES Business, including reimbursement of fees paid to you, and we may require you to reimburse us for any such remedy.

You must notify us in writing within five days of (1) the commencement of any action, suit, or proceeding, and/or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental unit, that may adversely affect your and/or the Franchise's operation, financial condition, or reputation; and/or (2) your receipt or knowledge of any notice of violation of any law, ordinance, or regulation relating to health or safety.

10.7 *Management and Personnel of the Franchise.* Unless we approve your employment of a Principal Operator to operate the Franchise as provided in Section 4.1, you must actively participate in the actual, on site, day-to-day operation of the Franchise, and devote as much of your time as is reasonably necessary for the efficient operation of the Franchise. If we agree, you may employ a Principal Operator, then the Principal Operator must fulfill this requirement. Any Principal Operator shall each obtain all licenses and certifications required by law before assuming his or her responsibilities at the Franchise. You will ensure your employees and independent contractors of the Franchise have any licenses as required by law and hold or are pursuing the obtainment of any licenses, certifications, and/or degrees required by law or by us in the Operations Manual, as updated from time to time. All employees or independent contractors hired by or working for you will be your employees or independent contractors alone and will not, for any purpose, be deemed our employees or subject to our control. You agree to inform your employees that you alone are the employer, and that we are not. We will not have any duty or obligation to operate the TES Business, to direct your employees, or to oversee your employment policies or practices. We will not have

the power to hire or fire your employees. You expressly agree, and will never contend otherwise, that our authority under this Agreement to certify certain of your employees or independent contractors for qualification to perform certain functions for the Franchise does not directly or indirectly vest in us the power to hire, fire or control any such employee or independent contractor. You alone are responsible for all employment decisions and functions of your Franchise, including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether you have received advice from us on these subjects or not. We will have no liability for any action or settlement related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision, and discipline of employees and you agree to indemnify us for any such liabilities we incur. You must establish any training programs for your employees and/or independent contractors that we may prescribe in writing from time to time. You must require all employees and independent contractors to maintain a neat and clean appearance and conform to the standards of dress that we specify in the Operations Manual, as updated from time to time. Each of your employees and independent contractors must sign a written agreement, in a form approved by us, to maintain confidential our Confidential Information, proprietary information, and trade secrets as described in Section 9.1, and to abide by the covenants not to compete described in Section 9.3. You must store agreements for a period of twelve (12) months past the termination date of the employee in a location which can be reviewed in person by us at any time. All of your employees and independent contractors must render prompt, efficient and courteous service to all customers of the Franchise.

10.8 *Insurance.* You are required to have insurance as may be required by your state laws and as we may specify from time to time. You must obtain the insurance coverage required under the Franchise Agreement. The insurance company must be authorized to do business in the state where your TES Business is located and must be rated “A” or better by A.M. Best & Company, Inc. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional named insured parties. You may, with our written consent, elect to have reasonable deductibles for the coverages described in above. Certificates of insurance must be sent in upon annual expiration date.

Currently we require or recommend at least the following minimum insurance policy coverages for your operation of the Franchised Business:

**REQUIRED:**

| Type   | Amount  |
|--|---|
| Comprehensive General Liability Insurance  | \$1,000,000 per occurrence/ \$2,000,000 aggregate             |
| <del>Umbrella</del>  | <del>\$1,000,000 per occurrence / \$3,000,000 aggregate</del> |
| Employer’s Liability, Worker’s compensation, and other insurance as may be required by the state or locality in which your Business is located and operated. | As required by state law                                      |

OPTIONAL:

|  |   |
|--|---|
| <u><a href="#">Umbrella</a></u>                      | <u><a href="#">Consult your insurance agent</a></u> |
| Professional Liability Insurance                     | Consult your insurance agent                        |
| Additional Comprehensive General Liability Insurance | Consult your insurance agent                        |
| Business Interruption- 6 months                      | Consult your insurance agent                        |
| Errors & Omissions Insurance                         | Consult your insurance agent                        |

If you at any time fail or refuse to maintain any insurance coverage required by us or to furnish satisfactory evidence thereof, then we, at our option and in addition to our other rights and remedies under this Franchise Agreement, may, but need not, obtain such insurance coverage on your behalf, and you shall reimburse us on demand for any costs or premiums paid or incurred by us plus an administrative fee equal to 20% of any costs or premiums paid by us.

10.9 *Electronic Payment Compliance.* You must have arrangements in existence with any electronic fund transfer systems we designate from time to time. You must at all times ensure that you are in compliance with the applicable regulations and requirements issued by the credit card processing companies and banking industries.

11. ADVERTISING

11.1 *By Franchise Owner.* We require you to invest a minimum of \$300 per month on marketing and advertising (“Marketing Requirement.”) The amount you spend should be based around your projected earnings. You agree, at your sole cost and expense, to invest in activities and resources such as: digital or printed advertisements, networking events, business development activities, printing of marketing materials, etc. in accordance with advertising programs established by us.

If we request it, you agree to provide us with evidence of your local advertising, marketing and promotional expenditures within thirty (30) days after receiving such request.

You agree to list and advertise the Franchise in those business classifications as we may prescribe from time to time and using any standard form of classified advertisement we may provide. On each occasion before you use them, samples of all local advertising and promotional materials not prepared or previously approved by us must be submitted to us for approval. If you do not receive our written approval within thirty (30) days from the date we receive the requested information, the request will be deemed as not approved. You agree not to use any advertising or promotional materials that we have not approved. You will be solely responsible and liable for ensuring that all advertising, marketing, and promotional materials and activities you prepare comply with applicable, federal, state, and local law and regulations, and the condition of any agreements or orders to which you may be subject. You agree, at your sole cost and expense, to issue and offer such rebates, giveaways, and other promotions in accordance with

advertising programs established by us, and further agree to honor the rebates, giveaways, and other promotions issued by other TES Franchising franchisees under any such program, so long as such compliance does not contravene any applicable law, rule, or regulation. You will not create or issue any gift cards/certificates and will only sell gift cards/certificates that have been issued or sponsored by us and which are accepted at all TES Businesses, and you will not issue coupons or discounts of any type except as approved by us.

## 11.2 [RESERVED]

11.3 *Websites.* You acknowledge and agree that any website (defined below) will be deemed “advertising” under this Franchise Agreement. You agree and acknowledge that you are obligated to comply with our online policy which is subject to change by us from time to time. You agree and acknowledge that individual franchisee websites are prohibited, and that your online promotional strategies must comply with our online policy as contained in our Operations Manual. You further agree and acknowledge that we may review and monitor all online content on social media sites, blogs, electronic communication, and other online sites on which our trademarks, service marks, trade names, copyrights or any similar marks are used. You agree to remove any usage or content that we require, including without limitation, content that we deem to be scandalous, immoral, or detrimental to our image. You further agree and acknowledge that we may prohibit use of our trademarks, service marks, trade names, copyrights or any similar marks on any site or all sites, including social media websites. As used in this Franchise Agreement, the term “Website” means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate, and that refers to the Franchise, the Marks, us, and/or the System, and includes, without limitation, social media websites, Internet, and World Wide Web home pages. You agree:

- (a) Your “home on the internet” is supplied by us, connected to our website. It will have a direct web address, as well as links from TES Franchising corporate site;
- (b) You will not establish or use any other website;
- (c) You have limited control over the content (photos and text) of your website. All material revisions to the Website are approved by us before they appear on your website. We reserve the right to modify or delete any or all parts of the website in our sole discretion.

11.4 *Brand Building Fund.* We have established a Brand Building Fund to assist in activities on behalf of all Franchisees. Examples of activities may include: Business development efforts, client nurturing automation, national and local PR and brand awareness and social media automation, in addition for the purpose of promoting the marks and the system. This list is not all inclusive and may be amended at any time by the Franchisor based on current initiatives by the marketing department.

The Brand Building Fund will be administered by us, or one of our affiliates or designees, in our discretion, and we may use a professional advertising agency or media buyer to assist us. The Brand Building Fund will be in a separate bank account, commercial account, or savings account.

We have complete discretion on how the Brand Building Fund will be utilized. We may reimburse ourselves or our authorized representatives from the Brand Building Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes, and all other reasonable direct or indirect expenses that may be incurred by us or our authorized representatives and associated with the programs funded by the Brand Building Fund. Advertising may be placed in local, regional, national, or international media of our choice, including, but not limited to, print, direct mail,



radio, television, or Internet including digital advertisements, social media, blogging automation. We may also use the Brand Building Fund to conduct research and develop marketing strategies.

We do not guarantee that advertising expenditures from the Brand Building Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located.

We will not use the Brand Building Investments for advertising that is principally a solicitation for the sale of franchises, but we reserve the right to include a notation in any advertisement indicating “Franchises Available” or similar phrasing or include information regarding acquiring a franchise on or as a part of materials and items produced by or for the Brand Building Fund.

Any unused funds in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the Brand Building Fund on any terms we deem reasonable.

Because this fund will not be audited, audited financial statements will not be available to franchisees. We will provide an annual accounting for the Brand Building Fund that shows how the Brand Building Fund proceeds have been spent for the previous year upon written request.

We may forgive, waive, settle, and/or compromise all claims by or against the Brand Building Fund. We may at any time defer or reduce a Franchisee’s Brand Building Investment and, upon 30 days’ prior written notice to you, reduce or suspend Brand Building Investments and operations for one (1) or more periods of any length and terminate and reinstate the Brand Building Fund. If we terminate the Brand Building Fund, we will distribute all unused contributions to contributing franchisees, and to us or other parties, in proportion to respective contributions during the preceding 24-month period.

## 12. ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS

You agree to establish and maintain at your own expense bookkeeping, accounting, and record keeping system conforming to the requirements, data processing, and formats, if any, which we prescribe from time to time. This system (or systems, as applicable) shall include, as we may require, the necessary functionality to allow our central computer system to access certain real-time statistics and other information (including, without limitation, point-of-sale revenues) concerning the Franchise in order to track, compile, and aggregate data relating to all or part of the TES Business network, and you agree to permit our access to this information. With respect to the operation and financial condition of the Franchise, you agree to furnish us the information that we request about the Franchise, in such form we may request and prescribe from time to time. You agree to maintain and furnish upon our request complete copies of federal and state income tax returns you file with the Internal Revenue Service and state tax departments, reflecting revenues and income of the Franchise or the Entity that holds the Franchise. You shall keep and preserve full and complete records of Gross Revenues for at least three years. We reserve the right to require you to have audited or reviewed financial statements prepared by a certified public accountant annually.

## 13. INSPECTIONS AND AUDITS

13.1 *Our Right to Inspect the Franchise.* To determine whether you and the Franchise are complying with this Franchise Agreement and the specifications, standards, and operating procedures we prescribe for the operation of the Franchise, we or our agents have the right, at any reasonable time and without advance notice to you, to: (1) inspect the premises, if any; (2) observe the operations of the Franchise for such consecutive or intermittent periods as we deem necessary; (3) interview personnel of the

Franchise; (4) interview customers of the Franchise; and (5) inspect and copy any books, records and documents relating to the operation of the Franchise. You agree to fully cooperate with us in connection with any of those inspections, observations, and interviews. You agree to present to your customers any evaluation forms we periodically prescribe, and agree to participate in, and/or request that your customers participate in, any surveys performed by or on our behalf. Based on the results of any such inspections and audits and your other reports, we may provide to you such guidance and assistance in operating your Franchise as we deem appropriate.

13.2 *Our Right to Audit.* We have the right, at any time during business hours and without advance notice to you, to inspect and audit, or cause to be inspected and audited, the business records, bookkeeping and accounting records, sales and income tax records and returns and other records of the Franchise, and the books and records of any Entity that holds the Franchise and any books or records related to the personal finances and tax returns of the Franchisee (s), of the Franchisee(s)' Owners or of any other entity owned by the Franchisee(s)' Owners." You agree to fully cooperate with our representatives and any independent accountants we may hire to conduct any inspection or audit. If the inspection or audit is necessary because of your failure to furnish any reports, supporting records, other information or financial statements as required by this Franchise Agreement, or to furnish such reports, records, information, or financial statements on a timely basis, or if an audit or inspection determines that you have understated Gross Revenues by more than two percent (2%) in any period, then you agree to pay us all monies owed, plus interest, and reimburse us for the cost of such inspection or audit, and may include, without limitation, any attorney fees and/or accountants' fees we may incur, and the travel expenses, room and board, and applicable per diem charges for our employees. The above remedies are in addition to all our other remedies and rights under this Franchise Agreement or under applicable law.

"Gross Revenues" means all amounts derived from your activities in connection with the TES Business, whether received in cash, in services, in kind, on credit or otherwise. Gross Revenues do not include the payment of any required state sales or service taxes. Gross Revenues shall be deemed received by you at the time the services or products from which they were derived are delivered or rendered or at the time the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on a customer's personal check) actually has been received by you.

#### 14. TRANSFER REQUIREMENTS

14.1 *Organization.* If you are an Entity (or if this Franchise Agreement is assigned to an Entity with our approval), you represent and warrant to us you are and will continue to be throughout the term of this Franchise Agreement, duly organized and validly existing in good standing under the laws of the state of your incorporation, registration or organization, that you are qualified to do business (and will maintain such qualification) throughout the term of this Franchise Agreement in all states in which you must qualify, that you have the authority to execute, deliver and carry out all of the terms of this Franchise Agreement, and that during the term of this Franchise Agreement the only business you (i.e., Entity) conduct will be the development, ownership and operation of the Franchise.

14.2 *Interests in Franchise Owner.* You, on behalf of the Franchise and each Principal Owner, represent, warrant and agree that all "Interests" (defined below) are owned in the amount and manner described in Attachment 2. No Interests in Franchisee will, during the term of this Franchise Agreement, be public securities (i.e., securities that require, for their issuance, registration with any state or federal authority). An "Interest" means any shares, membership interests, or partnership interests (whether held directly or indirectly) in Franchisee and any other equitable or legal right (whether held directly or indirectly) in any of Franchisee's stock, revenues, profits, rights, or assets. When referring to Franchisee's rights or assets, an "Interest" means this Franchise Agreement, Franchisee's rights under and interest in this Franchise Agreement, any TES Business, or the revenues, profits, or assets of any TES Business. You also

represent, warrant, and agree that no Principal Owner's Interest has been given as security for any obligation (i.e., no one has a lien on or security interest in a Principal Owner's Interest), and that no change will be made in the ownership of an Interest other than as expressly permitted by this Franchise Agreement or as we may otherwise approve in writing. You and each Principal Owner agree to furnish us with such evidence as we may request from time to time to assure ourselves that the Interests of Franchisee and each of your Principal Owners remain as permitted by this Franchise Agreement, including a list of all persons or entities owning any Interest, as defined above.

14.3 *Transfer by TES Franchising.* This Franchise Agreement is fully transferrable by us and will inure to the benefit of any person or entity to which it is transferred or to any other legal successor to our interests in this Franchise Agreement. You acknowledge that we and our affiliates maintain a staff to manage and operate the System and that staff members can change as employees come and go. You represent that you have not signed this Franchise Agreement in reliance on any particular owner, director, officer, or employee remaining with us in that capacity. We may change our ownership or form and/or assign this Franchise Agreement and any other agreement to a third party without restriction, and any such assignment shall inure to the benefit of that third party transferee or any other legal successor to our interests in this Franchise Agreement. After our assignment of this Franchise Agreement to a third party who expressly assumes the obligations under this Franchise Agreement, we no longer will have any performance or other obligations under this Franchise Agreement.

14.4 *No Transfer without Approval.* You understand and acknowledge that the rights and duties created by this Franchise Agreement are personal to you and that we have entered into this Franchise Agreement in reliance on the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of you and your Principal Owners. Neither this Franchise Agreement nor any part of your interest in it, nor any Interest (as defined in Section 14.2 above), whether held directly or indirectly, in Franchisee or a Principal Owner, may be Transferred (defined below) without our advance written approval. Any Transfer made without our approval will constitute a breach of this Franchise Agreement and convey no rights to or interests in this Franchise Agreement, you, the Franchise, or any other TES Business.

As used in this Franchise Agreement, the term "Transfer" means any voluntary, involuntary, direct or indirect assignment, sale, gift, exchange, grant of a security interest, or occurrence of any other event which would or might change the ownership of any Interest, and includes, without limitation: (1) the Transfer of ownership of capital stock, partnership interest or other ownership interest; (2) merger or consolidation, or issuance of additional securities representing an ownership interest in Franchisee; (3) sale of common stock in Franchisee sold under a private placement or registered public offering; (4) Transfer of an Interest in a divorce proceeding or otherwise by operation of law; or (5) Transfer of an Interest by will, declaration of or transfer in trust, or under the laws of intestate succession.

14.5 *Conditions for Approval of Transfer.* If you and your Principal Owners fully comply with this Franchise Agreement, we will not unreasonably withhold our approval of a Transfer that meets all the requirements of this Section 14. The person or Entity to whom you wish to make the Transfer, or its principal owners (whether individually or collectively, the "Proposed New Owner"), must possess good moral character and otherwise meet our then applicable standards for TES Businesses. If you propose to Transfer this Franchise Agreement, the Franchise or its assets, or any Interest, or if any of your Principal Owners proposes to transfer any interest in you, then all of the following conditions must be met before or at the time of the Transfer:

- (a) the Proposed New Owner must complete our TES Franchise Development process and must have sufficient business experience, aptitude, and financial resources to operate the Franchise, as determined subject to our sole discretion;

(b) you must pay any amounts owed for purchases from us and our affiliates, and any other amounts owed to us or our affiliates which are unpaid;

(c) the Proposed New Owner's directors and such other personnel as we may designate must pay the full Training Fee, enroll in and successfully complete all training, including the Onboarding Training Module, OSE Phase 1 Training, and Phase 2 Training and shall be legally authorized and have all licenses necessary to perform the services offered by the Franchise. The Proposed New Owner shall be responsible for any wages and compensation owed to, and the travel and living expenses (including all transportation costs, room, board and meals) incurred by, the attendees who attend training;

(d) you must pay us a Transfer fee equal to 25% of the then current Franchise Fee. You must submit a transfer request in writing. Your license must be in full compliance to be considered for an approval of transfer.

(e) you and your Principal Owners must execute a general release (in a form satisfactory to us) of any and all claims you and/or they may have against us, our affiliates, and our and our affiliates' respective officers, directors, employees, and agents;

(f) we must approve the material terms and conditions of the proposed Transfer, including, without limitation, that the price and terms of payment are not so burdensome as to adversely affect the operation of the Franchise;

(g) [RESERVED]

(h) you and your Principal Owners (or, in the case of Principal Owners making any such Transfer, those Principal Owners) must execute a non-competition agreement in favor of both the Proposed New Owner and in favor of us and all entities listed in Franchise Agreement section 16.4 no less restrictive than the provision in Section 16.4.

(i) you and your Principal Owners must enter into an agreement with us providing that all obligations of the Proposed New Owner to make installment payments of the purchase price (and any interest on it) to you or your Principal Owners will be subordinate to the obligations of the Proposed New Owner to pay any amounts payable under this Franchise Agreement or any new Franchise Agreement that we may require the Proposed New Owner to sign in connection with the Transfer;

(j) upon receiving our consent for the Transfer or sale of the Franchise, the Proposed New Owner shall agree to assume all of your obligations under this Franchise Agreement in a form acceptable to us, or, at our option, shall agree to execute a new Franchise Agreement and related documents with us in the form then being used by us, including an Owners Agreement or other guaranty; and

(k) you must have properly offered us the opportunity to exercise our right of first refusal as described below, and we must have then declined to exercise it.

14.6 *Right of First Refusal.* If you or any of your Principal Owners wishes to Transfer any Interest, we will have a right of first refusal to purchase that Interest as follows. The party proposing the Transfer (the "transferor") must obtain a bona fide, executed written offer (accompanied by a good faith earnest money deposit of at least five percent (5%) of the proposed purchase price) from a responsible and fully disclosed purchaser, and must submit an exact copy of the offer to us. You also agree to provide us

with any other information we need to evaluate the offer if we request it within fifteen (15) days of receipt of the offer. We have the right, exercisable by delivering written notice to the transferor within thirty (30) days from the date of last delivery to us of the offer and any other documents we have requested, to purchase the Interest for the price and on the terms and conditions contained in the offer, except that we may substitute cash for any form of payment proposed in the offer, and will not be obligated to pay any finder's or broker's fees that are a part of the proposed Transfer. We also will not be required to pay any amount for any claimed value of intangible benefits, including, by example, possible tax benefits that may result from structuring and/or closing the proposed Transfer in a particular manner or in exchange for any consideration payable other than the bona fide purchase price for the Interest proposed to be transferred. (We may in our sole and absolute discretion withhold our consent to any proposed Transfer if the offer directly or indirectly requires payment of any consideration other than the bona fide purchase price for the Interest proposed to be transferred.) Our credit will be deemed equal to the credit of any other proposed purchaser, and we will have at least sixty (60) days to prepare for closing. We will be entitled to all customary representations and warranties given purchasers for such sales. If the proposed Transfer includes assets not related to the operation of the Franchise, we may purchase only the assets related to the operation of the Franchise and/or may also purchase the other assets. (An equitable purchase price will be allocated to each asset in the Transfer.)

If we do not exercise our right of first refusal, the transferor may complete the sale to the Proposed New Owner under and on the terms of the offer, as long as we have approved the Transfer as provided in this Section 14. You must immediately notify us of any changes in the terms of an offer. Any material change of an offer before closing will make it a new offer, revoking any previous approval or previously made election to purchase and giving us a new right of first refusal effective as of the day we receive formal notice of a material change. If the sale to the Proposed New Owner is not completed within 120 days after we have approved the Transfer, our approval of the proposed Transfer will expire. Any later proposal to complete that proposed Transfer will be deemed a new offer, giving us a new right of approval and right of first refusal effective as of the day we receive formal notice of that new offer. We have the right to assign our right of first refusal. We will not exercise a right of first refusal with respect to a proposed Transfer of less than a Controlling Interest to a member of a Principal Owner's immediate family or to your key employees.

**14.7 *Death and Disability.*** Upon the death or Permanent Disability (as defined herein) of all Principal Owners, the executor, administrator, conservator or other personal representative of the deceased or disabled person (whether individually or collectively, the "Estate Representative"), must show due diligence and transfer the deceased or disabled person's Interest within a reasonable time, not to exceed six months from the date of death or permanent disability, to a person we have approved. Such Transfers, including, without limitation, transfers by a will or inheritance, will be subject to all the terms and conditions for assignments and Transfers contained in this Franchise Agreement. If the Estate Representative chooses not to sell the franchise or cannot find another person to operate the business under the terms on the Franchise Agreement within six (6) months, the Estate Representative must notify us in writing within six months from the date of your death or permanent disability, and you and/or your estate will not be liable for the ongoing financial obligations under the Franchise Agreement and the Franchise Agreement will terminate upon your death or permanent disability. Failure to dispose of an Interest within the six-month period of time will constitute grounds for termination of this Franchise Agreement.

For purposes of this Agreement, Permanent Disability shall mean a medical impairment that prevents you from substantially or materially performing your obligations under this Agreement, as reasonably determined by us.

**14.8 *Effect of Consent to Transfer.*** Our consent to a proposed Transfer under this Section 14 will not constitute a waiver of any claims we may have against you or any Principal Owner, nor will it be

deemed a waiver of our right to demand exact compliance with the terms or conditions of this Franchise Agreement by the Proposed New Owner.

#### 15. TERMINATION OF THE FRANCHISE

We have the right to terminate this Franchise Agreement, effective upon delivery of notice of termination to you, if: (1) you do not develop or open the Franchise as provided in this Franchise Agreement; (2) you abandon, surrender, transfer control of, or do not actively operate the Franchise; (3) you or your Principal Owners assign or transfer this Franchise Agreement, any Interest, the Franchise, or assets of the Franchise without complying with Section 14; (4) you become insolvent, meaning unable to pay your bills as they become due in the ordinary course of business; (5) you use, sell, distribute or give away any unauthorized services or products; (6) you or any of your Principal Owners are convicted of or plead no contest to a felony or are convicted or plead no contest to any crime or offense that is likely to adversely affect the reputation of TES Franchising, the Franchise, and/or the goodwill associated with the Marks or You or your Principal Owners engage in any activity that is likely in our sole, yet reasonable discretion to have an adverse effect or reflect unfavorably on you, the Franchise, TES Franchising, the System, TES Businesses generally, the Marks, or the goodwill associated with them; (7) you or any of your employees violate any health or safety law, ordinance or regulation, or operate the Franchise in a manner that presents a health or safety hazard to your customers or the public; (8) you or your Principal Owners violate, at any time, Section 9.3 (entitled Non-Competition Agreement); (9) you do not pay when due any monies owed to us or our affiliates, and do not make such payment within 10 days after written notice is given to you; (10) you or any of your Principal Owners fail to comply with any other provision of this Franchise Agreement or any mandatory specification, standard, or operating procedure within thirty (30) days after written notice of such failure to comply is given to you; or (11) you or any of your Principal Owners fail on three or more separate occasions within any 12 consecutive month period to submit when due any financial statements, reports or other data, information, or supporting records; pay when due any amounts due under this Franchise Agreement; or otherwise fail to comply with this Franchise Agreement, whether or not such failures to comply are corrected after notice is given to you or your Principal Owners. In the event of a default of this Franchise Agreement by you, all of our costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of our administrative employees, shall be paid by you to us within five days of your curing the default or upon demand if such default is not cured. If you are in default, we may require you to suspend servicing clients until your non-compliance is cured to our reasonable satisfaction.

You may terminate this Franchise Agreement if: (1) you are in compliance with this Franchise Agreement; (2) we are in material breach of this Franchise Agreement; (3) you provide written notice to us of the material breach; and (4) we fail to cure the material breach within 30 days of receiving notice.

If you are in good standing and in full compliance with all of the terms of this Agreement, you may request to sign a Mutual Separation Agreement in which we will agree to cap your liability for the early termination of this Agreement at \$25,000.

#### 16. RIGHTS AND OBLIGATIONS OF COMPANY AND FRANCHISE OWNER UPON TERMINATION OR EXPIRATION OF THE FRANCHISE

##### 16.1 *Payment of Amounts Owed to TES Franchising.*

(a) You agree to pay us within five days after the effective date of termination or expiration of the Franchise, or any later date that the amounts due to us are determined, all amounts owed to us or our affiliates which are then unpaid.

(b) You agree to pay us, within 30 days after notification by us, the amount of All Managed Services & Technology Fees and all Brand Building Fees that would be due for the remainder of the term of the FA and our projection of all Placement Fee Shares that would be due for the remainder of the FA, in each case, upon either unlawful termination of the franchise by you or termination of the franchise for cause by us.

16.2 *Marks.* You agree that after the termination or expiration of the Franchise you will:

(a) not directly or indirectly identify any business with which you are associated as a current or former TES Business;

(b) not use any Mark or any colorable imitation of any Mark in any manner or for any purpose, or use for any purpose any trademark or other commercial symbol that suggests or indicates an association with us;

(c) return to us or destroy (whichever we specify) all customer lists, forms and materials containing any Mark or otherwise relating to an TES Business;

(d) remove all Marks affixed to uniforms or, at our direction, cease to use those uniforms; and

(e) take any action that may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark.

16.3 *Confidential Information.* You agree that on termination or expiration of the Franchise you will immediately cease to use the Confidential Information and agree not to use it in any business or for any other purpose. You further agree to immediately return to us all copies of the Operations Manual and any written Confidential Information or other confidential materials we have loaned or provided to you.

16.4 *Covenant Not to Compete.* Upon the termination or expiration of this Franchise Agreement, you and all Key Individuals (the term “Key Individuals” is defined as Principal Owners, their spouses, your officers, directors, Principal Operators, and independent contractors or employees who have had access to the Confidential Information) agree that, for a period of two (2) years after the later of (i) the effective date of termination or expiration, or (ii) the date on which you stop operating the Franchise, or (iii) the date of a court order enforcing this Covenant, (“*Restricted Period*”) at your location or within a radius of 50 miles of your location and franchised area, as may be defined in this Agreement, and within 50 miles of any other TES Franchise, or of any TES Company owned business (“*Restricted Territory*”) neither you nor the Key Individuals will, directly or indirectly, offer products or services the same as or similar to those offered at or sold by the Franchise or by any other TES Franchise, or by any TES Company owned business. You and each Key Individual agree further that for the Restricted Period, it/they will not directly or indirectly: (a) induce, canvas, solicit, or request or advise any customers of ours, of the Franchise, or of any TES Franchisee to become customers of any person, firm, or business that competes with any Franchise, any other TES Business, or TES Company owned business; (b) induce, request, or advise any customer of TES, the Franchise, any TES Business or TES Company owned business to terminate or decrease such customer’s relationship with us, any customer of TES, the Franchise, any TES Business or TES Company owned business; or (c) disclose to any other person, firm, partnership, corporation, or other entity the names, addresses, or telephone numbers of any customers of TES, of the Franchise, of any TES Business or of any TES Company owned business except as required by law. If a court or arbitrator of competent jurisdiction determines that the geographic or temporal restrictions in this section are overly broad, they shall be revised to restrictions the court deems reasonable. In addition, you and each Key Individual shall have executed the System Protection Agreement attached hereto as Exhibit G-2.

## 16.5 [RESERVED]

16.6 *Continuing Obligations.* All obligations of this Franchise Agreement (whether yours or ours) that expressly or by their nature survive the expiration or termination of this Franchise Agreement will continue in full force and effect after and notwithstanding its expiration or termination until they are satisfied in full or by their nature expire.

16.7 *Identifiers.* You acknowledge that all telephone numbers, facsimile numbers, social media websites, Internet addresses and e-mail addresses (collectively “Identifiers”) used in the operation of your TES Business constitute our assets, and upon termination or expiration of this Franchise Agreement, you will take such action within five (5) days to cancel or assign to us or our designee as determined by us, all of your right, title and interest in and to such Identifiers and will notify the telephone company and all listing agencies of the termination or expiration of your right to use any Identifiers, and any regular, classified or other telephone directory listing associated with the Identifiers and to authorize a transfer of the same to, or at our direction. You agree to take all action required cancel all assumed name or equivalent registrations related to your use of the Marks. You acknowledge that, we have the sole rights to, and interest in, all Identifiers used by you to promote your TES Business and/or associated with the Marks. You irrevocably appoint us, with full power of substitution, as your true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. You further appoint us to direct the telephone company, postal service, registrar, Internet Service Provider, listing agency, website operator, or any other third party to transfer such Identifiers to us or our designee. The telephone company, postal service, registrar, Internet Service Provider, listing agency, website operator, or any other third party may accept such direction by us pursuant to this Franchise Agreement as conclusive evidence of our rights to the Identifiers and our authority to direct their transfer.

## 17. ENFORCEMENT

17.1 *Invalid Provisions; Substitution of Valid Provisions.* To the extent that the non-competition or non-solicitation provisions of Sections 9.3, 14.5, or 16.4 are deemed unenforceable because of their scope in terms of area, business activity prohibited, length of time, or other conditions, you agree that the invalid provisions will be deemed modified or limited to the extent or manner necessary to make those particular provisions valid and enforceable, to the greatest extent possible, to reflect or achieve the intent of the parties expressed in such provisions under the laws applicable to the forum or jurisdiction where enforcement is sought.

If any lawful requirement or court order of any jurisdiction (1) requires a greater advance notice of the termination or non-renewal of this Franchise Agreement than is required under this Franchise Agreement, or taking some other action which is not required by this Franchise Agreement, or (2) makes any provision of this Franchise Agreement or any specification, standard, or operating procedure we prescribed invalid or unenforceable, then the advance notice and/or other action required or revision of the specification, standard, or operating procedure will be substituted for the comparable provisions of this Franchise Agreement to make the modified provisions enforceable to the greatest extent possible. You agree to be bound by any such modification to the greatest extent permissible under applicable law.

17.2 *Unilateral Waiver of Obligations.* Either you or we may, by written notice, unilaterally waive or reduce any obligation or restriction of the other under this Franchise Agreement. The waiver or reduction may be revoked for any reason by providing (10) days’ advanced written notice.



17.3 *Written Consents from TES Franchising.* Whenever this Franchise Agreement requires our advance approval or consent, you agree to make a timely written request for it. Our approval or consent will not be valid unless it is in writing.

17.4 *Lien.* To secure your performance under this Franchise Agreement and indebtedness for all sums due us or our affiliates, we shall have a lien upon, and you grant us a security interest in, the following collateral and any and all additions, accessions, and substitutions to or for it, and the proceeds from all of the same: (a) all accounts of you and/or the Franchise now existing or subsequently arising, with all interest in you and/or the Franchise, now existing or subsequently arising, with all chattel paper, documents, and instruments relating to such accounts; (b) all contract rights of you and/or the Franchise, now existing or subsequently arising; and (c) all general intangibles of you and/or the Franchise, now owned or existing, or after acquired or subsequently arising. You authorize us to file and record financing statements, financing statement amendments, continuation financing statements, fixture filings and other documents we deem necessary to evidence, perfect and continue the priority of security interests in these assets. You also agree to execute such financing statements, instruments, and other documents, in a form satisfactory to us, that we deem necessary so that we may establish and maintain a valid security interest in and to these assets.

17.5 *No Guarantees.* If, in connection with this Franchise Agreement, we provide to you any waiver, approval, consent, or suggestion, or if we neglect to provide or delay our response or deny any request for any of those, then we will not be deemed to have made any warranties or guarantees upon which you may rely and will not assume any liability or obligation to you.

17.6 *No Waiver.* If at any time we do not exercise a right or power available to us under this Franchise Agreement, or do not insist on your strict compliance with the terms of the Franchise Agreement, or if there develops a custom or practice that is contrary to the terms of this Franchise Agreement, then we will not be deemed to have waived our right to demand exact compliance with any of the terms of this Franchise Agreement at a later time. Similarly, our waiver of any particular breach or series of breaches under this Franchise Agreement, or of any similar term in any other agreement between us and any other TES Franchising franchisee, will not affect our rights with respect to any later breach. It will also not be deemed to be a waiver of any breach of this Franchise Agreement for us to accept payments that are due to us under this Franchise Agreement.

17.7 *Cumulative Remedies.* The rights and remedies specifically granted to either you or us by this Franchise Agreement will not be deemed to prohibit either you or us from exercising any other right or remedy provided under this Franchise Agreement, or otherwise permitted by law or in equity.

17.8 *Specific Performance; Injunctive Relief.* Provided we give you the appropriate notice, we will be entitled, without being required to post a bond, to the entry of temporary and permanent injunctions and orders of specific performance to (1) enforce the provisions of this Franchise Agreement relating to your use of the Marks and non-disclosure and non-competition obligations under this Franchise Agreement; (2) prohibit any act or omission by you or your employees that constitutes a violation of any applicable law, ordinance, or regulation; constitutes a danger to the public; or may impair the goodwill associated with the Marks or TES Businesses; or (3) prevent any other irreparable harm to our interests. If we obtain an injunction or order of specific performance, then you shall pay us an amount equal to the total of our costs of obtaining it, including without limitation reasonable attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, and any damages we incur as a result of the breach of any such provision

17.9 *Mediation.* Except as specifically provided in this Franchise Agreement, all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties ("Claims"), shall be

submitted first to mediation prior to a hearing in binding arbitration or a trial court proceeding. Such mediation shall take place in Southbury, Connecticut (or our then-current headquarters) in accordance with the Commercial Mediation Rules of the American Arbitration Association (“AAA”) then in effect. Franchisee may not commence any action against us with respect to any such Claim in any court or arbitration hearing unless mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by us. The parties shall each bear their own costs of mediation and shall share equally the filing fee imposed by AAA and the mediator’s fees. We reserve the right to specifically enforce our right to mediation. Prior to mediation, and before commencing any legal action against us with respect to any such claim or dispute, you must submit a notice to us, which specifies in detail, the precise nature and grounds of such claim or dispute.

17.10 *Arbitration.* Except as specifically provided in this Franchise Agreement, the parties agree that any and all Claims by either party that cannot be amicably settled, shall be submitted to binding arbitration before a single arbitrator in accordance with the Commercial Arbitration Rules of AAA. At the option of either party, the arbitrator shall be selected from a list of retired federal or state judges supplied by AAA, if available. This agreement to arbitrate shall be enforceable through a motion to compel arbitration filed with the court having jurisdiction over such matter. The arbitrator must issue a written opinion explaining the reasons for his or her decision and award and the arbitrator will have the right to award or include in the award the specific performance of this Franchise Agreement. Each party shall bear one-half of the arbitrator’s and administration expenses incurred during the arbitration process; provided, however, that the prevailing party shall be entitled to recover its expenses, including reasonable attorneys’ fees, accounting fees and arbitrator and administrative expenses, in addition to any other relief to which it is found entitled. All arbitration proceedings shall take place in the county of our principal place of business (currently Southbury, Connecticut), or, if our principal place of business is at another location at the time that arbitration is sought, in the county of our then principal place of business. If the AAA or any successor is no longer in existence at the time arbitration is commenced, you and we will agree on another arbitration organization to conduct the arbitration proceeding.

17.11 *Claims Excluded.* We will not be required to arbitrate or first attempt to mediate a controversy, dispute or claim against Franchisee through arbitration or mediation as set forth in this Section 17 if such controversy, dispute or claim concerns an allegation by us that Franchisee has violated (or threatens to violate, or poses an imminent risk of violating): (a) any of our rights in the Marks, the System, or in any of our trade secrets, intellectual property, or Confidential Information; (b) any claims pertaining to our non-monetary post-termination obligations; or (c) any of the restrictive covenants contained in this Franchise Agreement. Nothing in this Franchise Agreement bars us or Franchisee from seeking preliminary injunctive or declaratory relief against a breach or threatened breach of this Franchise Agreement pending arbitration or mediation of the dispute, if applicable.

17.12 *No Defense.* Any claim, defense, or cause of action that you may have against us, our owners or our affiliates, regardless of cause or origin, cannot be used as a defense against our enforcement of your obligations in this agreement relating to Confidential Information, Non-Disclosure, Covenants Not to Compete, and Unfair Competition.

17.13 *Waivers.* WAIVER OF CERTAIN DAMAGES. COMPANY AND FRANCHISEE HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT OR OTHERWISE), WITH THE EXCEPTION OF TRADEMARK LAW TREBLE DAMAGES, AND WITH THE EXCEPTION OF ANY AMOUNTS DUE BY FRANCHISEE PURSUANT TO SECTION 16 OF THIS AGREEMENT.

JURY TRIAL WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM COMPANY OR ITS AFFILIATES AND/OR ANY GOODS OR SERVICES OBTAINED FROM COMPANY OR ITS AFFILIATES.

WAIVER OF CLASS OR GROUP ACTION. ANY DISAGREEMENT BETWEEN COMPANY AND FRANCHISEE (AND/OR THEIR AFFILIATES AND OWNERS) WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND CANNOT BE BROUGHT AS A CLASS ACTION OR CLASS ARBITRATION. FRANCHISEE WAIVES ANY RIGHT TO PROCEED AGAINST COMPANY (AND COMPANY'S AFFILIATES, STOCKHOLDERS, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS) BY WAY OF CLASS ACTION, A CLASS ARBITRATION, OR BY WAY OF A MULTI-PLAINTIFF, CONSOLIDATED OR COLLECTIVE ACTION.

17.14 *Governing Law/Consent to Jurisdiction.* Except to the extent governed by federal law, this Franchise Agreement and the Franchise will be governed by the internal laws of the State of Connecticut (without reference to its choice of law and conflict of law rules), except that the provisions of any Connecticut law relating to the offer and sale of business opportunities or franchises or governing the relationship of a franchisor and its franchisees will not apply unless their jurisdictional requirements are met independently without reference to this Section 17. You agree that we may institute any action against you arising out of or relating to this Franchise Agreement (which is not required to be arbitrated hereunder or as to which arbitration is waived) in any state or federal court of general jurisdiction in Connecticut, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court.

17.15 *Limitation of Actions.* You agree to bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

17.16 *Prior Notice of Claims.* As a condition precedent to commencing an action for a Claim, you must notify us within ninety (90) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

17.17 *Internal Dispute Resolution.* You must first bring any Claim to our CEO, after providing notice as set forth in Section 17.15 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

17.18 *Joint and Several Liability.* If two or more persons constitute the Franchisee under this Franchise Agreement, then their obligation and liability to us shall be joint and several.

17.19 *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 favorably or adversely your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing 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 will 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 arbitration or litigation shall substitute its judgment for our judgment so exercised.

17.20 *Multiple Originals.* This Franchise Agreement may be executed using multiple copies, each of which shall be deemed an original.

17.21 *Timing Is Important.* Time is of the essence of this Franchise Agreement. ("Time is of the essence") is a legal term that emphasizes the strictness of time limits. In this case, it means it will be a material breach of this Franchise Agreement to fail to perform any obligation within the time required or permitted by this Franchise Agreement.)

17.22 *Independent Provisions.* The provisions of this Franchise Agreement are deemed to be severable. In other words, the parties agree that each provision of this Franchise Agreement will be construed as independent of any other provision of this Franchise Agreement.

17.23 *Survival.* The provisions of this Section 17 shall apply during the Term of this Franchise Agreement and following the termination, expiration, or non-renewal of this Franchise Agreement.

## 18. NOTICES AND PAYMENTS

All written notices, reports and payments permitted or required under this Franchise Agreement or by the Operations Manual will be deemed delivered: (a) at the time delivered by hand; (b) one (1) business day after transmission by telecopy, facsimile or other electronic system; (c) one (1) business day after being placed in the hands of a reputable commercial courier service for next business day delivery; or (d) three (3) business days after placed in the U.S. mail by registered or certified mail, return receipt requested, postage prepaid; and addressed to the party to be notified or paid at its most current principal business address of which the notifying party has been advised, or to any other place designated by either party. Any required notice, payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before it is due) will be deemed delinquent. Notice shall be sent to the following addresses or facsimile numbers:

To us: Terry Powell, CFE  
TES Franchising, LLC  
464 Heritage Road, Suite 3  
Southbury, Connecticut 06488

To you: The Notice Address listed in Attachment 1 of this Franchise Agreement.

19. INDEPENDENT PROFESSIONAL JUDGMENT OF YOU AND YOUR PRINCIPAL OPERATOR

You and we acknowledge and agree that the specifications, standards and operating procedures related to the services offered by the Franchise are not intended to limit or replace your or your General Manager's (if any) professional judgment in supervising and performing the services offered by your Franchise. The specifications, standards, and operating procedures represent only the minimum standards, and you and your Principal Operator (if any) are solely responsible for ensuring that the Franchise performs services in accordance with all applicable requirements and standards of care. Nothing in this Franchise Agreement shall obligate you or your Principal Operator (if any) to perform any act that is contrary to your or your Principal Operator's (if any) professional judgment; provided, however, that you must notify us immediately upon your determination that any specification, standard or operating procedure is contrary to your or your Principal Operator's (if any) professional judgment.

20. ENTIRE AGREEMENT

This Franchise Agreement, together with the introduction and exhibits to it, constitutes the entire agreement between us, and there are no other oral or written understandings or agreements between us concerning the subject matter of this Franchise Agreement. This Franchise Agreement may be modified only by written agreement signed by both you and us, except that we may modify the Operations Manual at any time as provided herein. Notwithstanding the foregoing, nothing in this Franchise Agreement shall disclaim or require you to waive reliance on any representation that we made in the FDD (including its exhibits and amendments) that we delivered to you or your representative, subject to any agreed-upon changes to the contract terms and conditions described in that FDD and reflected in this Franchise Agreement (including any riders or addenda signed at the same time as this Franchise Agreement).

The parties to this Franchise Agreement now execute and deliver this Franchise Agreement in multiple counterparts as of the Effective Date.

**TES FRANCHISING:**

**FRANCHISEE:**

TES FRANCHISING, LLC

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

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

Printed Name: Terry Powell Marissa Frois

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

Title: Managing Member CEO (Chief Executive Officer)

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

**ATTACHMENT 1**  
**TO TES FRANCHISING FRANCHISE AGREEMENT**

**FRANCHISE DATA SHEET**

1. **Effective Date.** The “Effective Date” set forth in the introductory Paragraph of the Franchise Agreement is: \_\_\_\_\_ 20 \_\_\_\_ .
2. **Franchise Owner.** The Franchise Owner set forth in the introductory Paragraph of the Franchise Agreement is: \_\_\_\_\_ .
3. **Initial Franchise Fee Paid.** The Initial Franchise Fee paid by you, and received by us, under this Franchise Agreement on or before the Effective Date is \_\_\_\_\_ .
4. **Notice Address.** The address for notices and payments by you to us under Section 18 of the Franchise Agreement is: \_\_\_\_\_  
\_\_\_\_\_

**TES FRANCHISING:**

**FRANCHISEE:**

TES FRANCHISING, LLC

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

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

Printed Name: Terry PowellMarissa Frois

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

Title: Managing MemberCEO (Chief Executive Officer)

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

**ATTACHMENT 2**  
**TO TES FRANCHISING FRANCHISE AGREEMENT**

**OWNERSHIP INTERESTS IN FRANCHISEE**

**Franchisee:** \_\_\_\_\_

**Form of Ownership  
(Check One)**

\_\_\_\_ Individual \_\_\_\_ Partnership \_\_\_\_ Corporation \_\_\_\_ Limited Liability Co. \_\_\_\_ Other

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name and address of the manager, list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation: \_\_\_\_\_

Management (managers, officers, board of directors, etc.):

| Name | Title |
|------|-------|
|      |       |
|      |       |
|      |       |
|      |       |

Members, Stockholders, Partners:

| Name | Address | Percentage of Stock |
|------|---------|---------------------|
|      |         |                     |
|      |         |                     |
|      |         |                     |
|      |         |                     |

*(Signature Page Follows)*

**FRANCHISEE:**

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

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

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



**ATTACHMENT 3**  
**TO TES FRANCHISING FRANCHISE AGREEMENT**

**OWNERS AGREEMENT**

As a condition to the execution by TES Franchising, LLC (“we” or “us”), of a Franchise Agreement with \_\_\_\_\_ (“Franchisee”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a direct or indirect beneficial interest in Franchisee, covenant and agree to be bound by this Owners Agreement (“Owners Agreement”).

**1. Acknowledgments.**

1.1 Franchise Agreement. Franchisee entered into a franchise agreement with us effective as of \_\_\_\_\_, 20 \_\_\_\_ (“Franchise Agreement”). Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 Role of Owners. Owners are the beneficial owners of all of the equity interest, membership interest, or other equity controlling interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners Agreement.

**2. Non-Disclosure and Protection of Confidential Information.**

Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a franchised business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential, will also be deemed Confidential Information for purposes of this Owners Agreement.

**3. Covenant Not To Compete and To Not Solicit.**

3.1 Non-Competition and Non-Solicitation During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee’s restrictions on competition and solicitation both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with

and perform each such covenant as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2 Construction of Covenants. The parties agree that each such covenant related to non-competition and non-solicitation will be construed as independent of any other covenant or provision of this Owners Agreement. If all or any portion of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 3.

3.3 Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Owners Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any covenant as so modified.

#### **4. Guarantee.**

4.1 Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement on the dates and in the manner required for payment in the relevant agreement.

4.2 Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement on the date and times and in the manner required in the relevant agreement.

4.3 Indemnification. Owners will indemnify, defend and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4 No Exhaustion of Remedies. Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

4.5 Waiver of Notice. Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6 Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder

existing at the time of death; and the obligations of any other Owners will continue in full force and effect.

**5. Transfers.**

Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources and personal character. Accordingly, Owners agree not to sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding Transfers. Owners acknowledge and agree that any attempted Transfer of an interest in Franchisee requiring our consent under the Franchise Agreement for which our express written consent is not first obtained will be a material breach of this Owners Agreement and the Franchise Agreement.

**6. Notices.**

6.1 Method of Notice. Any notices given under this Owners Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

6.2 Notice Addresses. Our current address for all communications under this Owners Agreement is:

TES Franchising, LLC  
464 Heritage Road, Suite 3  
Southbury, Connecticut 06488

The current address of each Owner for all communications under this Owners Agreement is designated on the signature page of this Owners Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.

**7. Enforcement of This Owners Agreement.**

7.1 Dispute Resolution. Any claim or dispute arising out of or relating to this Owners Agreement shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners Agreement.

7.2 Choice of Law; Jurisdiction and Venue. This Owners Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

7.3 Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners Agreement. Owners further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. If injunctive relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was

wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

## **8. Miscellaneous.**

8.1 No Other Agreements. This Owners Agreement constitutes the entire, full and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners Agreement, other than those in this Owners Agreement. No other obligations, restrictions or duties that contradict or are inconsistent with the express terms of this Owners Agreement may be implied into this Owners Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Owners Agreement), no amendment, change or variance from this Owners Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

8.2 Severability. Each provision of this Owners Agreement, and any portions thereof, will be considered severable. If any provision of this Owners Agreement or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e., to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.

8.3 No Third-Party Beneficiaries. Nothing in this Owners Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors and assigns) any rights or remedies under or by reason of this Owners Agreement.

8.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Owners Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Owners Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Owners Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation

8.5 Binding Effect. This Owners Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

8.6 Successors. References to "Franchisor" or "the undersigned," or "you" include the respective parties' heirs, successors, assigns or transferees.

8.7 Nonwaiver. Our failure to insist upon strict compliance with any provision of this Owners Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners Agreement shall be cumulative.

8.8 No Personal Liability. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

8.9 Owners Agreement Controls. In the event of any discrepancy between this Owners Agreement and the Franchise Agreement, this Owners Agreement shall control.

IN WITNESS WHEREOF, the parties have entered into this Owners Agreement as of the effective date of the Franchise Agreement.

**OWNERS:**

\_\_\_\_\_  
[Insert Name of Owner]

\_\_\_\_\_  
[Insert Name of Owner]

\_\_\_\_\_  
[Insert Name of Owner]

\_\_\_\_\_  
[Insert Name of Owner]

TES Franchising, LLC hereby accepts the agreements of the Owner(s) hereunder.

**TES FRANCHISING, LLC**

By: \_\_\_\_\_  
~~Terry Powell, Managing Member~~ Marissa Frois,  
CEO (Chief Executive Officer)

**ATTACHMENT 4**  
**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

**Franchisee Information:**

|   |                           |
|---|---------------------------|
| Franchisee Name   | Business 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.                                | (mark one)                       | Bank Routing No. (9 digits) |
| Bank Mailing Address (city, state, zip)         |                                  | Bank Phone No.              |

**Authorization:**

Franchisee hereby authorizes TES Franchising, 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 5**  
**FRANCHISE DISCLOSURE QUESTIONNAIRE**

As you know, TES Franchising, LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a The Entrepreneur’s Source franchise. The purpose of this questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate, or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer in the table provided below.

1.        Yes\_\_\_ No\_\_\_    Have you received and personally reviewed the Franchise Agreement and each attachment or exhibit attached to it that we provided?
2.        Yes\_\_\_ No\_\_\_    Have you received and personally reviewed the Franchise Disclosure Document and each attachment or exhibit attached to it that we provided?
3.        Yes\_\_\_ No\_\_\_    Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
4.        Yes\_\_\_ No\_\_\_    Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?
5.        Yes\_\_\_ No\_\_\_    Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant, or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals?
6.        Yes\_\_\_ No\_\_\_    Have you had the opportunity to discuss the benefits and risks of developing and operating a The Entrepreneur’s Source Franchise with an existing The Entrepreneur’s Source franchisee?
7.        Yes\_\_\_ No\_\_\_    Do you understand the risks of developing and operating a The Entrepreneur’s Source Franchise?
8.        Yes\_\_\_ No\_\_\_    Do you understand the success or failure of your The Entrepreneur’s Source Franchise will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors?
9.        Yes\_\_\_ No\_\_\_    Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Connecticut, if not resolved informally or by mediation?

10. Yes\_\_\_ No\_\_\_ Do you understand that you must satisfactorily complete the initial training program before we will allow your The Entrepreneur's Source Franchise to open or consent to a transfer of The Entrepreneur's Source Franchise to you?
11. Yes\_\_\_ No\_\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a The Entrepreneur's Source Franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
12. Yes\_\_\_ No\_\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
13. Yes\_\_\_ No\_\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a The Entrepreneur's Source Franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
14. Yes\_\_\_ No\_\_\_ Do you understand that the Franchise Agreement, including each attachment or exhibit to the Franchise Agreement, contains the entire agreement between us and you concerning The Entrepreneur's Source Franchise, meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments or exhibits to the Franchise Agreement will not be binding?
15. Yes\_\_\_ No\_\_\_ Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Date \_\_\_\_\_

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



EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

| Question Number | Explanation of Negative Response |
|-----------------|----------------------------------|
|                 |                                  |
|                 |                                  |
|                 |                                  |

**ATTACHMENT 6**  
**STATE ADDENDA TO THE FRANCHISE AGREEMENT**

**ILLINOIS ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Franchise Agreement.

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

3. Franchisee 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 Franchise Agreement is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.~~

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

FRANCHISEE:

TES FRANCHISING, LLC

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

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

Terry Powell, Managing  
Member Marissa Frois, CEO  
(Chief Executive Officer)

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

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

**MARYLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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

2. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

4. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

FRANCHISEE:

TES FRANCHISING, LLC

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

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

Terry Powell, Managing  
Member Marissa Frois, CEO  
(Chief Executive Officer)

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

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

## MINNESOTA ADDENDUM TO THE FRANCHISE AGREEMENT

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.
- ~~•~~ With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

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

Any Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

FRANCHISEE:

TES FRANCHISING, LLC

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

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

~~Terry Powell, Managing~~  
~~Member~~ Marissa Frois, CEO  
(Chief Executive Officer)

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

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

**NORTH DAKOTA ADDENDUM**  
**TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. North Dakota law governs the Franchise Agreement.
2. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under North Dakota Franchise Investment Law.
3. The site of arbitration or mediation of disputes shall be agreeable to all parties and may not be remote from the franchisee's place of business.
4. Any provision in the franchise agreement that designates jurisdiction and venue in a forum outside of the State of North Dakota is void with respect to a claim otherwise enforceable under North Dakota Franchise Investment Law.
5. Any provision in the franchise agreement requiring the franchisee to consent to a waiver of trial by jury is void pursuant to the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
6. Any provision in the franchise agreement requiring the franchisee to consent to a waiver of exemplary and punitive damages is void pursuant to the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.
7. Any provision in the franchise agreement requiring the franchisee to consent to a limitation of claims within one year is void pursuant to the intent of Section 51-19-09 of the North Dakota Franchise Investment Law and the statute of limitations under North Dakota Law will apply.
8. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE:

TES FRANCHISING, LLC

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

By: \_\_\_\_\_  
Marissa Frois, CEO (Chief  
Executive Officer)

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

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



**RHODE ISLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the franchise agreement contains any provisions that conflict with the Rhode Island Franchise Investment Act, the provisions of this Addendum shall prevail to the extent of such conflict.

2. Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Any provision in the franchise agreement requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

4. The Rhode Island Franchise Investment Act stipulates that you cannot release or waive any rights granted under this Act. Any provision of this franchise agreement, which constitutes a waiver of rights granted under the Act, is superseded.

FRANCHISEE:

TES FRANCHISING, LLC

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

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

~~Terry Powell, Managing~~  
~~Member~~ Marissa Frois, CEO  
(Chief Executive Officer)

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

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

**SOUTH DAKOTA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

The Franchise Agreement is clarified to also indicate that 50% of the initial franchise fee and 50% of royalties are deemed paid for the use of our Marks and 50% are deemed paid for our training, support, and franchise system.

FRANCHISEE:

TES FRANCHISING, LLC

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

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

~~Terry Powell, Managing~~  
~~Member~~ Marissa Frois, CEO  
(Chief Executive Officer)

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

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

**VIRGINIA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

Additional Disclosure. The following statements are added to Attachment 5: Franchise Disclosure Questionnaire:

“No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.”

FRANCHISEE:

TES FRANCHISING, LLC

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

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

~~Terry Powell, Managing~~  
~~Member~~ Marissa Frois, CEO  
(Chief Executive Officer)

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

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

**WASHINGTON ADDENDUM  
TO THE FRANCHISE AGREEMENT, QUESTIONNAIRE, AND RELATED  
AGREEMENTS**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

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

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

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

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

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

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

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

The franchise agreement is amended to also provide: “Initial franchisee fees will be deferred until the Franchisor has provided all of its pre-opening obligations under the Franchise Agreement and the franchisee is open for business.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISEE:

TES FRANCHISING, LLC

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

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

~~Terry Powell, Managing~~  
~~Member~~ Marissa Frois, CEO  
(Chief Executive Officer)

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

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

**WISCONSIN ADDENDUM  
TO THE FRANCHISE AGREEMENT**

If any of the terms of the Franchise Agreement are inconsistent with the terms below, the terms below control.

1. If the Franchise Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.
2. The Franchise Agreement is amended to also include the following language:

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

FRANCHISEE:

TES FRANCHISING, LLC

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

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

~~Terry Powell, Managing~~  
~~Member~~ Marissa Frois, CEO  
(Chief Executive Officer)

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

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

## **EXHIBIT B**

### **LIST OF CURRENT AND FORMER FRANCHISEES**

Exhibit B contains the names, addresses, and telephone numbers of our current franchisees.

Exhibit B also contains the name, last known address, and telephone number of every franchisee who has had a franchise a Franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during our last fiscal year, or who has not communicated with us within ten (10) weeks of the Issuance Date of this Franchise Disclosure Document. If you buy a Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

**Current Franchisees as of December 31, 2022**

| Last Name                                  | First Name                           | Entity Name                            | Address  | City  | State                      | Zip Code                                  | Phone   | E-mail  |
|--|--------------------------------------|--|--|---|----------------------------|---|---|---|
| <a href="#">Reinig</a>                     | <a href="#">Rick</a>                 | <a href="#">Reinig Ventures Inc</a>    | <a href="#">5075 E Desert Hills Dr</a>   | <a href="#">Cave Creek</a>                              | <a href="#">Arizona</a>    | <a href="#">85331</a>                     | <a href="#">(602) 396-0521</a>                              | <a href="#">rreinig@esourcecoach.com</a>                      |
| Johnson                                    | Vickie                               | Dream Champions, Inc.                  | <del>2257 Shadow Canyon Drive</del><br><a href="#">4825 Hwy 95 STE 2-212</a>   | <del>Bullhead City</del><br><a href="#">Fort Mohave</a> | Arizona                    | <del>864428</del><br><a href="#">6426</a> | (928) 715-2440  | VJohnson@esourcecoach.com                                     |
| <a href="#">Boike</a>                      | <a href="#">Kim</a>                  | <a href="#">Kimberly Macdonald LLC</a> | <a href="#">451 E. Vermont Drive</a>   | <a href="#">Gilbert</a>                                 | <a href="#">Arizona</a>    | <a href="#">85295</a>                     | <a href="#">(480) 944-4484</a>                              | <a href="#">kboike@esourcecoach.com</a>                       |
| <a href="#">Merritt</a>                    | <a href="#">Rick</a>                 |  | <a href="#">31645 S. Tamarisk Place</a>  | <a href="#">Oracle</a>                                  | <a href="#">Arizona</a>    | <a href="#">85623</a>                     | <a href="#">(310) 940-6360</a>                              | <a href="#">rmerritt@esourcecoach.com</a>                     |
| Stoleson                                   | Judy                                 |  | P.O. Box 50367   | Phoenix   | Arizona                    | 85076                                     | 480-449-3420  | JStoleson@esourcecoach.com                                    |
| Holloran                                   | Thomas                               | TWH Enterprise, Inc.                   | 520 Silver Leaf Lane   | Show Low  | Arizona                    | 85901                                     | 928-251-1078  | tholloran@esourcecoach.com                                    |
| <del>Merritt</del> <a href="#">Hickman</a> | <del>Rick</del> <a href="#">Whit</a> | <a href="#">Telluride Ventures LLC</a> | <del>10950 N La Canada, Apt 18206</del><br><a href="#">2929 S Arizona Ave.</a> | <del>Tucson</del> <a href="#">Yuma</a>                  | Arizona                    | <del>857378</del><br><a href="#">5364</a> | <del>(310) 940-6360</del><br><a href="#">(619) 880-0122</a> | <del>rmerritt</del> <a href="#">whickman@esourcecoach.com</a> |
| Riney                                      | Brenda                               |  | 1204 Chancery Lane   | Cave Springs  | Arkansas                   | 72718                                     | 479-381-4062  | briney@esourcecoach.com                                       |
| Weidauer                                   | Jeff                                 |  | 19 Commentry Drive   | Little Rock   | Arkansas                   | 72223                                     | (501) 762-8960  | jweidauer@esourcecoach.com                                    |
| <a href="#">Simpson</a>                    | <a href="#">Keith</a>                | <a href="#">KAS Consulting Inc.</a>    | <a href="#">331 Laddy Lane</a>   | <a href="#">London</a>                                  | <a href="#">Arkansas</a>   | <a href="#">72847</a>                     | <a href="#">(479) 280-9600</a>                              | <a href="#">ksimpson@esourcecoach.com</a>                     |
| Brambilla                                  | Anna                                 | Ca d'Oro Coaching, LLC                 | 11 Del Prado Dr  | Campbell  | California                 | 95008                                     | 408-314-6831  | abrambilla@esourcecoach.com                                   |
| Roberts                                    | Jacob                                | Roberts Coaching Inc.                  | 7876 Sunrise Terrace Lane  | Citrus Heights  | California                 | 95610                                     | (510) 334-7870  | jroberts@esourcecoach.com                                     |
| <del>Doliber</del>                         | Jim                                  | Evolution3 Consulting LLC              | 22 Westbourne Court  | Danville  | California                 | 94506                                     | <a href="#">(925) 998-8585</a>                              | <del>jdoliber</del> @esourcecoach.com                         |
| <a href="#">Moylan</a>                     | <a href="#">Shaun</a>                | <a href="#">Moylans 5 Inc.</a>         | <a href="#">1615 Brush Creek Pl</a>  | <a href="#">Danville</a>                                | <a href="#">California</a> | <a href="#">94526</a>                     | <a href="#">(641) 757-1078</a>                              | <a href="#">smoylan@esourcecoach.com</a>                      |
| Mavros                                     | Dana                                 | EJ Mavros Group, LLC.                  | 54 Sagan   | Irvine  | California                 | 92618                                     | 312-714-5256  | dmavros@esourcecoach.com                                      |
| Thomas                                     | Mark                                 | M.E.T. Advisors, Inc.                  | 49784 Via Conquistador   | La Quinta   | California                 | 92253                                     | 310-413-2848  | mthomas@esourcecoach.com                                      |
| Gow  | Ed                                   |  | 25 Falkner Dr  | Ladera Ranch  | California                 | 92694                                     | (949) 933-0964  | egow@esourcecoach.com   |
| <del>Council</del>                         | Jeffrey                              | Council Consulting, LLC                | 320 S. Mills Avenue  | Lodi  | California                 | 95242                                     | 209-329-6966  | <del>jcouncil</del> @esourcecoach.com                         |
| Brunner                                    | Rich                                 | Inspiring Insights, Inc.               | 9214 Meadowside Ct   | Loomis  | California                 | 95650                                     | (916) 296- 1067   | rbrunner@esourcecoach.com                                     |



| Last Name         | First Name                           | Entity Name                          | Address   | City                                      | State                           | Zip Code                         | Phone                     | E-mail                             |
|-------------------|--------------------------------------|--------------------------------------|---|---|---------------------------------|----------------------------------|---------------------------|------------------------------------|
| Wessels           | Ron                                  | TPW Ventures, Inc.                   | 112 Mozart Avenue   | Los Gatos                                 | California                      | 95032                            |                           | rwessels@esourcecoach.com          |
| Rocci             | Mike                                 | ACA Enterprises, Inc.                | 803 Northwood Drive   | Merced                                    | California                      | 95348                            | 209-777-0406              | mrocci@esourcecoach.com            |
| Macko             | Phillip                              | Second Starters                      | 16412 Wikiup Road   | Ramona                                    | California                      | 92065                            | 760-315-2778              | pmacko@esourcecoach.com            |
| <del>Rau</del>    | <del>Laura</del>                     |                                      | <del>PO Box 1535</del>  | <del>Rancho Santa Fe</del>                | <del>California</del>           | <del>92067</del>                 | <del>509-240-5048</del>   | <del>lrau@esourcecoach.com</del>   |
| <del>Ortiz</del>  | <del>Jonathan</del>                  |                                      | <del>952 Sutter St, Apt 102</del>                               | <del>San Francisco</del>                  | <del>California</del>           | <del>94109</del>                 | <del>(415) 637-1476</del> | <del>jortiz@esourcecoach.com</del> |
| Gonzalez          | <del>Chelsea</del><br><u>Chelsea</u> | <u>Entrepreneur Alliance Company</u> | 4581 S. Gibraltar Street  | Centennial                                | Colorado                        | 80015                            | (303) 981-5305            | cgonzalez@esourcecoach.com         |
| Bosch             | Laurie (Laura MacLaughlin)           |                                      | 3125 S High St  | Englewood                                 | Colorado                        | 80113                            | 303-304-1504              | LBosch@esourcecoach.com            |
| <del>Derman</del> | James                                | <u>Zeteo, Inc.</u>                   | <del>3899 Ute Mountain Trail</del><br><u>4452 Sentinel Rock</u> | <del>Castle Rock</del><br><u>Larkspur</u> | Colorado                        | <del>80109</del><br><u>80118</u> | 720-420-9321              | JDerman@esourcecoach.com           |
| Gustafson         | Lisa                                 | Gustafson Enterprises LLC            | 3319 Petalina Court   | Pueblo                                    | Colorado                        | 81005                            | 719-671-7009              | lgustafson@esourcecoach.com        |
| Guess             | Vincent                              | Fortuna Enterprise, Inc              | 64 Tunxis Ave   | Bloomfield                                | Connecticut                     | 06002                            | 860-214-0663              | vguess@esourcecoach.com            |
| Ballou            | Brian                                |                                      | 124 Rising Trail Drive  | Middletown                                | Connecticut                     | 06457                            | (860) 852-6761            | BBallou@esourcecoach.com           |
| <del>Buck</del>   | <del>David</del>                     |                                      | <del>5539 Kissing St SW Unit F</del>                            | <del>Washington</del>                     | <del>District of Columbia</del> | <del>20032</del>                 | <del>(410) 627-5678</del> | <del>dbuck@esourcecoach.com</del>  |
| Melekian          | Christine                            | Capitol Consulting LLC               | 1335B Constitution Avenue NE                                    | Washington                                | District of Columbia            | 20002                            | (202) 256-8417            | cmelekian@esourcecoach.com         |
| Calvert           | Jon Geoffrey (Geoff)                 | Happy Mondays, LLC                   | 19537 Estero Pointe Ln  | Fort Myers                                | Florida                         | 33908                            | 502-963-2528              | GCalvert@esourcecoach.com          |
| Gilbert           | Jason                                | J & G NB CORPORATION                 | 421 W Church Street, Apt 311                                    | Jacksonville                              | Florida                         | 32202                            | (912) 596-3137            | jgilbert@esourcecoach.com          |
| Mell              | Susan                                | SAM Consulting Group Inc             | 2611 Regal Oaks Lane  | Lutz                                      | Florida                         | 33559                            | 813-862-0218              | samell@esourcecoach.com            |
| <u>Mannion</u>    | <u>Jeff</u>                          |                                      | <u>1936 Blue Ridge Ave</u>                                      | <u>Melbourne</u>                          | <u>Florida</u>                  | <u>32935</u>                     | <u>(321) 427-2649</u>     | <u>jmannion@esourcecoach.com</u>   |
| <u>Fleming</u>    | <u>Steven</u>                        | <u>STF Capital 1986 Inc</u>          | <u>434 NE 194th Terrace</u>                                     | <u>Miami</u>                              | <u>Florida</u>                  | <u>33179</u>                     | <u>(305) 965-0407</u>     | <u>sfleming@esourcecoach.com</u>   |

| Last Name                            | First Name         | Entity Name                             | Address   | City                  | State              | Zip Code                             | Phone                     | E-mail                                   |
|--------------------------------------|--------------------|---|---|-----------------------|--------------------|--------------------------------------|---------------------------|--|
| <del>Stephenson</del> <sup>(4)</sup> | <del>R. Dale</del> | <del>Listo Coaching, Inc.</del>         | <del>501 NE 31st Street, Unit 1908</del>                                | <del>Miami</del>      | <del>Florida</del> | <del>33137</del>                     | <del>(305) 773-1393</del> | <del>rdstephenson@esourcecoach.com</del> |
| Smeaton                              | Michael W.         |   | 3416 Forsythia Dr   | Odessa                | Florida            | 33556                                | (813) 528-1014            | msmeaton@esourcecoach.com                |
| Arnold                               | Amy                | PROFISHNSE A, INC                       | 1753 Kamsack St NW  | Palm Bay              | Florida            | 32907                                | (775) 223-9512            | aarnold@esourcecoach.com                 |
| Scheerer                             | Michael            | Business Coach Associates, LLC          | 77 Lagare St  | Palm Coast            | Florida            | 32137                                | 877-218-0028              | mscheerer@EsourceCoach.com               |
| <del>Sizemore</del>                  | <del>Gary</del>    | <del>Florida Career Transitions</del>   | <del>1332 Buttonwillow Trail</del>                                      | <del>Pensacola</del>  | <del>Florida</del> | <del>32506</del>                     | <del>(502) 558-5280</del> | <del>gsizemore@esourcecoach.com</del>    |
| <del>Mannion</del>                   | <del>Jeff</del>    |   | <del>980 Newton Circle</del>  | <del>Rockledge</del>  | <del>Florida</del> | <del>32955</del>                     | <del>(321) 427-2649</del> | <del>jmannion@esourcecoach.com</del>     |
| Simos                                | Heidi              | Bound for Success Coaching, LLC         | 112 Rock Spring Loop  | Saint Augustine       | Florida            | 32095                                | 407-492-3501              | hsimos@esourcecoach.com                  |
| <del>Whitney</del>                   | <del>Tiffany</del> | <del>Feed Your Brain, LLC</del>         | <del>8657 Crested Eagle Pl</del>  | <del>Sanford</del>    | <del>Florida</del> | <del>32771</del>                     | <del>(407) 269-3300</del> | <del>twhitney@esourcecoach.com</del>     |
| McGraw                               | Patricia           | Ray Consulting Group LLC                | 2538 Trinidad St.   | Sarasota              | Florida            | 34231                                | (616) 808-1086            | pmcgraw@esourcecoach.com                 |
| <del>Sheffield</del>                 | Tom                | HuntJack Consulting LLC                 | 2109 Climbing Ivy Dr  | Tampa                 | Florida            | 33618                                | 813-404-2000              | tsheffield@esourcecoach.com              |
| Ernewein                             | Ken                | NOR Gate Plus LLC                       | 2535 Mason Oaks Dr.   | Valrico               | Florida            | 33596                                | (813) 410-4002            | kernewein@esourcecoach.com               |
| Burnett                              | Blake              |   | 1285 Faircrest Crossing Dr.   | Alpharetta            | Georgia            | 30004                                | (678) 458-9624            | bburnett@esourcecoach.com                |
| Bradham                              | Troy               | TDB Consulting                          | 2657 Stonehenge Ct.   | Atlanta               | Georgia            | 30360                                | 404-353-7619              | tbradham@esourcecoach.com                |
| <del>Jones</del>                     | Doug               | Hand on My Back LLC                     | <del>3211 Windsor Lake Drive</del><br><del>1190 Kingston Dr</del><br>NE | Atlanta               | Georgia            | <del>30319</del><br><del>30342</del> | 678-399-3738              | djones@EsourceCoach.com                  |
| Reid                                 | Julian             | NEO Ventures, LLC.                      | 111 Laurel St.  | Canton                | Georgia            | 30114                                | 770-826-3618              | jreid@esourcecoach.com                   |
| <del>Westog</del>                    | <del>Stephen</del> |   | <del>1590 Archmont Circle</del>   | <del>Dacula</del>     | <del>Georgia</del> | <del>30019</del>                     | <del>(770) 430-1745</del> | <del>swestog@esourcecoach.com</del>      |
| Wenig                                | Joe                | Wenig Consulting, LLC                   | 6405 Park Bench Place   | Hoschton              | Georgia            | 30548                                | 937-304-4543              | jwenig@esourcecoach.com                  |
| Bloomquist                           | Mark & Cindy       | Bloomquist Business Coaching Inc.       | 623 Hawk's Nest Drive   | Kathleen              | Georgia            | 31047                                | 651-249-4166              | mbloomquist@esourcecoach.com             |
| Kelley                               | Cherie             | LJCC Kelley Enterprises Inc.            | 406 Lakeside Blvd   | Port Wentworth        | Georgia            | 31407                                | (803) 640-1854            | ckelley@esourcecoach.com                 |
| <del>Garguilo</del>                  | <del>Sean</del>    | <del>Entrepreneurial Dreamers Inc</del> | <del>1325 Woodland Lake Drive</del>                                     | <del>Snellville</del> | <del>Georgia</del> | <del>30078</del>                     | <del>(770) 401-3356</del> | <del>sgarguilo@esourcecoach.com</del>    |

| Last Name                          | First Name              | Entity Name                                  | Address  | City                             | State                         | Zip Code                   | Phone                          | E-mail                                    |
|------------------------------------|-------------------------|--|--|----------------------------------|-------------------------------|----------------------------|--------------------------------|---|
| <a href="#">Ross</a>               | <a href="#">Jason</a>   |  | <a href="#">845 Cedar Creek Drive</a>  | <a href="#">Suwanee</a>          | <a href="#">Georgia</a>       | <a href="#">30024</a>      | <a href="#">(470) 323-1575</a> | <a href="#">jross@esourcecoach.com</a>    |
| <a href="#">Hustad</a>             | <a href="#">Alan</a>    | <a href="#">Norsk Ventures LLC</a>           | <a href="#">1092 Slow Roll Way NE</a>  | <a href="#">Townsend</a>         | <a href="#">Georgia</a>       | <a href="#">31331</a>      | <a href="#">(912) 696-9519</a> | <a href="#">ahustad@esourcecoach.com</a>  |
| <a href="#">Huppert</a>            | <a href="#">Gary</a>    | <a href="#">Delta H Coaching Inc</a>         | <a href="#">352 Crider Court</a>   | <a href="#">Woodstock</a>        | <a href="#">Georgia</a>       | <a href="#">30188</a>      | <a href="#">(770) 202-1744</a> | <a href="#">ghuppert@esourcecoach.com</a> |
| <a href="#">Webster</a>            | <a href="#">Fred</a>    | <a href="#">MORL Coaching Inc.</a>           | <a href="#">3825 E. Parkcenter Blvd</a>  | <a href="#">Boise</a>            | <a href="#">Idaho</a>         | <a href="#">83716</a>      | <a href="#">(208) 921-2431</a> | <a href="#">fwebster@esourcecoach.com</a> |
| <a href="#">Stiff</a>              | <a href="#">Tim</a>     | <a href="#">TPS317, Inc.</a>                 | <a href="#">450 Tuscany Drive</a>  | <a href="#">Algonquin</a>        | <a href="#">Illinois</a>      | <a href="#">60102</a>      | <a href="#">(773) 683-9599</a> | <a href="#">tstiff@esourcecoach.com</a>   |
| Healey                             | Stephen                 | Ocean Green International, Inc.              | 1480 Harmony Drive   | Bartlett                         | Illinois                      | 60103                      | 630-372-9112                   | shealey@esourcecoach.com                  |
| Nieman                             | Larry                   |  | 2413 Stilling Lane   | McHenry                          | Illinois                      | 60050                      | (312) 823-9210                 | lnieman@esourcecoach.com                  |
| <a href="#">Boland</a>             | <a href="#">John</a>    | <a href="#">Nile and Rose, LLC</a>           | <a href="#">5204 Coneflower Drive</a>  | <a href="#">Naperville</a>       | <a href="#">Illinois</a>      | <a href="#">60564</a>      | <a href="#">(630)-988-0532</a> | <a href="#">jboland@esourcecoach.com</a>  |
| Waller                             | Michael                 |  | 25 Lexington Road  | South Barrington                 | Illinois                      | 60010                      | 847-426-5260                   | mwaller@EsourceCoach.com                  |
| <a href="#">Nash</a>               | <a href="#">Ken</a>     | <a href="#">Nashway Consulting Inc</a>       | <a href="#">1212 Chestnut Street</a>   | <a href="#">Western Springs</a>  | <a href="#">Illinois</a>      | <a href="#">60558</a>      | <a href="#">(203) 807-1459</a> | <a href="#">knash@esourcecoach.com</a>    |
| Crane                              | Jeff                    | Cranium, LLC                                 | 3174 N. Delaware St  | Indianapolis                     | Indiana                       | 46205                      | 317-654-1476                   | jcrane@esourcecoach.com                   |
| Katris                             | Effie                   | Motivated LLC                                | 829 Wright Street.   | Indianapolis                     | Indiana                       | 46203                      | 317-929-1693                   | ekatris@esourcecoach.com                  |
| Roy                                | Sara                    | SERoy Career Coaching, LLC                   | 30945 Explorers Trail  | De Soto                          | Kansas                        | 66018                      | (913) 424-4106                 | sroy@esourcecoach.com                     |
| Maamry                             | Joanne                  |  | 1005 Majestic Oaks Way   | Simpsonville                     | Kentucky                      | 40067                      | 502-722-0083                   | JMaamry@esourcecoach.com                  |
| Breath                             | Brandon                 | Breath Business Group Inc.                   | 4001 James Drive   | Metairie                         | Louisiana                     | 70003                      | 504-300-0802                   | bbreath@esourcecoach.com                  |
| Arevalo                            | Ricardo                 | Daikomio, Inc.                               | 556 Pinedale Drive   | Annapolis                        | Maryland                      | 21401                      | 949-533-9880                   | rarevalo@esourcecoach.com                 |
| <a href="#">Larsen</a>             | <a href="#">Mark</a>    | <a href="#">Drum Point Ventures, LLC</a>     | <a href="#">1911 Westbridge Dr., Unit 255</a><br><a href="#">2077 Ingleside Ct</a> | <a href="#">AnnapolisCrofton</a> | <a href="#">Maryland</a>      | <a href="#">21401-2114</a> | 443-221-7685                   | mlarsen@esourcecoach.com                  |
| Lutner                             | Deborah                 | Pepperoncini Ventures, Inc.                  | 8 Wendslow Rd.   | Lutherville                      | Maryland                      | 21093                      | (773) 330-1497                 | dlutner@esourcecoach.com                  |
| Callistein                         | Jerry                   | Callico, Inc.                                | 6 Duke Court   | Rockville                        | Maryland                      | 20850                      | 301-294-3630                   | jcallistein@esourcecoach.com              |
| <a href="#">Buck<sup>(2)</sup></a> | <a href="#">David</a>   |  | <a href="#">689 North Park Drive</a>   | <a href="#">Salisbury</a>        | <a href="#">Maryland</a>      | <a href="#">21804</a>      | <a href="#">410-744-6577</a>   | <a href="#">dbuck@esourcecoach.com</a>    |
| <a href="#">Harrington</a>         | <a href="#">Michael</a> | <a href="#">MJH Enterprises, LLC</a>         | <a href="#">100 Cummings Center, Suite 333H</a>                                    | <a href="#">Beverly</a>          | <a href="#">Massachusetts</a> | <a href="#">01915</a>      | 978-232-0003                   | mharrington@esourcecoach.com              |
| <a href="#">Guidi</a>              | <a href="#">Richard</a> | <a href="#">Trusted Career Coaching, Inc</a> | <a href="#">230 Acapesket Road</a>   | <a href="#">East Falmouth</a>    | <a href="#">Massachusetts</a> | <a href="#">02536</a>      | <a href="#">(973) 670-1364</a> | <a href="#">rguidi@esourcecoach.com</a>   |

| Last Name         | First Name              | Entity Name                               | Address                          | City                 | State            | Zip Code     | Phone                 | E-mail                              |
|-------------------|-------------------------|---|----------------------------------|----------------------|------------------|--------------|-----------------------|-------------------------------------|
| Rosenkrantz       | Steven                  |   | 32 Cambridge Circle              | Longmeadow           | Massachusetts    | 01106        | 860-253-0596          | srosenkrantz@esourcecoach.com       |
| Fanara            | David                   | Excelsior Coaching Incorporated           | 91 High Street                   | Pembroke             | Massachusetts    | 02359        | (781) 249-9071        | DFanara@esourcecoach.com            |
| Beltran Valdez    | Francisco Javier (Paco) | BEL Group, LLC                            | 10247 Whipple Tree Lane          | Clarkston            | Michigan         | 48348        | 248-303-3094          | paco@esourcecoach.com               |
| <u>Danhausen</u>  | <u>Mark</u>             | <u>MHD Consulting LLC</u>                 | <u>12519 Torrey</u>              | <u>Fenton Twnshp</u> | <u>Michigan</u>  | <u>48430</u> | <u>(810) 215-0025</u> | <u>mdanhausen@esourcecoach.com</u>  |
| Goodyke           | Thom                    |   | 7085 Burger Drive Se             | Grand Rapids         | Michigan         | 49546        | 616- 401-0155         | tgoodyke@esourcecoach.com           |
| Leavitt           | Darren                  | Leadership Life Transitions, LLC          | 712 Chianti Circle               | Mattawan             | Michigan         | 49071        | 815-954-3951          | dleavitt@esourcecoach.com           |
| Naranjo           | Gabriel                 | Naranjo Services LLC                      | 1530 Hidden Valley Dr            | Milford              | Michigan         | 48380        | 248-891-8713          | GNaranjo@esourcecoach.com           |
| Ebben             | Steve                   |   | 1721 Wood Trail                  | Oxford               | Michigan         | 48371        | (248) 928-4859        | SEbben@esourcecoach.com             |
| Stahl             | Doug                    | Chic Pea, LLC                             | 57253 Willow Way Court           | Washington Township  | Michigan         | 48094        | 248-535-7721          | dstahl@esourcecoach.com             |
| <u>Messick</u>    | <u>Randy</u>            | <u>MESSICK ENTERPRISE COACHING, INC</u>   | <u>4291 Lori Lynn Lane</u>       | <u>Whitmore Lake</u> | <u>Michigan</u>  | <u>48189</u> | <u>(734) 693-4054</u> | <u>rmessick@esourcecoach.com</u>    |
| Oren              | Jodi                    | iOps, Inc.                                | 4475 88Th Avenue                 | Zeeland              | Michigan         | 49464        | 616-425-9089          | joren@esourcecoach.com              |
| Peppel            | Patti                   | Dream Weaver, LLC                         | 29750 Riverview Rd               | Fergus Falls         | Minnesota        | 56537        | (218) 329-5261        | ppeppel@esourcecoach.com            |
| <u>Bettendorf</u> | <u>Suzanne</u>          | <u>LIFE IGNITE, INC</u>                   | <u>500 E. Grant Street, #903</u> | <u>Minneapolis</u>   | <u>Minnesota</u> | <u>55404</u> | <u>(612) 963-4933</u> | <u>sbettendorf@esourcecoach.com</u> |
| Gillette          | Kimberly                | Periwinkle Management, Inc.               | 505 34th Ave S                   | Moorhead             | Minnesota        | 56560        | (218) 329-9698        | kgillette@esourcecoach.com          |
| <u>Strehlke</u>   | <u>Natalie</u>          | <u>Reach Your Potential Ventures Inc.</u> | <u>1519 Niagara Street</u>       | <u>Waconia</u>       | <u>Minnesota</u> | <u>55387</u> | <u>(612) 297-2468</u> | <u>nstrehlke@esourcecoach.com</u>   |
| Choate            | Kim                     | Kilauea Star Consulting Co.               | <del>40889</del> 11076 Carter Rd | Yazoo City           | Mississippi      | 39194        | (662) 716-8165        | kchoate@esourcecoach.com            |
| Perkins           | William (Bill)          | Purposeful Pursuits, LLC                  | 2063 Honeysuckle Lane            | Jefferson City       | Missouri         | 65109        | 573-690-4562          | bperkins@esourcecoach.com           |
| Ritterling        | Andrew                  |   | 9928 N Marsh Ave                 | Kansas City          | Missouri         | 64157        | (719) 242-7075        | ARitterling@esourcecoach.com        |
| Johnson           | Gregory                 |   | 608 West Elm                     | Republic             | Missouri         | 65738        | 417-239-9799          | gjohnson@esourcecoach.com           |
| Schindler         | Karen                   |   | 3948 Blaine Avenue               | St. Louis            | Missouri         | 63110        | (314) 503-7938        | kschindler@esourcecoach.com         |

| Last Name                 | First Name       | Entity Name                                  | Address                           | City                   | State                 | Zip Code         | Phone                     | E-mail                                      |
|---------------------------|------------------|--|-----------------------------------|------------------------|-----------------------|------------------|---------------------------|---|
| Markell                   | Victor           |  | 3312 Grandview South Street       | Trenton                | Missouri              | 64683            | (256) 454-3237            | VMarkell@esourcecoach.com                   |
| Schrage                   | James            | Entrepreneur Advisors Inc.                   | 2051 Custer Ave                   | Billings               | Montana               | 59102            | (406) 697-4793            | JSchrage@esourcecoach.com                   |
| <del>Allen</del>          | <del>Jamie</del> | <del>CareerHeaven, Inc</del>                 | <del>9531 Stoney Creek Dr</del>   | <del>Las Vegas</del>   | <del>Nevada</del>     | <del>89117</del> | <del>(702) 721-6704</del> | <del>jallen@esourcecoach.com</del>          |
| Gunier                    | Beth             | Coast to Coast Conversion                    | 9815 Vista Meadows Ave            | Las Vegas              | Nevada                | 89148            | 702-218-3815              | bgunier@esourcecoach.com                    |
| <del>Allen</del>          | <del>Jamie</del> | <del>CareerHeaven, Inc</del>                 | <del>9531 Stoney Creek Dr</del>   | <del>Las Vegas</del>   | <del>Nevada</del>     | <del>89117</del> | <del>(702) 721-6704</del> | <del>jallen@esourcecoach.com</del>          |
| Woodard                   | Parnell          | PJW Holdings, LLC                            | 1 Charles Drive                   | Stratham               | New Hampshire         | 03885            | (917) 566-7234            | pwoodard@esourcecoach.com                   |
| Lande                     | Doreen           |  | 159 Harrison Ave                  | Colonia                | New Jersey            | 07067            | (917) 494-2599            | dlande@esourcecoach.com                     |
| <del>Stern</del>          | <del>Brian</del> | <del>Encore Evolution Consulting, Inc.</del> | <del>4 Scrivani Ln</del>          | <del>Hazlet</del>      | <del>New Jersey</del> | <del>07730</del> | <del>(917) 225-5226</del> | <del>bstern@esourcecoach.com</del>          |
| <del>O'Donnell</del>      | <del>Tom</del>   | <del>DEFINING YOUR FUTURE, LLC</del>         | <del>782 Chase Ave</del>          | <del>Lyndhurst</del>   | <del>New Jersey</del> | <del>07071</del> | <del>(201) 388-3677</del> | <del>todonnell@esourcecoach.com</del>       |
| Douglass                  | Karen            |  | 6 Palmer Drive                    | Moorestown             | New Jersey            | 08057            | 631-398-0937              | kdouglass@esourcecoach.com                  |
| <del>Titus</del>          | <del>Tim</del>   | <del>TDT Innovative Solutions, Inc.</del>    | <del>1 Eagle Dr.</del>            | <del>Ringoes</del>     | <del>New Jersey</del> | <del>08551</del> | <del>908-751-5375</del>   | <del>ttitus@esourcecoach.com</del>          |
| Palecek                   | Steve            | FNLVN Enterprises                            | 10 Gait Court                     | Tinton Falls           | New Jersey            | 07753            | (732) 720 4045            | SPalecek@esourcecoach.com                   |
| Madden                    | Jason            |  | 9204 Clinton Anderson Dr. NW      | Albuquerque            | New Mexico            | 87114            | 719-453-4303              | jmadden@esourcecoach.com                    |
| <del>Saavedra-Duran</del> | <del>April</del> | <del>Career Independence, Inc</del>          | <del>1720 Rusty Road NW</del>     | <del>Albuquerque</del> | <del>New Mexico</del> | <del>87114</del> | <del>505-480-2717</del>   | <del>asaavedra-duran@esourcecoach.com</del> |
| Jaciw                     | Jennifer         | Jaciw Consulting, LLC                        | 3054 Ashkirk Loop SE              | Rio Rancho             | New Mexico            | 87124            | (408) 550-5892            | jjaciw@esourcecoach.com                     |
| <del>Saavedra-Duran</del> | <del>April</del> | <del>Career Independence, Inc</del>          | <del>1709 Caramesa Court Se</del> | <del>Rio Rancho</del>  | <del>New Mexico</del> | <del>87124</del> | <del>505-480-2717</del>   | <del>asaavedra-duran@esourcecoach.com</del> |
| Lent                      | Angel            | Lent Ventures Corp                           | PO Box 273                        | Brant Lake             | New York              | 12815            | 518-859-0926              | ALent@esourcecoach.com                      |
| Charles                   | Michelle         | Michelle C. Charles, Inc.                    | 1467 76Th Street                  | Brooklyn               | New York              | 11228            | 347-371-1480              | mcharles@esourcecoach.com                   |
| Hanley                    | Liam             | THEHANREN N LLC                              | 22 Armour Street                  | Long Beach             | New York              | 11561            | (516) 400-5284            | lhanley@esourcecoach.com                    |
| <del>Salo</del>           | <del>Sean</del>  | <del>Sparketing Inc</del>                    | <del>7 Van Orden Ave.</del>       | <del>Suffern</del>     | <del>New York</del>   | <del>10901</del> | <del>(845) 547-8160</del> | <del>ssalo@esourcecoach.com</del>           |

| Last Name                              | First Name   | Entity Name  | Address   | City  | State  | Zip Code  | Phone  | E-mail  |
|--|--|--|---|---|--|---|--|---|
| Gibson                                 | Stacey   | <a href="#">Stacey Higgs Gibson Opportunities</a>        | 136 Highland Ridge Road   | Blowing Rock  | North Carolina   | 28605   | 828-406-9825   | <a href="mailto:SGibson@esourcecoach.com">SGibson@esourcecoach.com</a>                        |
| Cantor                                 | Lauren   | 514 Main Consulting LLC                                  | 7333 Lancer Drive   | Charlotte   | North Carolina   | 28226   | 704-552-1020   | <a href="mailto:lcantor@esourcecoach.com">lcantor@esourcecoach.com</a>                        |
| Forbidussi                             | Joe  | Forbidussi, LLC  | 10433 Royal Winchester Dr.  | Charlotte   | North Carolina   | 28277   | (704) 999-3494   | <a href="mailto:jforbidussi@esourcecoach.com">jforbidussi@esourcecoach.com</a>                |
| <del>Riddell</del>                     | <del>Zoe</del>                                       |  | <del>528 Walnut St</del>  | <del>Davidson</del>   | <del>North Carolina</del>  | <del>28036</del>  | <del>(704) 281-0262</del>  | <del><a href="mailto:ZRiddell@esourcecoach.com">ZRiddell@esourcecoach.com</a></del>           |
| Meyers III                             | Archie Lee (Chip)                                    |  | 1813 Gatebrook Court  | Matthews  | North Carolina   | 28105   | 704-301-8210   | <a href="mailto:cmeyers@esourcecoach.com">cmeyers@esourcecoach.com</a>                        |
| Prendergast*                           | Daniel   |  | 4871 Homestead Dr.  | Mebane  | North Carolina   | 27302   | 336-776-0232   | <a href="mailto:dprendergast@esourcecoach.com">dprendergast@esourcecoach.com</a>              |
| <a href="#">Titus<sup>(1)</sup></a>    | <a href="#">Tim</a>                                  | <a href="#">TDT Innovative Solutions, Inc.</a>           | <a href="#">3708 Cerise Circle</a>  | <a href="#">New Bern</a>  | <a href="#">North Carolina</a>   | <a href="#">28562</a>   | <a href="#">908-751-5375</a>   | <a href="mailto:ttitus@esourcecoach.com">ttitus@esourcecoach.com</a>                          |
| Foster                                 | Michelle   |  | 5013 Marathon Lane  | Raleigh   | North Carolina   | 27616   | 910-382-3030   | <a href="mailto:MFoster@esourcecoach.com">MFoster@esourcecoach.com</a>                        |
| Harris                                 | Jason  | JTH Business Solutions, Inc.                             | 554 W Hunting Ridge Drive   | Thomasville   | North Carolina   | 27360   | (928) 848-1084   | <a href="mailto:JHarris@esourcecoach.com">JHarris@esourcecoach.com</a>                        |
| Sprouse                                | Kathy  | Tin Barn Consulting Inc                                  | 1209 Tin Barn Rd.   | Zebulon   | North Carolina   | 27597   | (801) 690-0959   | <a href="mailto:ksprouse@esourcecoach.com">ksprouse@esourcecoach.com</a>                      |
| Johnson                                | Ann  | DreaminFlight, Inc.                                      | 4889 Winchester Pike  | Columbus  | Ohio   | 43232   | (614) 333-1314   | <a href="mailto:ajohnson@esourcecoach.com">ajohnson@esourcecoach.com</a>                      |
| <a href="#">Lessick</a>                | <a href="#">Stephanie</a>                            | <a href="#">Curious Time, Inc.</a>                       | <a href="#">9500 Tanager Drive</a>  | <a href="#">Chardon</a>   | <a href="#">Ohio</a>   | <a href="#">44024</a>   | <a href="#">(440) 209-5440</a>   | <a href="mailto:slessick@esourcecoach.com">slessick@esourcecoach.com</a>                      |
| <a href="#">Allsup</a>                 | <a href="#">Stephanie</a>                            | <a href="#">Acquity Maven, Inc.</a>                      | <a href="#">10564 Schlottman Road</a>   | <a href="#">Loveland</a>  | <a href="#">Ohio</a>   | <a href="#">45140</a>   | <a href="#">(513) 356-8229</a>   | <a href="mailto:sallsup@esourcecoach.com">sallsup@esourcecoach.com</a>                        |
| McGill, Jr.                            | William (Bill)                                       | Race Rock Enterprises, LLC                               | 7540 Geiselman Road   | Minerva   | Ohio   | 44675   | (330) 309-7898   | <a href="mailto:bmcgill@esourcecoach.com">bmcgill@esourcecoach.com</a>                        |
| <del><a href="#">AllsupBaker</a></del> | <del><a href="#">Stephanie William Jeffrey</a></del> | <del><a href="#">Acquity Maven, Inc.</a></del>           | <del><a href="#">7256 Southampton Lane</a></del><br><del><a href="#">7309 S Indianwood Ave.</a></del> | <del><a href="#">West Chester Township</a></del><br><del><a href="#">Brockton Arrow</a></del> | <del><a href="#">Ohio</a></del><br><del><a href="#">Oklahoma</a></del> | <del><a href="#">45069</a></del><br><del><a href="#">4011</a></del> | <del><a href="#">(513) 356-8229</a></del><br><del><a href="#">(405) 714-9010</a></del> | <del><a href="mailto:sallsupjbaker@esourcecoach.com">sallsupjbaker@esourcecoach.com</a></del> |
| <del><a href="#">Baker-Smith</a></del> | <del><a href="#">William Jeffrey Teri</a></del>      | <del><a href="#">Empowered Future Incorporated</a></del> | <del><a href="#">106091620 E 99th Street</a></del><br><del><a href="#">Cedgn Bluff Acres</a></del>    | <del><a href="#">Tulsa</a></del><br><del><a href="#">Cleveland</a></del>                      | <del><a href="#">Oklahoma</a></del>                                    | <del><a href="#">74133</a></del><br><del><a href="#">4020</a></del> | <del><a href="#">408-809-9010</a></del><br><del><a href="#">(405) 714-0607</a></del>   | <del><a href="mailto:jbakertsmith@esourcecoach.com">jbakertsmith@esourcecoach.com</a></del>   |
| Bieri                                  | John   |  | 13906 E. 89th St North  | Owasso  | Oklahoma   | 14055   | (913) 221-6640   | <a href="mailto:jbieri@esourcecoach.com">jbieri@esourcecoach.com</a>                          |
| Bresnahan                              | Patricia   | PBIO Coaching LLC  | 63286 Newhall Place   | Bend  | Oregon   | 97703   | 541-241-7767   | <a href="mailto:pbresnahan@esourcecoach.com">pbresnahan@esourcecoach.com</a>                  |
| <a href="#">Moore</a>                  | <a href="#">Dietrich</a>                             |  | <a href="#">1216 Frigon Avenue</a>  | <a href="#">Eugene</a>  | <a href="#">Oregon</a>   | <a href="#">97402</a>   | <a href="#">(541) 224-8529</a>   | <a href="mailto:dmoore@esourcecoach.com">dmoore@esourcecoach.com</a>                          |
| Paur                                   | Neil   | Tri State Connect Inc.                                   | 2935 Kristen Ct.  | Center Valley   | Pennsylvania   | 18034   | 610-365-7942   | <a href="mailto:npaur@esourcecoach.com">npaur@esourcecoach.com</a>                            |



| Last Name                                      | First Name                                  | Entity Name  | Address   | City   | State  | Zip Code                    | Phone   | E-mail   |
|--|---|--|---|--|--|-----------------------------|---|--|
| <a href="#">Donnelly</a> <a href="#">Essig</a> | <a href="#">Kevin</a> <a href="#">Carol</a> | <a href="#">Dynamic Change Coaching, Inc</a>           | <a href="#">465 Main St. 2685 Red Gate Drive</a>                        | <a href="#">Gouldsboro</a> <a href="#">Doylestown</a>    | Pennsylvania   | <a href="#">184241 8902</a> | <a href="#">(201) 820-8709</a> <a href="#">(904) 228-5385</a> | <a href="#">kdonnellycessig@esourcecoach.com</a> |
| Benjamin                                       | Neil  | Everest Business Connections Corp                      | 649 Grantham Lane   | Harleysville   | Pennsylvania   | 19438                       | 267-222-0480  | nbenjamin@esourcecoach.com                       |
| Winkelman                                      | Nathaniel William                           |  | 820 Montrose Street   | Philadelphia   | Pennsylvania   | 19147                       | 206-856-4023  | bwinkelman@esourcecoach.com                      |
| <a href="#">Phillips</a>                       | <a href="#">Rob</a>                         | <a href="#">SageSense Inc.</a>                         | <a href="#">2410 Hilltop Road</a>                                       | <a href="#">Pittsburgh</a>                               | <a href="#">Pennsylvania</a>                             | <a href="#">15142</a>       |   | <a href="#">rphillips@esourcecoach.com</a>       |
| <a href="#">Taylor</a>                         | <a href="#">Maja</a>                        | <a href="#">Global Transformation s Incorporated</a>   | <a href="#">114 Pixie Moss Road</a>                                     | <a href="#">Pottstown</a>                                | <a href="#">Pennsylvania</a>                             | <a href="#">19464</a>       | <a href="#">(610) 416-7150</a>                                | <a href="#">majataylor@esourcecoach.com</a>      |
| <a href="#">Heisey-Terrell</a>                 | <a href="#">Stacy</a>                       | <a href="#">HT ECHO INC.</a>                           | <a href="#">373 Saybrook Lane</a>                                       | <a href="#">Wallingford</a>                              | <a href="#">Pennsylvania</a>                             | <a href="#">19086</a>       | <a href="#">(484) 626-0626</a>                                | <a href="#">sheisey-terrell@esourcecoach.com</a> |
| Messore  | Rob   | My Career Proxy Incorporated                           | 628 Plainfield Pike   | North Scituate   | Rhode Island   | 02857                       | (401) 640-9117  | rmessore@esourcecoach.com                        |
| Ecleberry                                      | Cindy                                       |  | 114 Regatta Drive   | Anderson   | South Carolina   | 29625                       | (843) 906-1516  | CEcleberry@esourcecoach.com                      |
| Volker   | Daniel                                      | DM Consultants LLC                                     | 5308 Conant Circle  | Fort Mill  | South Carolina   | 29708                       | (803) 981-2279  | dvolker@esourcecoach.com                         |
| <a href="#">Krebs</a> <a href="#">Bigney</a>   | <a href="#">Bruce</a> <a href="#">Todd</a>  | <a href="#">Franchise Pros, Bigney Enterprises LLC</a> | <a href="#">1200 Mountain Creek Rd., Suite 230 316 Garden Lily Lane</a> | <a href="#">Chattanooga</a> <a href="#">Su mmerville</a> | <a href="#">Tennessee</a> <a href="#">South Carolina</a> | <a href="#">374052 9485</a> | <a href="#">423-875-5621</a> <a href="#">(843) 697-2000</a>   | <a href="#">bkrebstbigney@esourcecoach.com</a>   |
| Henson   | John  | Henson Enterprises, Inc.                               | 408 Long Creek Drive  | Christiana   | Tennessee  | 37037                       | 615-896-5977  | jhenson@esourcecoach.com                         |
| Barrette                                       | James                                       | Chestnut Hill Enterprises LLC                          | 2253 Millers Inlet Rd.  | Dandridge  | Tennessee  | 37725                       | (714) 767-1737  | jbarrette@esourcecoach.com                       |
| Adler  | William                                     | Adler, Inc.  | 271 S. Grove Park Rd  | Memphis  | Tennessee  | 38117                       | 901-761-0250  | wadler@fsbiapps.com                              |
| <a href="#">Feathers</a>                       | <a href="#">Kraig</a>                       |  | <a href="#">1123 Josie Ct</a>   | <a href="#">Murfreesboro</a>                             | <a href="#">Tennessee</a>                                | <a href="#">37130</a>       | <a href="#">(615) 649-5727</a>                                | <a href="#">kfeathers@esourcecoach.com</a>       |
| Bennett  | Randall                                     | RB Business Ventures LLC                               | 7081 Nolen Park Circle  | Nolensville  | Tennessee  | 37135                       | (901) 219-5955  | rbennett@esourcecoach.com                        |
| Simpson, Jr.                                   | Lester                                      |  | 5304 Brinkman Dr  | Amarillo   | Texas  | 79106                       | 806-322-5910  | lsimpson@esourcecoach.com                        |
| LaFriniere                                     | Anne  | LaFriniere Holdings, LLC                               | 4305 Bonnelle Vista Cove Apt. 6   | Austin   | Texas  | 78731                       | (704) 771-2723  | alafriniere@esourcecoach.com                     |
| Sklar  | Josh  | Dimyon, LLC  | 10304 Nolina CV   | Austin   | Texas  | 78759                       | 512-415-1698  | jsklar@esourcecoach.com                          |
| DuBose   | Dwayne                                      |  | 10322 Salmon Court  | Baytown  | Texas  | 77523                       | 832-514-9451  | ddubose@esourcecoach.com                         |

| Last Name                     | First Name                 | Entity Name   | Address  | City                 | State            | Zip Code              | Phone                                    | E-mail  |
|-------------------------------|----------------------------|---|--|----------------------|------------------|-----------------------|--|---|
| Ronald                        | Doug                       | DCJAR Ventures Inc  | 102 Lassiter Ln                                      | Bellville            | Texas            | 77418                 | (713) 724-5700                           | dronald@esourcecoach.com                        |
| <del>Kidd</del>               | <del>Scott</del>           | <del>Spring River Enterprises, Inc.</del>                         | <del>172 Riverwood</del>                             | <del>Boerne</del>    | <del>Texas</del> | <del>78006</del>      | <del>830-336-4428</del>                  | <del>skidd@esourcecoach.com</del>               |
| Taylor                        | Wendy                      | J & W Taylor Enterprises LLC                                      | 14302 Cruiser St. Unit B                             | Corpus Christi       | Texas            | 78418                 | (503) 970-9793                           | wtaylor@esourcecoach.com                        |
| <del>Schroeder</del>          | <del>Kyle</del>            | <del>K&amp;T Schroeder Enterprises, Inc.</del>                    | <del>13911 San Saba Canyon Ln</del>                  | <del>Cypress</del>   | <del>Texas</del> | <del>77429</del>      | <del>(713) 714-0360</del>                | <del>kschroeder@esourcecoach.com</del>          |
| Purnell                       | Maury                      | MEP 300 Company LLC   | PO Box 195396  | Dallas               | Texas            | 75219                 | 214-601-1188                             | mpurnell@esourcecoach.com                       |
| <del>Stephenson Stanton</del> | <del>R. Dale Connick</del> | <del>Listo Coaching, Inc.</del>                                   | <del>3200 Ross Ave, Unit 376914 Roundrock Road</del> | Dallas               | Texas            | <del>7520475248</del> | <del>(312) 636-9214 (214) 771-1155</del> | <del>rdstephensonstanton@esourcecoach.com</del> |
| McNamara                      | Brian                      | ITHACA CONSULTANTS INC  | 3960 Briar Tree Lane                                 | Frisco               | Texas            | 75034                 | (214) 773-7947                           | BMcNamara@esourcecoach.com                      |
| <del>Lively</del>             | <del>Mark</del>            | <del>A Lively Connection, Inc</del>                               | <del>5007 Spicewood Pine Ln</del>                    | <del>Fulshear</del>  | <del>Texas</del> | <del>77441</del>      | <del>(630) 746-1574</del>                | <del>mlively@esourcecoach.com</del>             |
| Carrera                       | Javier                     | Career Reboot, Inc.   | 3016 Creek Haven Drive                               | Highland Village     | Texas            | 75077                 | 818-438-1929                             | jcarrera@esourcecoach.com                       |
| <del>Terrell</del>            | <del>Robert (Bob)</del>    | <del>EnCompass Associates, Inc</del>                              | <del>14534 Vintage Preserve Parkway</del>            | <del>Houston</del>   | <del>Texas</del> | <del>77070</del>      | <del>832-696-2600</del>                  | <del>rterrell@esourcecoach.com</del>            |
| Anderson                      | Craig                      | Anderson Subterranean Oil & Gas LLC dba Inceptional 2.0™ Coaching | 9568 Longmont Drive                                  | Houston              | Texas            | 77063                 | (713) 545- 2252                          | CAnderson@esourcecoach.com                      |
| <del>Barrera</del>            | <del>Helen</del>           | <del>HB Entrepreneur Coaching Inc</del>                           | <del>614 Switzer St.</del>                           | <del>Houston</del>   | <del>Texas</del> | <del>77013</del>      | <del>(713) 419-8594</del>                | <del>hbarrera@esourcecoach.com</del>            |
| <del>Terrell</del>            | <del>Robert (Bob)</del>    | <del>EnCompass Associates, Inc</del>                              | <del>14534 Vintage Preserve Parkway</del>            | <del>Houston</del>   | <del>Texas</del> | <del>77070</del>      | <del>832-696-2600</del>                  | <del>rterrell@esourcecoach.com</del>            |
| <del>Brown</del>              | <del>Jerry</del>           | <del>JGB Elite Investments Inc.</del>                             | <del>5420 86th</del>                                 | <del>Lubbock</del>   | <del>Texas</del> | <del>79424</del>      | <del>(254) 328-0123</del>                | <del>jbrown@esourcecoach.com</del>              |
| <del>Caldwell</del>           | <del>Sean</del>            | <del>Solarsteinn Ventures, Inc</del>                              | <del>1 Manchester Ct</del>                           | <del>Mansfield</del> | <del>Texas</del> | <del>76063</del>      | <del>(817) 670-2751</del>                | <del>scaldwell@esourcecoach.com</del>           |
| <del>Bolding</del>            | <del>Craig</del>           |   | <del>13115 Green Shores Ln</del>                     | <del>Rosharon</del>  | <del>Texas</del> | <del>77583</del>      | <del>(832) 336-8080</del>                | <del>cbolding@esourcecoach.com</del>            |
| Stan                          | Ed                         | Ed Stan Coach LLC   | 7624 Westgate  | The Colony           | Texas            | 75056                 | 214-682-0588                             | estan@esourcecoach.com                          |



| Last Name                         | First Name             | Entity Name                                      | Address                                     | City                          | State                      | Zip Code              | Phone                          | E-mail                                      |
|-----------------------------------|------------------------|--|---|-------------------------------|----------------------------|-----------------------|--------------------------------|---|
| <a href="#">Eudy</a>              | <a href="#">Shawn</a>  |  | <a href="#">17311 Holsberry Court</a>       | <a href="#">Tomball</a>       | <a href="#">Texas</a>      | <a href="#">77377</a> | <a href="#">(832) 866-9072</a> | <a href="#">seudy@esourcecoach.com</a>      |
| Sartain                           | Wilson                 |  | 83 Lakeside Dr.                             | Trinity                       | Texas                      | 75862                 | (281) 450-1060                 | wsartain@esourcecoach.com                   |
| <a href="#">Chatelain</a>         | <a href="#">André</a>  | <a href="#">Executive Career Coaching LLC</a>    | <a href="#">913 N 370 E</a>                 | <a href="#">American Fork</a> | <a href="#">Utah</a>       | <a href="#">84003</a> | <a href="#">(385) 429-2342</a> | <a href="#">achatelain@esourcecoach.com</a> |
| <a href="#">Popham</a>            | <a href="#">Aaron</a>  | <a href="#">POPHAM INNOVATIONS INC</a>           | <a href="#">1032 West 1900 North</a>        | <a href="#">Mapleton</a>      | <a href="#">Utah</a>       | <a href="#">84664</a> | <a href="#">(801) 592-3831</a> | <a href="#">apopham@esourcecoach.com</a>    |
| Inman                             | Alexander              | Inman Virginia Company, LLC.                     | 1445 West Pines Drive                       | Charlottesville               | Virginia                   | 22901                 | 202-740-1912                   | ainman@esourcecoach.com                     |
| Bowden                            | Marshall               | 4 Family LLC                                     | 511 Blue Goose Rd                           | Croizer                       | Virginia                   | 23039                 | (804) 314-3440                 | mbowden@esourcecoach.com                    |
| Iurillo                           | Gus                    | KGOC Enterprises LLC                             | 7207 Shenfield Avenue                       | Glen Allen                    | Virginia                   | 23059                 | 804-909-1283                   | giurillo@esourcecoach.com                   |
| Malamud                           | Jonathan               | JTR Consultants Inc.                             | 2419 Dakota Lakes Dr                        | Herndon                       | Virginia                   | 20171                 | (862) 371-9225                 | jmalamud@esourcecoach.com                   |
| Claesson                          | Jan                    |  | 305 Snakelum Point Rd                       | Coupeville                    | Washington                 | 98239                 | 425-246-8817                   | jclaesson@esourcecoach.com                  |
| Dalpez                            | Wendy                  | Dalpez Enterprises LLC                           | 530 N. Lyle Avenue                          | East Wenatchee                | Washington                 | 98802                 | 509-421-1173                   | wdalpez@esourcecoach.com                    |
| Rose                              | Jude                   | AJ Rose Enterprises, LLC                         | 595 Grant Road 3 #410                       | East Wenatchee                | Washington                 | 98802                 | (907) 230-9039                 | jrose@esourcecoach.com                      |
| <a href="#">Kronbauer</a>         | <a href="#">Kelly</a>  | <a href="#">Kronbauer Business Ventures Inc.</a> | <a href="#">107 W. Annie Place</a>          | <a href="#">Ellensburg</a>    | <a href="#">Washington</a> | <a href="#">98926</a> | <a href="#">(509) 679-8081</a> | <a href="#">kkronbauer@esourcecoach.com</a> |
| <a href="#">Levy</a>              | <a href="#">Jeffry</a> | <a href="#">JL Consulting Services, Inc.</a>     | <a href="#">22528 SE 38th Terrace #2362</a> | <a href="#">Issaquah</a>      | <a href="#">Washington</a> | <a href="#">98029</a> | <a href="#">206-914-1107</a>   | <a href="#">jlevy@EsourceCoach.com</a>      |
| Osborn                            | Lucinda                |  | 886 Mt Pleasant Rd                          | Port Angeles                  | Washington                 | 98362                 | 650-331-0591                   | cosborn@esourcecoach.com                    |
| Karnik                            | Sachin                 | Aadifran Coaching Corp.                          | 1810 208th PL SE                            | Sammamish                     | Washington                 | 98075                 | (425) 761-3088                 | SKarnik@esourcecoach.com                    |
| <a href="#">Levy</a>              | <a href="#">Jeffry</a> | <a href="#">JL Consulting Services, Inc.</a>     | <a href="#">819 Virginia St. Unit 2304</a>  | <a href="#">Seattle</a>       | <a href="#">Washington</a> | <a href="#">98101</a> | <a href="#">425-746-1950</a>   | <a href="#">jlevy@EsourceCoach.com</a>      |
| Salamone                          | Elis                   | Empowered Legacy Consulting, Inc                 | 3618 Olympic Blvd W                         | University Place              | Washington                 | 98466                 | (253) 328-7377                 | esalamone@esourcecoach.com                  |
| <a href="#">Calvert</a>           | <a href="#">Sean</a>   | <a href="#">Your Next Step Consulting Inc</a>    | <a href="#">1319 Monroe Street</a>          | <a href="#">Walla Walla</a>   | <a href="#">Washington</a> | <a href="#">99362</a> | <a href="#">(541) 215-9142</a> | <a href="#">scalvert@esourcecoach.com</a>   |
| <a href="#">Rau<sup>(3)</sup></a> | <a href="#">Laura</a>  |  | <a href="#">714 Liberty Place</a>           | <a href="#">Walla Walla</a>   | <a href="#">Washington</a> | <a href="#">99362</a> | <a href="#">509-240-5048</a>   | <a href="#">lrau@esourcecoach.com</a>       |

| Last Name        | First Name       | Entity Name                               | Address                              | City                     | State                | Zip Code         | Phone                     | E-mail                             |
|------------------|------------------|---|--------------------------------------|--------------------------|----------------------|------------------|---------------------------|------------------------------------|
| <del>Stahl</del> | <del>Sandi</del> | <del>The New Path Solutions Company</del> | <del>WH339 Pleasant Hill Drive</del> | <del>Campbellsport</del> | <del>Wisconsin</del> | <del>53010</del> | <del>(262) 305-5053</del> | <del>sstahl@esourcecoach.com</del> |
| Scheller         | Kerry            |   | 7413 S. Williams Court               | Franklin                 | Wisconsin            | 53132            | (262) 327 5841            | KScheller@esourcecoach.com         |
| Keyser           | Scott            | Keyser Consulting Inc                     | 703 Linwood Ave                      | Stevens Point            | Wisconsin            | 54481            | (715) 218-1978            | skeyser@esourcecoach.com           |
| Splitgerber      | David            | Match Point, Inc.                         | 651 Hickory Hollow Rd.               | Waterford                | Wisconsin            | 53185            | 262-210-7700              | dsplitgerber@esourcecoach.com      |

\*Currently operating 2 outlets

<sup>1</sup> – ~~Outlet's Owner Moved from NJ to NC~~

<sup>2</sup> – ~~Outlet's Owner Moved from DC to MD~~

<sup>3</sup> – ~~Outlet's Owner Moved from CA to WA~~

<sup>4</sup> – ~~Outlet's Owner Moved from TX to FL~~

### **Former Franchisees:**

The name and last known address of every franchisee who had a TES Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the prior fiscal year, or who has not communicated with us within ten (10) weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

| Last Name                 | First Name                | Entity Name  | Address   | City                               | State                              | Zip Code              | Phone                                   |
|---------------------------|---------------------------|--|---|------------------------------------|------------------------------------|-----------------------|---|
| <del>BaroneOrtiz</del>    | <del>JosephJonathan</del> | <del>Jonathan Ortiz Consulting, LLC,</del>         | <del>675 Pine952 Sutter St., Apt 102</del>          | <del>MiddletownSan Francisco</del> | <del>ConnecticutCalifornia</del>   | <del>0645794109</del> | <del>860-788-6233(415) 637-1476</del>   |
| <del>ScottsSizemore</del> | <del>SusanGary</del>      | <del>Glee, LLCFlorida Career Transitions</del>     | <del>6860 Long Leaf Drive8020 Stream Ridge Rd</del> | <del>ParklandPensacola</del>       | <del>Florida</del>                 | <del>3307632526</del> | <del>954-873-6232(502) 558-5280</del>   |
| <del>Harper</del>         | <del>Amy</del>            |  | <del>PO Box 82454</del>                             | <del>Conyers</del>                 | <del>Georgia</del>                 | <del>30013</del>      | <del>713-725-4836</del>                 |
| <del>SpielmanSalo</del>   | <del>GloriaSean</del>     | <del>Innovus Enterprises, Sparketing Inc.</del>    | <del>1445 Yale Court7 Van Orden Ave.</del>          | <del>NapervilleSuffern</del>       | <del>IllinoisNew York</del>        | <del>6056510901</del> | <del>331-333-2133(845) 547-8160</del>   |
| <del>GlassRiddell</del>   | <del>JosephZoe</del>      | <del>JW Glass Enterprises, LLC</del>               | <del>235 Mendota Rd West528 Walnut St</del>         | <del>West-St PaulDavidson</del>    | <del>MinnesotaNorth Carolina</del> | <del>5511828036</del> | <del>651-592-2157(704) 281-0262</del>   |
| <del>SmileyDonnelly</del> | <del>BrianKevin</del>     | <del>Isabella IncCarpe Vitam Consulting, LLC</del> | <del>3801 Natalie Lane465 Main St</del>             | <del>DoverGouldsboro</del>         | <del>Pennsylvania</del>            | <del>1731518424</del> | <del>(717) 858-5086(201) 820-8709</del> |
| <del>Price</del>          | <del>Pamela</del>         | <del>PLP Associates, Inc.</del>                    | <del>406 Dutton Mill Rd.</del>                      | <del>Malvern</del>                 | <del>Pennsylvania</del>            | <del>19355</del>      | <del>610-644-3435</del>                 |
| <del>Koch</del>           | <del>Bob</del>            | <del>Koch, Robert, Jr.</del>                       | <del>768 Iris Lane</del>                            | <del>Media</del>                   | <del>Pennsylvania</del>            | <del>19063</del>      | <del>610-299-3310</del>                 |

| Last Name         |              | First Name                   | Entity Name   | Address  | City                                    | State                             | Zip Code                      | Phone                                       |
|-------------------|--------------|------------------------------|---|--|---|-----------------------------------|-------------------------------|---|
| <del>Jones</del>  | <u>Krebs</u> | <del>Max</del> <u>Bruce</u>  | <del>Business Right Solutions</del> <u>Franchise Pros, LLC</u>        | <del>1131 Westland Gardens Blvd.</del> <u>1200 Mountain Creek Rd., Suite 230</u> | <del>Knoxville</del> <u>Chattanooga</u> | Tennessee                         | <del>37922</del> <u>37405</u> | <del>865-690-0106</del> <u>423-875-5621</u> |
| <del>Bulger</del> |              | Noel                         | <del>The Galanta Company LLC</del>                                    | <del>2602 Commonwealth Ave</del>   | Alexandria                              | Virginia                          | 22305                         | <del>(619) 630-7840</del>                   |
| <del>Manzer</del> |              | Greg                         | <del>An Inspired Coach LLC</del>                                      | <del>12105 Sandow Ct</del>   | Bristow                                 | Virginia                          | 20136                         | <del>703-398-9760</del>                     |
| <del>Marmer</del> | <u>Kidd</u>  | <del>Jeff</del> <u>Scott</u> | <del>Southfield Solutions</del> <u>Spring River Enterprises, Inc.</u> | <del>1339 Southfield Drive</del> <u>172 Riverwood</u>                            | <del>Menasha</del> <u>Boerne</u>        | <del>Wisconsin</del> <u>Texas</u> | <del>54952</del> <u>78006</u> | <del>920-475-6429</del> <u>830-336-4428</u> |

**EXHIBIT C**

**FINANCIAL STATEMENTS**

**THE ENTREPRENEUR'S SOURCE, LLC**

**AUDITED FINANCIAL STATEMENTS FOR THE FOLLOWING PERIODS:**

**-FISCAL YEARS ENDING DECEMBER, ~~30, 2020,~~ 31, 2023 and 2022**

**-FISCAL YEARS ENDING DECEMBER ~~30,~~31, 2022 and 2021-and DECEMBER ~~30,~~2022**

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**TES FRANCHISING, LLC**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**



**TES FRANCHISING, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**Table of Contents**

|  |             |
|--|-------------|
| <b>Independent Auditor's Report.....</b>       | <b>1-2</b>  |
| <b>Financial Statements:</b>                   |             |
| Balance Sheets .....                           | 3           |
| Statements of Income and Member's Equity ..... | 4           |
| Statements of Cash Flows .....                 | 5           |
| <b>Notes to the Financial Statements.....</b>  | <b>6-12</b> |

***Independent Auditor's Report***

To the Member  
TES Franchising, LLC  
Southbury, Connecticut

**Opinion**

We have audited the accompanying financial statements of TES Franchising, LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and 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 TES Franchising, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TES Franchising, 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 TES Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 TES Franchising, 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 TES Franchising, 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.

*Velex & Hardy*

March 4, 2024  
Las Vegas, NV



**TES FRANCHISING, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**

|   | <u>2023</u>                 | <u>2022</u>                |
|---|-----------------------------|----------------------------|
| <b>ASSETS</b>                                 |                             |                            |
| <b>Current Assets:</b>                        |                             |                            |
| Cash and cash equivalents                     | \$ 3,979,344                | \$ 1,912,404               |
| Accounts receivable, net                      | 484,771                     | 423,610                    |
| Prepaid expenses                              | 84,548                      | 54,578                     |
| Due from related parties, net                 | 2,082,891                   | 2,092,240                  |
| Current maturities of deferred contract costs | 526,631                     | 384,916                    |
| Total current assets                          | <u>7,158,185</u>            | <u>4,867,748</u>           |
| <b>Property and Equipment, net</b>            | <u>91,992</u>               | <u>95,567</u>              |
| <b>Other Assets:</b>                          |                             |                            |
| Deferred contract costs, net of current       | 3,224,976                   | 2,444,215                  |
| Deposits                                      | 100,000                     | 13,275                     |
| Intangibles                                   | 46,110                      | -                          |
| Total other assets                            | <u>3,371,086</u>            | <u>2,457,490</u>           |
| <b>Total Assets</b>                           | <u><u>\$ 10,621,263</u></u> | <u><u>\$ 7,420,805</u></u> |
| <br><b>LIABILITIES AND MEMBER'S EQUITY</b>    |                             |                            |
| <b>Current Liabilities:</b>                   |                             |                            |
| Accounts payable                              | \$ 943,990                  | \$ 569,574                 |
| Accrued expenses                              | 885,691                     | 859,021                    |
| Deferred revenue                              | -                           | 3,600                      |
| Current maturities of deferred franchise fees | 939,350                     | 632,475                    |
| Current maturities of long-term debt          | 3,891                       | 3,891                      |
| Total current liabilities                     | <u>2,772,922</u>            | <u>2,068,561</u>           |
| <b>Long-Term Liabilities:</b>                 |                             |                            |
| Deferred franchise fees, net of current       | 5,989,425                   | 4,114,025                  |
| Long-term debt, net of current                | 155,632                     | 159,523                    |
| Total long-term liabilities                   | <u>6,145,057</u>            | <u>4,273,548</u>           |
| <b>Total Liabilities</b>                      | <u>8,917,979</u>            | <u>6,342,109</u>           |
| <b>Member's Equity</b>                        | <u>1,703,284</u>            | <u>1,078,696</u>           |
| <b>Total Liabilities and Member's Equity</b>  | <u><u>\$ 10,621,263</u></u> | <u><u>\$ 7,420,805</u></u> |

*See accompanying notes to the financial statements.*

**TES FRANCHISING, LLC**  
**STATEMENTS OF INCOME AND MEMBER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| <b>Revenue</b>                            | \$ 27,217,191       | \$ 20,800,654       |
| <b>Cost of Revenue</b>                    | <u>20,268,339</u>   | <u>14,729,269</u>   |
| <b>Gross Profit</b>                       | <u>6,948,852</u>    | <u>6,071,385</u>    |
| <b>Operating Expenses:</b>                |                     |                     |
| Payroll, taxes and benefits               | 3,302,924           | 2,702,008           |
| Insurance and benefits                    | 375,940             | 311,415             |
| Outside services                          | 297,660             | 255,167             |
| Computer and technology                   | 205,616             | 225,761             |
| Rents and leases                          | 200,946             | 170,311             |
| Training                                  | 142,770             | 146,871             |
| Advertising                               | 136,827             | 152,233             |
| Office expenses                           | 107,340             | 78,533              |
| Travel, meals and entertainment           | 91,861              | 158,080             |
| Telephone and utilities                   | 67,256              | 66,356              |
| Bad debt expense                          | 63,055              | -                   |
| Legal and professional fees               | 61,566              | 67,654              |
| Contributions and donations               | 57,154              | 24,114              |
| Taxes and licenses                        | 56,972              | 21,860              |
| Depreciation                              | 25,365              | 26,743              |
| Repairs and maintenance                   | 22,176              | 17,807              |
| Bank charges                              | <u>13,347</u>       | <u>26,733</u>       |
| Total operating expenses                  | <u>5,228,775</u>    | <u>4,451,646</u>    |
| <b>Income from Operations</b>             | <u>1,720,077</u>    | <u>1,619,739</u>    |
| <b>Other Income (Expense):</b>            |                     |                     |
| Income taxes                              | (171,232)           | (71,662)            |
| Loss on due from related party            | (13,471)            | (272,265)           |
| Interest expense                          | (5,661)             | (5,865)             |
| Interest income                           | <u>47,896</u>       | <u>4,012</u>        |
| Total other income (expense)              | <u>(142,468)</u>    | <u>(345,780)</u>    |
| <b>Net Income</b>                         | 1,577,609           | 1,273,959           |
| <b>Member's Equity, Beginning of Year</b> | 1,078,696           | 671,787             |
| Member distributions                      | <u>(953,021)</u>    | <u>(867,050)</u>    |
| <b>Member's Equity, End of Year</b>       | <u>\$ 1,703,284</u> | <u>\$ 1,078,696</u> |

*See accompanying notes to the financial statements.*

**TES FRANCHISING, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| <b>Cash Flows From Operating Activities:</b>                                      |                     |                     |
| Net income  | \$ 1,577,609        | \$ 1,273,959        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                     |                     |
| Accrued interest expense  | -                   | 4,253               |
| Bad debt expense  | 63,055              | -                   |
| Depreciation  | 25,365              | 26,743              |
| Loss on due from related party  | 13,471              | 272,265             |
| Changes in:   |                     |                     |
| (Increase) decrease in accounts receivable  | (124,216)           | 16,633              |
| (Increase) decrease in prepaid expenses   | (29,970)            | (35,901)            |
| (Increase) decrease in due from related parties                                   | (4,122)             | (1,314,200)         |
| (Increase) decrease in deferred contract costs                                    | (922,476)           | (502,269)           |
| (Increase) decrease in deposits   | (86,725)            | (3,275)             |
| Increase (decrease) in accounts payable   | 374,416             | 59,813              |
| Increase (decrease) in accrued expenses   | 26,670              | 204,850             |
| Increase (decrease) in deferred revenue   | (3,600)             | (56,250)            |
| Increase (decrease) in deferred franchise fees                                    | 2,182,275           | 1,169,375           |
| Net cash provided by operating activities   | <u>3,091,752</u>    | <u>1,115,996</u>    |
| <b>Cash Flows From Investing Activities:</b>                                      |                     |                     |
| Purchase of property and equipment  | (21,790)            | (6,320)             |
| Purchase of patent  | (46,110)            | -                   |
| Net cash used in investing activities   | <u>(67,900)</u>     | <u>(6,320)</u>      |
| <b>Cash Flows From Financing Activities:</b>                                      |                     |                     |
| Payments on notes payable   | (3,891)             | -                   |
| Payments on member loan   | -                   | (4,092)             |
| Member distributions  | (953,021)           | (867,050)           |
| Net cash used in financing activities   | <u>(956,912)</u>    | <u>(871,142)</u>    |
| <b>Net Change in Cash and Cash Equivalents</b>                                    | 2,066,940           | 238,534             |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                               | <u>1,912,404</u>    | <u>1,673,870</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>                                     | <u>\$ 3,979,344</u> | <u>\$ 1,912,404</u> |
| <b><u>Supplemental disclosure of cash flow information:</u></b>                   |                     |                     |
| Cash paid for interest  | <u>\$ 9,652</u>     | <u>\$ 1,612</u>     |

*See accompanying notes to the financial statements.*

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of TES Franchising, LLC (the “Company”) is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Nature of the Business**

The Company was organized in September 1997 under the provisions of the Connecticut Limited Liability Act. The principal activity of the Company is to provide coaching and guidance to individuals with respect to franchising opportunities available to them. The Company franchises its business model so that its franchisees will have a platform from which to provide the same services in other markets. Franchises are awarded to single unit franchises by the Company. The Company has and is continuing to develop a network of franchise coaches and provides franchise support services, marketing, advertising, promotions, products, training programs and related services to its coaches.

**Basis of Presentation**

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

**Use of Estimates in Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk on cash and cash equivalents.

**Accounts Receivable**

The Company’s receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements.

Accounts receivable is stated at the amount the Company expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable (Continued)**

As of December 31, accounts receivable consisted of the following balances:

|                                 | 2023              | 2022              | 2021              |
|---------------------------------|-------------------|-------------------|-------------------|
| Accounts receivable             | \$ 535,459        | \$ 439,640        | \$ 470,243        |
| Allowance for doubtful accounts | (50,688)          | (16,030)          | (30,000)          |
| Accounts receivable, net        | <u>\$ 484,771</u> | <u>\$ 423,610</u> | <u>\$ 440,243</u> |

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 39 years. Expenditures for routine maintenance and repairs on property and equipment are charged to expense.

**Intangibles**

Intangible assets are stated at cost, net of accumulated amortization, and consist of a patent. The Company accounts for intangible assets in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 350, Intangibles – Goodwill and Other. For intangible assets with definite useful lives, these costs are being amortized on a straight-line basis over the assets' estimated useful lives.

**Revenue Recognition**

The Company executes franchise agreements for each single unit franchise which set out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales or a percentage fee for each single unit franchise awarded. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

Services provided in exchange for initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial franchise fees are recognized on the straight-line basis, which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract liabilities are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

|                          | 2023                | 2022                |
|--------------------------|---------------------|---------------------|
| Deferred franchise fees  | \$ 6,928,775        | \$ 4,746,500        |
| Less: current maturities | (939,350)           | (632,475)           |
|                          | <u>\$ 5,989,425</u> | <u>\$ 4,114,025</u> |



**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023 AND 2022**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

As of December 31, the Company expects to recognize contract liabilities as revenue over the remaining term of the associated franchise agreements as follows:

|            |    |                         |
|------------|----|-------------------------|
| 2024       | \$ | 939,350                 |
| 2025       |    | 939,350                 |
| 2026       |    | 939,350                 |
| 2027       |    | 939,350                 |
| 2028       |    | 867,350                 |
| Thereafter |    | <u>2,304,025</u>        |
|            | \$ | <u><u>6,928,775</u></u> |

Training fees are recognized as revenue upon the completion of initial training.

Continuing fees are recognized monthly, as they are earned.

The Company incurs incremental costs in the course of obtaining franchise agreements. The Company's incremental costs of obtaining franchise agreements are capitalized and presented on the accompanying balance sheets. These incremental costs are recognized on the straight-line basis which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract assets are comprised of unamortized incremental contract costs. As of December 31, deferred contract costs consisted of the following:

|                          | <u>2023</u>                | <u>2022</u>                |
|--------------------------|----------------------------|----------------------------|
| Deferred contract costs  | \$ 3,751,607               | \$ 2,829,131               |
| Less: current maturities | <u>(526,631)</u>           | <u>(384,916)</u>           |
|                          | <u><u>\$ 3,224,976</u></u> | <u><u>\$ 2,444,215</u></u> |

Receipts and expenditures related to brand building activities, such as marketing and advertising, which benefit the brand the franchisees operate under are highly interrelated with the franchise right and therefore not distinct. As a result, revenues for the brand building fund are recognized on a monthly basis, as they are billed, and reflected on the statements of income and member's equity (deficit) under the caption "revenue". Expenses incurred to provide brand building services are presented on the statement of income and member's equity (deficit) under the caption "cost of revenue".

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising**

Advertising costs are expensed when incurred or the first time such advertisement appears. For the years ended December 31, 2023 and 2022, total advertising costs were \$136,827 and \$152,233, respectively.

**Income Taxes**

The Company has elected to be taxed under subchapter S of the Internal Revenue Code. Consequently, federal income taxes are not payable by, or provided for the Company. The member is taxed individually on the Company's earnings. The state of Connecticut imposes an entity level tax on pass-through entities. For the years ended December 31, 2023 and 2022, the Company accrued estimated tax liabilities of \$190,367 and \$66,451, respectively.

As defined by Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 740, Income Taxes, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

As of December 31, 2023, the tax years that remain subject to potential examination by taxing authorities begin with the year ended December 31, 2020.

**Reclassification**

Certain amounts in the prior financial statements have been reclassified for comparative purposes to conform to the presentation in the current period financial statements.

**NOTE 2 – RELATED PARTY TRANSACTIONS**

As of December 31, the Company had the following balances due from and due to them from various related party entities:

|   | 2023                | 2022                |
|---|---------------------|---------------------|
| Due from Decor & You, Inc.                        | \$ 450,806          | \$ 450,806          |
| Due from the Entrepreneur's Source, Inc.          | 2,014,753           | 2,048,674           |
| Due from Performance Enhancement Franchising, LLC | -                   | 10,950              |
| Due from TES Aviation Services, LLC               | 67,411              | 67,411              |
| Total due from related parties                    | <u>2,532,970</u>    | <u>2,577,841</u>    |
| Due to AdviCoach Franchising, LLC                 | <u>450,079</u>      | <u>485,601</u>      |
| Total due to related parties                      | <u>450,079</u>      | <u>485,601</u>      |
| Total due from related parties, net               | <u>\$ 2,082,891</u> | <u>\$ 2,092,240</u> |

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023 AND 2022**

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**NOTE 2 – RELATED PARTY TRANSACTIONS (Continued)**

AdviCoach Franchising, LLC and the Entrepreneur's Source, Inc. are 100% owned by Terry Powell, managing member of the Company. The managing member of TES Aviation Services, LLC and Performance Enhancement Franchising, LLC, Terry Powell, is also the managing member of the Company. Decor & You, Inc. is owned by Karen Powell, wife of Terry Powell.

The Company received payments from Performance Enhancement Franchising, LLC for placement fees in connection with franchise agreements. During the years ended December 31, 2023 and 2022, the Company earned \$0 and \$60,000, respectively, of such revenue. The Company was also reimbursed by Performance Enhancement Franchising, LLC for payroll related costs of shared employees. During the years ended December 31, 2023 and 2022, the Company allocated \$0 and \$272,574, respectively, of such costs.

**NOTE 3 – PROPERTY AND EQUIPMENT**

As of December 31, property and equipment consisted of the following:

|                                | 2023             | 2022             |
|--------------------------------|------------------|------------------|
| Computer equipment             | \$ 116,957       | \$ 95,159        |
| Furniture and equipment        | 277,006          | 277,006          |
|                                | 393,963          | 372,165          |
| Less: accumulated depreciation | (301,971)        | (276,598)        |
|                                | <u>\$ 91,992</u> | <u>\$ 95,567</u> |

Depreciation expense for the years ended December 31, 2023 and 2022 was \$25,365 and \$26,743, respectively.

**NOTE 4 – INTANGIBLE ASSETS**

Intangible assets consist of costs to date in acquiring a patent. Once the patent is obtained, total costs to obtain the patent will be amortized over the useful life. As of December 31, 2023, total costs incurred to date are \$46,110.

**NOTE 5 – LINE OF CREDIT**

The Company has a revolving line of credit providing for a maximum borrowing of \$1,000,000. Interest on this note is payable monthly at the Wall Street prime rate (8.50% and 7.50% at December 31, 2023 and 2022, respectively). The line of credit is due on demand and is secured by all assets of the Company. There was no outstanding balance on the line of credit as of December 31, 2023 and 2022.



**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 6 – LONG-TERM DEBT**

As of December 31, long-term debt consisted of the following:

|   | 2023              | 2022              |
|---|-------------------|-------------------|
| On May 27, 2020, the Company was granted an Economic Injury Disaster Loan (EIDL) from a financial institution in the aggregate amount of \$150,000, pursuant to Section 7(b) of the Small Business Act, as amended. The loan matures in May 2050 and bears interest at a fixed rate of 3.75% per annum, payable monthly commencing in November 2022. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used as working capital to alleviate economic injury caused by the disaster occurring in the month of January 2020. The loan is collateralized by assets of the Company. | \$ 159,523        | \$ 163,414        |
| Total long-term debt  | 159,523           | 163,414           |
| Less: current maturities  | (3,891)           | (3,891)           |
|   | <u>\$ 155,632</u> | <u>\$ 159,523</u> |

As of December 31, long-term debt matures as follows:

|            |                   |
|------------|-------------------|
| 2024       | \$ 3,891          |
| 2025       | 3,891             |
| 2026       | 3,910             |
| 2027       | 4,041             |
| 2028       | 4,195             |
| Thereafter | 139,595           |
|            | <u>\$ 159,523</u> |

**NOTE 7 – REVENUE RECOGNITION**

As of December 31, the timing and recognition of revenue was as follows:

|   | 2023                 | 2022                 |
|---|----------------------|----------------------|
| Services transferred at a point in time | \$ 26,091,966        | \$ 20,060,383        |
| Services transferred over time          | 1,125,225            | 740,271              |
|   | <u>\$ 27,217,191</u> | <u>\$ 20,800,654</u> |

Various economic factors such as supply and demand, laws and policies and labor affect revenues and cash flows. The Company's revenue is derived from sources within the United States.

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**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023 AND 2022**

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**NOTE 8 – PROFIT SHARING PLAN**

Effective January 1, 2005, the Company established a 401(k) discretionary profit-sharing plan that covers all employees who have attained 21 years of age. Employer contributions for the years ended December 31, 2023 and 2022 were \$86,662 and \$98,898, respectively. Plan expenses for the years ended December 31, 2023 and 2022 were \$1,539 and \$4,867, respectively. These amounts are included on the statements of income and member's equity under payroll, taxes and benefits.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

The Company is involved, from time to time, in claims incidental to the conduct of its business. Based on consultation with legal counsel, the Company does not have claims, either individually or in the aggregate, that would have a material adverse effect on the Company's financial condition or results of operations.

**NOTE 10 – OPERATING LEASES**

The Company leases a copy machine under a non-cancelable operating lease agreement expiring in October 2022 after which it will be on a month-to-month basis. The Company also leases office and storage space on a month-to-month basis from related parties. Total rent expense for the years ended December 31, 2023 and 2022 was \$200,946 and \$173,811, respectively. The Company also received office space sublease income from related parties for the years ended December 31, 2023 and 2022 totaling \$0 and \$3,500, respectively. All sublease agreements are on a month-to-month basis. The rent amounts are included under the caption "rents and leases" in the accompanying statements of income and member's equity.

**NOTE 11 – MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 4, 2024, the date on which the financial statements were available to be issued. No other events were identified that required adjustment or disclosure in the financial statements.

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**TES FRANCHISING, LLC**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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**TES FRANCHISING, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**Table of Contents**

|  |             |
|--|-------------|
| <b>Independent Auditor's Report.....</b>       | <b>1-2</b>  |
| <b>Financial Statements:</b>                   |             |
| Balance Sheets .....                           | 3           |
| Statements of Income and Member's Equity ..... | 4           |
| Statements of Cash Flows .....                 | 5           |
| <b>Notes to the Financial Statements.....</b>  | <b>6-12</b> |

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***Independent Auditor's Report***

To the Member  
TES Franchising, LLC  
Southbury, Connecticut

**Opinion**

We have audited the accompanying financial statements of TES Franchising, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and 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 TES Franchising, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TES Franchising, 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 TES Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 TES Franchising, 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 TES Franchising, 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.

*Velez & Hardy*

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February 24, 2023  
Las Vegas, NV

**TES FRANCHISING, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**

|   | <b>2022</b>         | <b>2021</b>         |
|---|---------------------|---------------------|
| <b>ASSETS</b>                                 |                     |                     |
| <b>Current Assets:</b>                        |                     |                     |
| Cash and cash equivalents                     | \$ 1,912,404        | \$ 1,673,870        |
| Accounts receivable, net                      | 423,610             | 440,243             |
| Prepaid expenses                              | 54,578              | 18,677              |
| Due from related parties, net                 | 2,092,240           | 1,050,305           |
| Current maturities of deferred contract costs | 384,916             | 298,516             |
| Total current assets                          | 4,867,748           | 3,481,611           |
| <b>Property and Equipment, net</b>            | 95,567              | 115,990             |
| <b>Other Assets:</b>                          |                     |                     |
| Deferred contract costs, net of current       | 2,444,215           | 2,028,346           |
| Deposits                                      | 13,275              | 10,000              |
| Total other assets                            | 2,457,490           | 2,038,346           |
| <b>Total Assets</b>                           | <b>\$ 7,420,805</b> | <b>\$ 5,635,947</b> |
| <b>LIABILITIES AND MEMBER'S EQUITY</b>        |                     |                     |
| <b>Current Liabilities:</b>                   |                     |                     |
| Accounts payable                              | \$ 569,574          | \$ 509,761          |
| Accrued expenses                              | 859,021             | 654,171             |
| Deferred revenue                              | 3,600               | 59,850              |
| Due to member                                 | -                   | 4,092               |
| Current maturities of deferred franchise fees | 632,475             | 456,525             |
| Current maturities of long-term debt          | 3,891               | -                   |
| Total current liabilities                     | 2,068,561           | 1,684,399           |
| <b>Long-Term Liabilities:</b>                 |                     |                     |
| Deferred franchise fees, net of current       | 4,114,025           | 3,120,600           |
| Long-term debt, net of current                | 159,523             | 159,161             |
| Total long-term liabilities                   | 4,273,548           | 3,279,761           |
| <b>Total Liabilities</b>                      | 6,342,109           | 4,964,160           |
| <b>Member's Equity</b>                        | 1,078,696           | 671,787             |
| <b>Total Liabilities and Member's Equity</b>  | <b>\$ 7,420,805</b> | <b>\$ 5,635,947</b> |

*See accompanying notes to the financial statements.*



**TES FRANCHISING, LLC**  
**STATEMENTS OF INCOME AND MEMBER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
| <b>Revenue</b>                                      | \$ 20,800,654 | \$ 16,482,488 |
| <b>Cost of Revenue</b>                              | 14,729,269    | 12,224,251    |
| <b>Gross Profit</b>                                 | 6,071,385     | 4,258,237     |
| <b>Operating Expenses:</b>                          |               |               |
| Payroll and payroll related taxes                   | 2,598,243     | 2,005,771     |
| Outside services                                    | 255,167       | 346,307       |
| Training  | 146,871       | 215,897       |
| Insurance and benefits                              | 311,415       | 213,739       |
| Rents and leases                                    | 170,311       | 150,673       |
| Legal and professional fees                         | 67,654        | 129,549       |
| Office expenses                                     | 78,532        | 125,200       |
| Computer and technology                             | 225,761       | 116,481       |
| Retirement plan expense                             | 103,765       | 78,846        |
| Advertising   | 152,233       | 72,054        |
| Telephone and utilities                             | 66,356        | 58,127        |
| Travel, meals and entertainment                     | 158,080       | 55,986        |
| Depreciation  | 26,743        | 31,425        |
| Taxes and licenses                                  | 93,523        | 28,148        |
| Bad debt expense                                    | -             | 27,625        |
| Repairs and maintenance                             | 17,807        | 24,139        |
| Bank charges  | 26,733        | 21,459        |
| Contributions and donations                         | 24,114        | 12,550        |
| Total operating expenses                            | 4,523,308     | 3,713,976     |
| <b>Income from Operations</b>                       | 1,548,077     | 544,261       |
| <b>Other Income (Expense):</b>                      |               |               |
| Loss on due from related party                      | (272,265)     | -             |
| Interest income                                     | 4,012         | 532           |
| PPP loan forgiveness                                | -             | 350,737       |
| Interest expense                                    | (5,865)       | (8,232)       |
| Loss on disposal of property                        | -             | (4,770)       |
| Total other income (expense)                        | (274,118)     | 338,267       |
| <b>Net Income</b>                                   | 1,273,959     | 882,528       |
| <b>Member's Equity (Deficit), Beginning of Year</b> | 671,787       | (33,475)      |
| Member distributions                                | (867,050)     | (177,266)     |
| <b>Member's Equity, End of Year</b>                 | \$ 1,078,696  | \$ 671,787    |

*See accompanying notes to the financial statements.*



**TES FRANCHISING, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| <b>Cash Flows From Operating Activities:</b>                                      |                     |                     |
| Net income  | \$ 1,273,959        | \$ 882,528          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                     |                     |
| PPP loan forgiveness  | -                   | (350,737)           |
| Accrued interest expense  | 4,253               | 5,849               |
| Bad debt expense  | -                   | 27,625              |
| Depreciation  | 26,743              | 31,425              |
| Loss on due from related party  | 272,265             | -                   |
| Loss on disposal of property  | -                   | 4,770               |
| Changes in:   |                     |                     |
| (Increase) decrease in accounts receivable  | 16,633              | (201,649)           |
| (Increase) decrease in prepaid expenses   | (35,901)            | (12,258)            |
| (Increase) decrease in due from related parties                                   | (1,314,200)         | (389,397)           |
| (Increase) decrease in deferred contract costs                                    | (502,269)           | (638,193)           |
| (Increase) decrease in deposits   | (3,275)             | (10,000)            |
| Increase (decrease) in accounts payable   | 59,813              | 128,021             |
| Increase (decrease) in accrued expenses   | 204,850             | 102,172             |
| Increase (decrease) in deferred revenue   | (56,250)            | 59,850              |
| Increase (decrease) in deferred franchise fees                                    | 1,169,375           | 1,159,075           |
| Net cash provided by operating activities   | <u>1,115,996</u>    | <u>799,081</u>      |
| <b>Cash Flows From Investing Activities:</b>                                      |                     |                     |
| Purchase of property and equipment  | (6,320)             | (44,523)            |
| Net cash used in investing activities   | <u>(6,320)</u>      | <u>(44,523)</u>     |
| <b>Cash Flows From Financing Activities:</b>                                      |                     |                     |
| Net payments on line of credit  | -                   | (484,828)           |
| Payments on member loan   | (4,092)             | (14,688)            |
| Member distributions  | (867,050)           | (177,266)           |
| Net cash used in financing activities   | <u>(871,142)</u>    | <u>(676,782)</u>    |
| <b>Net Change in Cash and Cash Equivalents</b>                                    | 238,534             | 77,776              |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                               | <u>1,673,870</u>    | <u>1,596,094</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>                                     | <u>\$ 1,912,404</u> | <u>\$ 1,673,870</u> |
| <b><u>Supplemental disclosure of cash flow information:</u></b>                   |                     |                     |
| Cash paid for interest  | <u>\$ 1,612</u>     | <u>\$ 2,383</u>     |

*See accompanying notes to the financial statements.*

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**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of TES Franchising, LLC (the “Company”) is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Nature of the Business**

The Company was organized in September 1997 under the provisions of the Connecticut Limited Liability Act. The principal activity of the Company is to provide coaching and guidance to individuals with respect to franchising opportunities available to them. The Company franchises its business model so that its franchisees will have a platform from which to provide the same services in other markets. Franchises are awarded to multi and single unit franchisees by the Company. The Company has and is continuing to develop a network of franchise coaches and provides franchise support services, marketing, advertising, promotions, products, training programs and related services to its coaches.

**Basis of Presentation**

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

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**Use of Estimates in Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk on cash and cash equivalents.

**Accounts Receivable**

The Company’s receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements.

Accounts receivable is stated at the amount the Company expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable (Continued)**

As of December 31, accounts receivable consisted of the following balances:

|                                 | 2022              | 2021              | 2020              |
|---------------------------------|-------------------|-------------------|-------------------|
| Accounts receivable             | \$ 439,640        | \$ 470,243        | \$ 268,594        |
| Allowance for doubtful accounts | (16,030)          | (30,000)          | (2,375)           |
| Accounts receivable, net        | <u>\$ 423,610</u> | <u>\$ 440,243</u> | <u>\$ 266,219</u> |

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 39 years. Expenditures for routine maintenance and repairs on property and equipment are charged to expense.

**Revenue Recognition**

The Company executes franchise agreements for each multi and single unit franchise which set out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales or a percentage fee for each single unit franchise awarded. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

Services provided in exchange for initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial franchise fees are recognized on the straight-line basis, which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract liabilities are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

|                          | 2022                | 2021                |
|--------------------------|---------------------|---------------------|
| Deferred franchise fees  | \$ 4,746,500        | \$ 3,577,125        |
| Less: current maturities | (632,475)           | (456,525)           |
|                          | <u>\$ 4,114,025</u> | <u>\$ 3,120,600</u> |

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

As of December 31, the Company expects to recognize contract liabilities as revenue over the remaining term of the associated franchise agreements as follows:

|            |                     |
|------------|---------------------|
| 2023       | \$ 632,475          |
| 2024       | 632,475             |
| 2025       | 632,475             |
| 2026       | 632,475             |
| 2027       | 632,475             |
| Thereafter | 1,584,125           |
|            | <u>\$ 4,746,500</u> |

Training fees are recognized as revenue upon the completion of initial training.

Continuing fees are recognized monthly, as they are earned.

The Company incurs incremental costs in the course of obtaining franchise agreements. The Company's incremental costs of obtaining franchise agreements are capitalized and presented on the accompanying balance sheets. ~~These incremental costs are recognized on the straight-line basis which is consistent with the franchisee's right to use and benefit from intellectual property.~~

The Company's contract assets are comprised of unamortized incremental contract costs. As of December 31, deferred contract costs consisted of the following:

|                          | <u>2022</u>         | <u>2021</u>         |
|--------------------------|---------------------|---------------------|
| Deferred contract costs  | \$ 2,829,131        | \$ 2,326,862        |
| Less: current maturities | (384,916)           | (298,516)           |
|                          | <u>\$ 2,444,215</u> | <u>\$ 2,028,346</u> |

Receipts and expenditures related to brand building activities, such as marketing and advertising, which benefit the brand the franchisees operate under are highly interrelated with the franchise right and therefore not distinct. As a result, revenues for the brand building fund are recognized on a monthly basis, as they are billed, and reflected on the statements of income and member's equity (deficit) under the caption "revenue". Expenses incurred to provide brand building services are presented on the statement of income and member's equity (deficit) under the caption "cost of revenue".

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising**

Advertising costs are expensed when incurred or the first time such advertisement appears. For the years ended December 31, 2022 and 2021, total advertising costs were \$152,233 and \$72,054, respectively.

**Income Taxes**

The Company has elected to be taxed under subchapter S of the Internal Revenue Code. Consequently, federal income taxes are not payable by, or provided for the Company. The member is taxed individually on the Company's earnings. The state of Connecticut imposes an entity level tax on pass-through entities. For the years ended December 31, 2022 and 2021, the Company accrued estimated tax liabilities of \$66,451 and \$51,690, respectively.

As defined by Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 740, Income Taxes, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

As of December 31, 2022, the tax years that remain subject to potential examination by taxing authorities begin with the year ended December 31, 2019.

**NOTE 2 – RELATED PARTY TRANSACTIONS**

As of December 31, the Company had the following balances due from and due to them from various related party entities:

|   | 2022                | 2021                |
|---|---------------------|---------------------|
| Due from Decor & You, Inc.                        | \$ 450,806          | \$ 648,372          |
| Due from the Entrepreneur's Source, Inc.          | 2,048,674           | 822,617             |
| Due from Performance Enhancement Franchising, LLC | 10,950              | 29,999              |
| Due from TES Aviation Services, LLC               | 67,411              | 67,411              |
| Total due from related parties                    | <u>2,577,841</u>    | <u>1,568,399</u>    |
| Due to AdviCoach Franchising, LLC                 | <u>485,601</u>      | <u>518,094</u>      |
| Total due to related parties                      | <u>485,601</u>      | <u>518,094</u>      |
| Total due from related parties, net               | <u>\$ 2,092,240</u> | <u>\$ 1,050,305</u> |



**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

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**NOTE 2 – RELATED PARTY TRANSACTIONS (Continued)**

AdviCoach Franchising, LLC and the Entrepreneur's Source, Inc. are 100% owned by Terry Powell, managing member of the Company. The managing member of TES Aviation Services, LLC and Performance Enhancement Franchising, LLC, Terry Powell, is also the managing member of the Company. Decor & You, Inc. is owned by Karen Powell, wife of Terry Powell.

The Company receives payments from Performance Enhancement Franchising, LLC for placement fees in connection with franchise agreements. During the years ended December 31, 2022 and 2021, the Company earned \$60,000 and \$164,000, respectively, of such revenue. The Company is also reimbursed by Performance Enhancement Franchising, LLC for payroll related costs of shared employees. During the years ended December 31, 2022 and 2021, the Company allocated \$272,574 and \$172,149, respectively, of such costs.

As of December 31, 2022 and 2021, the Company had an outstanding loan balance, payable to the managing member of the Company, of \$0 and \$4,092, respectively. This loan is non-interest bearing and due on demand. The loan was paid in full in February 2022.

**NOTE 3 – PROPERTY AND EQUIPMENT**

As of December 31, property and equipment consisted of the following:

---

|                                | 2022             | 2021              |
|--------------------------------|------------------|-------------------|
| Computer equipment             | \$ 95,159        | \$ 88,839         |
| Furniture and equipment        | 277,006          | 277,006           |
|                                | 372,165          | 365,845           |
| Less: accumulated depreciation | (276,598)        | (249,855)         |
|                                | <u>\$ 95,567</u> | <u>\$ 115,990</u> |

Depreciation expense for the years ended December 31, 2022 and 2021 was \$26,743 and \$31,425, respectively.

**NOTE 4 – LINE OF CREDIT**

The Company has a revolving line of credit providing for a maximum borrowing of \$500,000. Interest on this note is payable monthly at the Wall Street prime rate (7.50% and 3.25% at December 31, 2022 and 2021, respectively). The line of credit is due on demand and is secured by all assets of the Company. There was no outstanding balance on the line of credit as of December 31, 2022 and 2021.

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 5 – LONG-TERM DEBT**

As of December 31, long-term debt consisted of the following:

|   | 2022              | 2021              |
|---|-------------------|-------------------|
| On May 27, 2020, the Company was granted an Economic Injury Disaster Loan (EIDL) from a financial institution in the aggregate amount of \$150,000, pursuant to Section 7(b) of the Small Business Act, as amended. The loan matures in May 2050 and bears interest at a fixed rate of 3.75% per annum, payable monthly commencing in November 2022. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used as working capital to alleviate economic injury caused by the disaster occurring in the month of January 2020. The loan is collateralized by assets of the Company. | \$ 163,414        | \$ 159,161        |
| Total long-term debt  | 163,414           | 159,161           |
| Less: current maturities  | (3,891)           | -                 |
|   | <u>\$ 159,523</u> | <u>\$ 159,161</u> |

As of December 31, long-term debt matures as follows:

|            |                   |
|------------|-------------------|
| 2023       | \$ 3,891          |
| 2024       | 3,891             |
| 2025       | 3,891             |
| 2026       | 3,910             |
| 2027       | 4,041             |
| Thereafter | <u>143,790</u>    |
|            | <u>\$ 163,414</u> |

**NOTE 6 – REVENUE RECOGNITION**

As of December 31, the timing and recognition of revenue was as follows:

|   | 2022                 | 2021                 |
|---|----------------------|----------------------|
| Services transferred at a point in time | \$ 20,060,383        | \$ 15,741,063        |
| Services transferred over time          | <u>740,271</u>       | <u>741,425</u>       |
|   | <u>\$ 20,800,654</u> | <u>\$ 16,482,488</u> |

Various economic factors such as supply and demand, laws and policies and labor affect revenues and cash flows. The Company's revenue is derived from sources within the United States.

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

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**NOTE 7 – PROFIT SHARING PLAN**

Effective January 1, 2005, the Company established a 401(k) discretionary profit-sharing plan that covers all employees who have attained 21 years of age. Employer contributions for the years ended December 31, 2022 and 2021 were \$98,898 and \$74,150, respectively. Plan expenses for the years ended December 31, 2022 and 2021 were \$4,867 and \$4,696, respectively.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Company is involved, from time to time, in claims incidental to the conduct of its business. Based on consultation with legal counsel, the Company does not have claims, either individually or in the aggregate, that would have a material adverse effect on the Company's financial condition or results of operations.

**NOTE 9 – OPERATING LEASES**

The Company leases a copy machine under a non-cancelable operating lease agreement expiring in October 2022 after which it will be on a month-to-month basis. The Company also leases office and storage space on a month-to-month basis from related parties. Total rent expense for the years ended December 31, 2022 and 2021 was \$173,811 and \$156,673, respectively. The Company also received office space sublease income from related parties for the years ended December 31, 2022 and 2021 totaling \$5,500 and \$6,000, respectively. All sublease agreements are on a month-to-month basis. The rent amounts are included under the caption "rents and leases" in the accompanying statements of income and member's equity.

**NOTE 10 – MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 24, 2023, the date on which the financial statements were available to be issued. No other events were identified that required adjustment or disclosure in the financial statements.



**TES FRANCHISING, LLC**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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**ELLSWORTH • STOUT**  
CPAs and Consultants

**TES FRANCHISING, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**Table of Contents**

|  |      |
|--|------|
| <b>Independent Auditor's Report</b> .....                | 1-2  |
| <b>Financial Statements:</b>                             |      |
| Balance Sheets .....                                     | 3    |
| Statements of Income and Member's Equity (Deficit) ..... | 4    |
| Statements of Cash Flows.....                            | 5    |
| <b>Notes to the Financial Statements</b> .....           | 6-12 |

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***Independent Auditor's Report***

To the Member  
TES Franchising, LLC  
Southbury, Connecticut

**Opinion**

We have audited the accompanying financial statements of TES Franchising, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and member's equity (deficit), 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 TES Franchising, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TES Franchising, 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 TES Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.



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In performing an audit in accordance with generally accepted auditing standards, 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 TES Franchising, 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 TES Franchising, 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.

Ellsworth & Stout, LLC

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February 16, 2022  
Las Vegas, NV

**TES FRANCHISING, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**

|  | <u>2021</u>                | <u>2020</u>                |
|--|----------------------------|----------------------------|
| <b>ASSETS</b>  |                            |                            |
| <b>Current Assets:</b>                                 |                            |                            |
| Cash and cash equivalents                              | \$ 1,673,870               | \$ 1,596,094               |
| Accounts receivable, net                               | 440,243                    | 266,219                    |
| Prepaid expenses                                       | 18,677                     | 6,419                      |
| Due from related parties, net                          | 1,050,305                  | 660,908                    |
| Current maturities of deferred contract costs          | 298,516                    | 207,409                    |
| Total current assets                                   | <u>3,481,611</u>           | <u>2,737,049</u>           |
| <b>Property and Equipment, net</b>                     | <u>115,990</u>             | <u>107,662</u>             |
| <b>Other Assets:</b>                                   |                            |                            |
| Deferred contract costs, net of current                | 2,028,346                  | 1,481,260                  |
| Deposits   | 10,000                     | -                          |
| Total other assets                                     | <u>2,038,346</u>           | <u>1,481,260</u>           |
| <b>Total Assets</b>                                    | <u><u>\$ 5,635,947</u></u> | <u><u>\$ 4,325,971</u></u> |
| <b>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</b>       |                            |                            |
| <b>Current Liabilities:</b>                            |                            |                            |
| Accounts payable                                       | \$ 509,761                 | \$ 381,740                 |
| Accrued expenses                                       | 654,171                    | 551,999                    |
| Deferred revenue                                       | 59,850                     | -                          |
| Borrowings against line of credit                      | -                          | 484,828                    |
| Due to member  | 4,092                      | 18,780                     |
| Current maturities of deferred franchise fees          | 456,525                    | 299,250                    |
| Current maturities of long-term debt                   | -                          | 56,013                     |
| Total current liabilities                              | <u>1,684,399</u>           | <u>1,792,610</u>           |
| <b>Long-Term Liabilities:</b>                          |                            |                            |
| Deferred franchise fees, net of current                | 3,120,600                  | 2,118,800                  |
| Long-term debt, net of current                         | 159,161                    | 448,036                    |
| Total long-term liabilities                            | <u>3,279,761</u>           | <u>2,566,836</u>           |
| <b>Total Liabilities</b>                               | <u>4,964,160</u>           | <u>4,359,446</u>           |
| <b>Member's Equity (Deficit)</b>                       | <u>671,787</u>             | <u>(33,475)</u>            |
| <b>Total Liabilities and Member's Equity (Deficit)</b> | <u><u>\$ 5,635,947</u></u> | <u><u>\$ 4,325,971</u></u> |

See accompanying notes to the financial statements.

**TES FRANCHISING, LLC**  
**STATEMENTS OF INCOME AND MEMBER'S EQUITY (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

|   | <b>2021</b>   | <b>2020</b>   |
|---|---------------|---------------|
| <b>Revenue</b>                                | \$ 16,482,488 | \$ 15,313,034 |
| <b>Cost of Revenue</b>                        | 12,224,251    | 11,552,507    |
| <b>Gross Profit</b>                           | 4,258,237     | 3,760,527     |
| <b>Operating Expenses:</b>                    |               |               |
| Payroll and payroll related taxes             | 2,005,771     | 1,889,424     |
| Outside services                              | 346,307       | 331,658       |
| Training                                      | 215,897       | 92,935        |
| Insurance and benefits                        | 213,739       | 119,783       |
| Rents and leases                              | 150,673       | 144,355       |
| Legal and professional fees                   | 129,549       | 141,472       |
| Office expenses                               | 125,200       | 84,176        |
| Computer and technology                       | 116,481       | 147,092       |
| Retirement plan expense                       | 78,846        | 65,027        |
| Advertising                                   | 72,054        | 71,368        |
| Telephone and utilities                       | 58,127        | 45,438        |
| Travel, meals and entertainment               | 55,986        | 127,948       |
| Depreciation                                  | 31,425        | 37,983        |
| Taxes and licenses                            | 28,148        | 42,981        |
| Bad debt expense                              | 27,625        | 7,294         |
| Repairs and maintenance                       | 24,139        | 17,947        |
| Bank charges                                  | 21,459        | 20,681        |
| Contributions and donations                   | 12,550        | -             |
| Total operating expenses                      | 3,713,976     | 3,387,562     |
| <b>Income from Operations</b>                 | 544,261       | 372,965       |
| <b>Other Income (Expense):</b>                |               |               |
| Interest income                               | 532           | 5,250         |
| PPP loan forgiveness                          | 350,737       | -             |
| Interest expense                              | (8,232)       | (22,998)      |
| Loss on disposal of property                  | (4,770)       | (45,529)      |
| Total other income (expense)                  | 338,267       | (63,277)      |
| <b>Net Income</b>                             | 882,528       | 309,688       |
| <b>Member's Deficit, Beginning of Year</b>    | (33,475)      | (244,707)     |
| Member distributions                          | (177,266)     | (98,456)      |
| <b>Member's Equity (Deficit), End of Year</b> | \$ 671,787    | \$ (33,475)   |

*See accompanying notes to the financial statements.*



**TES FRANCHISING, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

|   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| <b>Cash Flows From Operating Activities:</b>                                      |                     |                     |
| Net income  | \$ 882,528          | \$ 309,688          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                     |                     |
| PPP loan forgiveness  | (350,737)           | -                   |
| Accrued interest expense  | 5,849               | 5,642               |
| Bad debt expense  | 27,625              | 7,294               |
| Depreciation  | 31,425              | 37,983              |
| Loss on disposal of property  | 4,770               | 45,529              |
| Changes in:   |                     |                     |
| (Increase) decrease in accounts receivable  | (201,649)           | (6,076)             |
| (Increase) decrease in prepaid expenses   | (12,258)            | (6,419)             |
| (Increase) decrease in due from related parties                                   | (389,397)           | (285,524)           |
| (Increase) decrease in deferred contract costs                                    | (638,193)           | (436,268)           |
| (Increase) decrease in deposits   | (10,000)            | -                   |
| Increase (decrease) in accounts payable   | 128,021             | (88,525)            |
| Increase (decrease) in accrued expenses   | 102,172             | 362,892             |
| Increase (decrease) in deferred revenue   | 59,850              | -                   |
| Increase (decrease) in deferred franchise fees                                    | 1,159,075           | 499,776             |
| Net cash provided by operating activities   | <u>799,081</u>      | <u>445,992</u>      |
| <b>Cash Flows From Investing Activities:</b>                                      |                     |                     |
| Purchase of property and equipment  | (44,523)            | (80,350)            |
| Net cash used in investing activities   | <u>(44,523)</u>     | <u>(80,350)</u>     |
| <b>Cash Flows From Financing Activities:</b>                                      |                     |                     |
| Net proceeds from line of credit  | -                   | 251,356             |
| Net payments on line of credit  | (484,828)           | -                   |
| Proceeds from debt borrowings   | -                   | 498,407             |
| Payments on member loan   | (14,688)            | (14,188)            |
| Member distributions  | (177,266)           | (98,456)            |
| Net cash provided by (used in) financing activities                               | <u>(676,782)</u>    | <u>637,119</u>      |
| <b>Net Change in Cash and Cash Equivalents</b>                                    | <u>77,776</u>       | <u>1,002,761</u>    |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                               | <u>1,596,094</u>    | <u>593,333</u>      |
| <b>Cash and Cash Equivalents, End of Year</b>                                     | <u>\$ 1,673,870</u> | <u>\$ 1,596,094</u> |
| <b>Supplemental disclosure of cash flow information:</b>                          |                     |                     |
| Cash paid for interest  | <u>\$ 2,383</u>     | <u>\$ 17,356</u>    |

See accompanying notes to the financial statements.

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of TES Franchising, LLC (the “Company”) is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Nature of the Business**

The Company was organized in September 1997 under the provisions of the Connecticut Limited Liability Act. The principal activity of the Company is to provide coaching and guidance to individuals with respect to franchising opportunities available to them. The Company franchises its business model so that its franchisees will have a platform from which to provide the same services in other markets. Franchises are awarded to multi and single unit franchisees by the Company. The Company has and is continuing to develop a network of franchise coaches and provides franchise support services, marketing, advertising, promotions, products, training programs and related services to its coaches.

**Basis of Presentation**

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

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**Use of Estimates in Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk on cash and cash equivalents.

**Accounts Receivable**

The Company’s receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements.

Accounts receivable is stated at the amount the Company expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.



**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable (Continued)**

As of December 31, accounts receivable consisted of the following balances:

|                                 | 2021              | 2020              | 2019              |
|---------------------------------|-------------------|-------------------|-------------------|
| Accounts receivable             | \$ 470,243        | \$ 268,594        | \$ 270,268        |
| Allowance for doubtful accounts | (30,000)          | (2,375)           | (2,831)           |
| Accounts receivable, net        | <u>\$ 440,243</u> | <u>\$ 266,219</u> | <u>\$ 267,437</u> |

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 39 years. Expenditures for routine maintenance and repairs on property and equipment are charged to expense.

**Revenue Recognition**

The Company executes franchise agreements for each multi and single unit franchise which set out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales or a percentage fee for each single unit franchise awarded. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

Services provided in exchange for initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial franchise fees are recognized on the straight-line basis, which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract liabilities are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

|                          | 2021                | 2020                |
|--------------------------|---------------------|---------------------|
| Deferred franchise fees  | \$ 3,577,125        | \$ 2,418,050        |
| Less: current maturities | (456,525)           | (299,250)           |
|                          | <u>\$ 3,120,600</u> | <u>\$ 2,118,800</u> |

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

As of December 31, the Company expects to recognize contract liabilities as revenue over the remaining term of the associated franchise agreements as follows:

|            |    |                  |
|------------|----|------------------|
| 2022       | \$ | 456,525          |
| 2023       |    | 456,525          |
| 2024       |    | 456,525          |
| 2025       |    | 456,525          |
| 2026       |    | 456,525          |
| Thereafter |    | 1,294,500        |
|            | \$ | <u>3,577,125</u> |

Training fees are recognized as revenue upon the completion of initial training.

Continuing fees are recognized monthly, as they are earned.

The Company incurs incremental costs in the course of obtaining franchise agreements. The Company's incremental costs of obtaining franchise agreements are capitalized and presented on the accompanying balance sheets. These incremental costs are recognized on the straight-line basis which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract assets are comprised of unamortized incremental contract costs. As of December 31, deferred contract costs consisted of the following:

|                          | <u>2021</u>         | <u>2020</u>         |
|--------------------------|---------------------|---------------------|
| Deferred contract costs  | \$ 2,326,862        | \$ 1,688,669        |
| Less: current maturities | <u>(298,516)</u>    | <u>(207,409)</u>    |
|                          | <u>\$ 2,028,346</u> | <u>\$ 1,481,260</u> |

Receipts and expenditures related to brand building activities, such as marketing and advertising, which benefit the brand the franchisees operate under are highly interrelated with the franchise right and therefore not distinct. As a result, revenues for the brand building fund are recognized on a monthly basis, as they are billed, and reflected on the statements of income and member's equity (deficit) under the caption "revenue". Expenses incurred to provide brand building services are presented on the statement of income and member's equity (deficit) under the caption "cost of revenue".

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021 AND 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising**

Advertising costs are expensed when incurred or the first time such advertisement appears. For the years ended December 31, 2021 and 2020, total advertising costs were \$72,054 and \$71,368, respectively.

**Income Taxes**

The Company has elected to be taxed under subchapter S of the Internal Revenue Code. Consequently, federal income taxes are not payable by, or provided for the Company. The member is taxed individually on the Company's earnings. The state of Connecticut imposes an entity level tax on pass-through entities. For the years ended December 31, 2021 and 2020, the Company accrued estimated tax liabilities of \$51,690 and \$21,600, respectively.

As defined by Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 740, Income Taxes, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

As of December 31, 2021, the tax years that remain subject to potential examination by taxing authorities begin with the year ended December 31, 2018.

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**New Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02 (Topic 842) pertaining to leases. This pronouncement is effective for non-public companies for fiscal years beginning after December 15, 2021, with early adoption permitted. Management has not yet evaluated the effects of this standard on the Company's financial statements.

**NOTE 2 – RELATED PARTY TRANSACTIONS**

As of December 31, the Company had the following balances due from and due to them from various related party entities:

|   | 2021         | 2020       |
|---|--------------|------------|
| Due from Decor & You, Inc.                        | \$ 648,372   | \$ 648,372 |
| Due from the Entrepreneur's Source, Inc.          | 822,617      | 420,761    |
| Due from Performance Enhancement Franchising, LLC | 29,999       | 103,983    |
| Due from TES Aviation Services, LLC               | 67,411       | 36,411     |
| Total due from related parties                    | 1,568,399    | 1,209,527  |
| Due to AdviCoach Franchising, LLC                 | 518,094      | 548,619    |
| Total due to related parties                      | 518,094      | 548,619    |
| Total due from related parties, net               | \$ 1,050,305 | \$ 660,908 |

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2 – RELATED PARTY TRANSACTIONS (Continued)**

AdviCoach Franchising, LLC and the Entrepreneur's Source, Inc. are 100% owned by Terry Powell, managing member of the Company. The managing member of TES Aviation Services, LLC and Performance Enhancement Franchising, LLC, Terry Powell, is also the managing member of the Company. Decor & You, Inc. is owned by Karen Powell, wife of Terry Powell.

The Company receives payments from Performance Enhancement Franchising, LLC for placement fees in connection with franchise agreements. During the years ended December 31, 2021 and 2020, the Company earned \$164,000 and \$253,816, respectively, of such revenue. The Company is also reimbursed by Performance Enhancement Franchising, LLC for payroll related costs of shared employees. During the years ended December 31, 2021 and 2020, the Company was reimbursed for \$172,149 and \$72,051, respectively, of such costs.

As of December 31, 2021 and 2020, the Company had an outstanding loan balance, payable to the managing member of the Company, of \$4,092 and \$18,780, respectively. This loan is non-interest bearing and due on demand.

**NOTE 3 – PROPERTY AND EQUIPMENT**

As of December 31, property and equipment consisted of the following:

|                                | 2021              | 2020              |
|--------------------------------|-------------------|-------------------|
| Computer equipment             | \$ 88,839         | \$ 326,414        |
| Furniture and equipment        | 277,006           | 358,174           |
|                                | 365,845           | 684,588           |
| Less: accumulated depreciation | (249,855)         | (576,926)         |
|                                | <u>\$ 115,990</u> | <u>\$ 107,662</u> |

Depreciation expense for the years ended December 31, 2021 and 2020 was \$31,425 and \$37,983, respectively.

**NOTE 4 – LINE OF CREDIT**

The Company has a revolving line of credit providing for a maximum borrowing of \$500,000. Interest on this note is payable monthly at the Wall Street prime rate (3.25% and 3.25% at December 31, 2021 and 2020, respectively). The line of credit is due on demand and is secured by all assets of the Company. The outstanding balance on the line of credit at December 31, 2021 and 2020 was \$0 and \$484,828, respectively.



**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 5 – LONG-TERM DEBT**

As of December 31, long-term debt consisted of the following:

|   | 2021              | 2020              |
|---|-------------------|-------------------|
| On April 21, 2020, the Company was granted a loan from a financial institution in the aggregate amount of \$348,407, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan was set to mature in April 2022 bearing interest at a fixed rate of 1% per annum, payable monthly commencing in August 2021. However, the loan was forgiven in full in May 2021:  | \$ -              | \$ 350,737        |
| On May 27, 2020, the Company was granted an Economic Injury Disaster Loan (EIDL) from a financial institution in the aggregate amount of \$150,000, pursuant to Section 7(b) of the Small Business Act, as amended. The loan matures in May 2050 and bears interest at a fixed rate of 3.75% per annum, payable monthly commencing in June 2022. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used as working capital to alleviate economic injury caused by the disaster occurring in the month of January 2020. The loan is collateralized by assets of the Company. | 159,161           | 153,312           |
| Total long-term debt  | 159,161           | 504,049           |
| Less: current maturities  | -                 | (56,013)          |
|   | <u>\$ 159,161</u> | <u>\$ 448,036</u> |

As of December 31, long-term debt matures as follows:

|            |                   |
|------------|-------------------|
| 2022       | \$ -              |
| 2023       | 2,826             |
| 2024       | 3,532             |
| 2025       | 3,666             |
| 2026       | 3,807             |
| Thereafter | 145,330           |
|            | <u>\$ 159,161</u> |

**NOTE 6 – REVENUE RECOGNITION**

As of December 31, the timing and recognition of revenue was as follows:

|   | 2021                 | 2020                 |
|---|----------------------|----------------------|
| Services transferred at a point in time | \$ 15,741,063        | \$ 14,742,310        |
| Services transferred over time          | 741,425              | 570,724              |
|   | <u>\$ 16,482,488</u> | <u>\$ 15,313,034</u> |

Various economic factors such as supply and demand, laws and policies and labor affect revenues and cash flows. The Company's revenue is derived from sources within the United States.

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021 AND 2020**

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**NOTE 7 – PROFIT SHARING PLAN**

Effective January 1, 2005, the Company established a 401(k) discretionary profit-sharing plan that covers all employees who have attained 21 years of age. Employer contributions for the years ended December 31, 2021 and 2020 were \$74,150 and \$63,735, respectively. Plan expenses for the years ended December 31, 2021 and 2020 were \$4,696 and \$1,292, respectively.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Company is involved, from time to time, in claims incidental to the conduct of its business. Based on consultation with legal counsel, the Company does not have claims, either individually or in the aggregate, that would have a material adverse effect on the Company's financial condition or results of operations.

In March 2020, the World Health Organization officially characterized a novel strain of the coronavirus (COVID-19) as a global pandemic. Management is currently responding to the existing effects and planning for the potential future effects that the COVID-19 pandemic may have on the Company's operations, including the overall health of the economy and consumer spending. At the current time, management is unable to quantify the potential effects of this pandemic on the Company's future financial statements.

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**NOTE 9 – OPERATING LEASES**

The Company leases a copy machine under a non-cancelable operating lease agreement expiring in October 2022. The Company also leases office and storage space on a month to month basis from related parties. Total rent expense for the years ended December 31, 2021 and 2020 was \$156,673 and \$181,009, respectively. The Company also received office space sublease income from related parties for the years ended December 31, 2021 and 2020 totaling \$6,000 and \$36,654, respectively. All sublease agreements are on a month-to-month basis. The rent amounts are included under the caption "rents and leases" in the accompanying statements of income and member's equity (deficit).

As of December 31, future minimum payments under non-cancelable leases are as follows:

|      |          |
|------|----------|
| 2022 | \$ 8,890 |
|------|----------|

**NOTE 10 – MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 16, 2022, the date on which the financial statements were available to be issued. No other events were identified that required adjustment or disclosure in the financial statements.

**TES FRANCHISING, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**Table of Contents**

|  |             |
|--|-------------|
| <b>Independent Auditor's Report.....</b>       | <b>1-2</b>  |
| <b>Financial Statements:</b>                   |             |
| Balance Sheets .....                           | 3           |
| Statements of Income and Member's Equity ..... | 4           |
| Statements of Cash Flows .....                 | 5           |
| <b>Notes to the Financial Statements.....</b>  | <b>6-12</b> |

***Independent Auditor's Report***

To the Member  
TES Franchising, LLC  
Southbury, Connecticut

**Opinion**

We have audited the accompanying financial statements of TES Franchising, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and 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 TES Franchising, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TES Franchising, 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 TES Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 TES Franchising, 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 TES Franchising, 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.

*Velez & Hardy*

February 24, 2023  
Las Vegas, NV

**TES FRANCHISING, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**

|   | <b>2022</b>         | <b>2021</b>         |
|---|---------------------|---------------------|
| <b>ASSETS</b>                                 |                     |                     |
| <b>Current Assets:</b>                        |                     |                     |
| Cash and cash equivalents                     | \$ 1,912,404        | \$ 1,673,870        |
| Accounts receivable, net                      | 423,610             | 440,243             |
| Prepaid expenses                              | 54,578              | 18,677              |
| Due from related parties, net                 | 2,092,240           | 1,050,305           |
| Current maturities of deferred contract costs | 384,916             | 298,516             |
| Total current assets                          | 4,867,748           | 3,481,611           |
| <b>Property and Equipment, net</b>            | 95,567              | 115,990             |
| <b>Other Assets:</b>                          |                     |                     |
| Deferred contract costs, net of current       | 2,444,215           | 2,028,346           |
| Deposits                                      | 13,275              | 10,000              |
| Total other assets                            | 2,457,490           | 2,038,346           |
| <b>Total Assets</b>                           | <b>\$ 7,420,805</b> | <b>\$ 5,635,947</b> |
| <b>LIABILITIES AND MEMBER'S EQUITY</b>        |                     |                     |
| <b>Current Liabilities:</b>                   |                     |                     |
| Accounts payable                              | \$ 569,574          | \$ 509,761          |
| Accrued expenses                              | 859,021             | 654,171             |
| Deferred revenue                              | 3,600               | 59,850              |
| Due to member                                 | -                   | 4,092               |
| Current maturities of deferred franchise fees | 632,475             | 456,525             |
| Current maturities of long-term debt          | 3,891               | -                   |
| Total current liabilities                     | 2,068,561           | 1,684,399           |
| <b>Long-Term Liabilities:</b>                 |                     |                     |
| Deferred franchise fees, net of current       | 4,114,025           | 3,120,600           |
| Long-term debt, net of current                | 159,523             | 159,161             |
| Total long-term liabilities                   | 4,273,548           | 3,279,761           |
| <b>Total Liabilities</b>                      | 6,342,109           | 4,964,160           |
| <b>Member's Equity</b>                        | 1,078,696           | 671,787             |
| <b>Total Liabilities and Member's Equity</b>  | <b>\$ 7,420,805</b> | <b>\$ 5,635,947</b> |

*See accompanying notes to the financial statements.*

**TES FRANCHISING, LLC**  
**STATEMENTS OF INCOME AND MEMBER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
| <b>Revenue</b>                                      | \$ 20,800,654 | \$ 16,482,488 |
| <b>Cost of Revenue</b>                              | 14,729,269    | 12,224,251    |
| <b>Gross Profit</b>                                 | 6,071,385     | 4,258,237     |
| <b>Operating Expenses:</b>                          |               |               |
| Payroll and payroll related taxes                   | 2,598,243     | 2,005,771     |
| Outside services                                    | 255,167       | 346,307       |
| Training  | 146,871       | 215,897       |
| Insurance and benefits                              | 311,415       | 213,739       |
| Rents and leases                                    | 170,311       | 150,673       |
| Legal and professional fees                         | 67,654        | 129,549       |
| Office expenses                                     | 78,532        | 125,200       |
| Computer and technology                             | 225,761       | 116,481       |
| Retirement plan expense                             | 103,765       | 78,846        |
| Advertising   | 152,233       | 72,054        |
| Telephone and utilities                             | 66,356        | 58,127        |
| Travel, meals and entertainment                     | 158,080       | 55,986        |
| Depreciation  | 26,743        | 31,425        |
| Taxes and licenses                                  | 93,523        | 28,148        |
| Bad debt expense                                    | -             | 27,625        |
| Repairs and maintenance                             | 17,807        | 24,139        |
| Bank charges  | 26,733        | 21,459        |
| Contributions and donations                         | 24,114        | 12,550        |
| Total operating expenses                            | 4,523,308     | 3,713,976     |
| <b>Income from Operations</b>                       | 1,548,077     | 544,261       |
| <b>Other Income (Expense):</b>                      |               |               |
| Loss on due from related party                      | (272,265)     | -             |
| Interest income                                     | 4,012         | 532           |
| PPP loan forgiveness                                | -             | 350,737       |
| Interest expense                                    | (5,865)       | (8,232)       |
| Loss on disposal of property                        | -             | (4,770)       |
| Total other income (expense)                        | (274,118)     | 338,267       |
| <b>Net Income</b>                                   | 1,273,959     | 882,528       |
| <b>Member's Equity (Deficit), Beginning of Year</b> | 671,787       | (33,475)      |
| Member distributions                                | (867,050)     | (177,266)     |
| <b>Member's Equity, End of Year</b>                 | \$ 1,078,696  | \$ 671,787    |

*See accompanying notes to the financial statements.*

**TES FRANCHISING, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| <b>Cash Flows From Operating Activities:</b>                                      |                     |                     |
| Net income  | \$ 1,273,959        | \$ 882,528          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                     |                     |
| PPP loan forgiveness  | -                   | (350,737)           |
| Accrued interest expense  | 4,253               | 5,849               |
| Bad debt expense  | -                   | 27,625              |
| Depreciation  | 26,743              | 31,425              |
| Loss on due from related party  | 272,265             | -                   |
| Loss on disposal of property  | -                   | 4,770               |
| Changes in:   |                     |                     |
| (Increase) decrease in accounts receivable  | 16,633              | (201,649)           |
| (Increase) decrease in prepaid expenses   | (35,901)            | (12,258)            |
| (Increase) decrease in due from related parties                                   | (1,314,200)         | (389,397)           |
| (Increase) decrease in deferred contract costs                                    | (502,269)           | (638,193)           |
| (Increase) decrease in deposits   | (3,275)             | (10,000)            |
| Increase (decrease) in accounts payable   | 59,813              | 128,021             |
| Increase (decrease) in accrued expenses   | 204,850             | 102,172             |
| Increase (decrease) in deferred revenue   | (56,250)            | 59,850              |
| Increase (decrease) in deferred franchise fees                                    | 1,169,375           | 1,159,075           |
| Net cash provided by operating activities   | <u>1,115,996</u>    | <u>799,081</u>      |
| <b>Cash Flows From Investing Activities:</b>                                      |                     |                     |
| Purchase of property and equipment  | <u>(6,320)</u>      | <u>(44,523)</u>     |
| Net cash used in investing activities   | <u>(6,320)</u>      | <u>(44,523)</u>     |
| <b>Cash Flows From Financing Activities:</b>                                      |                     |                     |
| Net payments on line of credit  | -                   | (484,828)           |
| Payments on member loan   | (4,092)             | (14,688)            |
| Member distributions  | <u>(867,050)</u>    | <u>(177,266)</u>    |
| Net cash used in financing activities   | <u>(871,142)</u>    | <u>(676,782)</u>    |
| <b>Net Change in Cash and Cash Equivalents</b>                                    | 238,534             | 77,776              |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                               | <u>1,673,870</u>    | <u>1,596,094</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>                                     | <u>\$ 1,912,404</u> | <u>\$ 1,673,870</u> |
| <b><u>Supplemental disclosure of cash flow information:</u></b>                   |                     |                     |
| Cash paid for interest  | <u>\$ 1,612</u>     | <u>\$ 2,383</u>     |

*See accompanying notes to the financial statements.*

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of TES Franchising, LLC (the “Company”) is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Nature of the Business**

The Company was organized in September 1997 under the provisions of the Connecticut Limited Liability Act. The principal activity of the Company is to provide coaching and guidance to individuals with respect to franchising opportunities available to them. The Company franchises its business model so that its franchisees will have a platform from which to provide the same services in other markets. Franchises are awarded to multi and single unit franchises by the Company. The Company has and is continuing to develop a network of franchise coaches and provides franchise support services, marketing, advertising, promotions, products, training programs and related services to its coaches.

**Basis of Presentation**

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

**Use of Estimates in Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk on cash and cash equivalents.

**Accounts Receivable**

The Company’s receivables are primarily generated from ongoing business relationships with franchisees as a result of franchise agreements.

Accounts receivable is stated at the amount the Company expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.



**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable (Continued)**

As of December 31, accounts receivable consisted of the following balances:

|                                 | 2022              | 2021              | 2020              |
|---------------------------------|-------------------|-------------------|-------------------|
| Accounts receivable             | \$ 439,640        | \$ 470,243        | \$ 268,594        |
| Allowance for doubtful accounts | (16,030)          | (30,000)          | (2,375)           |
| Accounts receivable, net        | <u>\$ 423,610</u> | <u>\$ 440,243</u> | <u>\$ 266,219</u> |

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 39 years. Expenditures for routine maintenance and repairs on property and equipment are charged to expense.

**Revenue Recognition**

The Company executes franchise agreements for each multi and single unit franchise which set out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales or a percentage fee for each single unit franchise awarded. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

Services provided in exchange for initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, initial franchise fees are recognized as revenue over the term of each respective franchise agreement. Revenues for these initial franchise fees are recognized on the straight-line basis, which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract liabilities are comprised of unamortized initial franchise fees. As of December 31, deferred franchise fees consisted of the following:

|                          | 2022                | 2021                |
|--------------------------|---------------------|---------------------|
| Deferred franchise fees  | \$ 4,746,500        | \$ 3,577,125        |
| Less: current maturities | <u>(632,475)</u>    | <u>(456,525)</u>    |
|                          | <u>\$ 4,114,025</u> | <u>\$ 3,120,600</u> |

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

As of December 31, the Company expects to recognize contract liabilities as revenue over the remaining term of the associated franchise agreements as follows:

|            |    |                  |
|------------|----|------------------|
| 2023       | \$ | 632,475          |
| 2024       |    | 632,475          |
| 2025       |    | 632,475          |
| 2026       |    | 632,475          |
| 2027       |    | 632,475          |
| Thereafter |    | 1,584,125        |
|            | \$ | <u>4,746,500</u> |

Training fees are recognized as revenue upon the completion of initial training.

Continuing fees are recognized monthly, as they are earned.

The Company incurs incremental costs in the course of obtaining franchise agreements. The Company's incremental costs of obtaining franchise agreements are capitalized and presented on the accompanying balance sheets. These incremental costs are recognized on the straight-line basis which is consistent with the franchisee's right to use and benefit from intellectual property.

The Company's contract assets are comprised of unamortized incremental contract costs. As of December 31, deferred contract costs consisted of the following:

|                          | <u>2022</u>         | <u>2021</u>         |
|--------------------------|---------------------|---------------------|
| Deferred contract costs  | \$ 2,829,131        | \$ 2,326,862        |
| Less: current maturities | <u>(384,916)</u>    | <u>(298,516)</u>    |
|                          | <u>\$ 2,444,215</u> | <u>\$ 2,028,346</u> |

Receipts and expenditures related to brand building activities, such as marketing and advertising, which benefit the brand the franchisees operate under are highly interrelated with the franchise right and therefore not distinct. As a result, revenues for the brand building fund are recognized on a monthly basis, as they are billed, and reflected on the statements of income and member's equity (deficit) under the caption "revenue". Expenses incurred to provide brand building services are presented on the statement of income and member's equity (deficit) under the caption "cost of revenue".

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising**

Advertising costs are expensed when incurred or the first time such advertisement appears. For the years ended December 31, 2022 and 2021, total advertising costs were \$152,233 and \$72,054, respectively.

**Income Taxes**

The Company has elected to be taxed under subchapter S of the Internal Revenue Code. Consequently, federal income taxes are not payable by, or provided for the Company. The member is taxed individually on the Company's earnings. The state of Connecticut imposes an entity level tax on pass-through entities. For the years ended December 31, 2022 and 2021, the Company accrued estimated tax liabilities of \$66,451 and \$51,690, respectively.

As defined by Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 740, Income Taxes, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

As of December 31, 2022, the tax years that remain subject to potential examination by taxing authorities begin with the year ended December 31, 2019.

**NOTE 2 – RELATED PARTY TRANSACTIONS**

As of December 31, the Company had the following balances due from and due to them from various related party entities:

|   | 2022                | 2021                |
|---|---------------------|---------------------|
| Due from Decor & You, Inc.                        | \$ 450,806          | \$ 648,372          |
| Due from the Entrepreneur's Source, Inc.          | 2,048,674           | 822,617             |
| Due from Performance Enhancement Franchising, LLC | 10,950              | 29,999              |
| Due from TES Aviation Services, LLC               | 67,411              | 67,411              |
| Total due from related parties                    | <u>2,577,841</u>    | <u>1,568,399</u>    |
| Due to AdviCoach Franchising, LLC                 | 485,601             | 518,094             |
| Total due to related parties                      | <u>485,601</u>      | <u>518,094</u>      |
| Total due from related parties, net               | <u>\$ 2,092,240</u> | <u>\$ 1,050,305</u> |



**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

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**NOTE 2 – RELATED PARTY TRANSACTIONS (Continued)**

AdviCoach Franchising, LLC and the Entrepreneur's Source, Inc. are 100% owned by Terry Powell, managing member of the Company. The managing member of TES Aviation Services, LLC and Performance Enhancement Franchising, LLC, Terry Powell, is also the managing member of the Company. Decor & You, Inc. is owned by Karen Powell, wife of Terry Powell.

The Company receives payments from Performance Enhancement Franchising, LLC for placement fees in connection with franchise agreements. During the years ended December 31, 2022 and 2021, the Company earned \$60,000 and \$164,000, respectively, of such revenue. The Company is also reimbursed by Performance Enhancement Franchising, LLC for payroll related costs of shared employees. During the years ended December 31, 2022 and 2021, the Company allocated \$272,574 and \$172,149, respectively, of such costs.

As of December 31, 2022 and 2021, the Company had an outstanding loan balance, payable to the managing member of the Company, of \$0 and \$4,092, respectively. This loan is non-interest bearing and due on demand. The loan was paid in full in February 2022.

**NOTE 3 – PROPERTY AND EQUIPMENT**

As of December 31, property and equipment consisted of the following:

|                                | 2022             | 2021              |
|--------------------------------|------------------|-------------------|
| Computer equipment             | \$ 95,159        | \$ 88,839         |
| Furniture and equipment        | 277,006          | 277,006           |
|                                | 372,165          | 365,845           |
| Less: accumulated depreciation | (276,598)        | (249,855)         |
|                                | <u>\$ 95,567</u> | <u>\$ 115,990</u> |

Depreciation expense for the years ended December 31, 2022 and 2021 was \$26,743 and \$31,425, respectively.

**NOTE 4 – LINE OF CREDIT**

The Company has a revolving line of credit providing for a maximum borrowing of \$500,000. Interest on this note is payable monthly at the Wall Street prime rate (7.50% and 3.25% at December 31, 2022 and 2021, respectively). The line of credit is due on demand and is secured by all assets of the Company. There was no outstanding balance on the line of credit as of December 31, 2022 and 2021.

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 5 – LONG-TERM DEBT**

As of December 31, long-term debt consisted of the following:

|   | 2022              | 2021              |
|---|-------------------|-------------------|
| On May 27, 2020, the Company was granted an Economic Injury Disaster Loan (EIDL) from a financial institution in the aggregate amount of \$150,000, pursuant to Section 7(b) of the Small Business Act, as amended. The loan matures in May 2050 and bears interest at a fixed rate of 3.75% per annum, payable monthly commencing in November 2022. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used as working capital to alleviate economic injury caused by the disaster occurring in the month of January 2020. The loan is collateralized by assets of the Company. | \$ 163,414        | \$ 159,161        |
| Total long-term debt  | 163,414           | 159,161           |
| Less: current maturities  | (3,891)           | -                 |
|   | <u>\$ 159,523</u> | <u>\$ 159,161</u> |

As of December 31, long-term debt matures as follows:

|            |                   |
|------------|-------------------|
| 2023       | \$ 3,891          |
| 2024       | 3,891             |
| 2025       | 3,891             |
| 2026       | 3,910             |
| 2027       | 4,041             |
| Thereafter | 143,790           |
|            | <u>\$ 163,414</u> |

**NOTE 6 – REVENUE RECOGNITION**

As of December 31, the timing and recognition of revenue was as follows:

|   | 2022                 | 2021                 |
|---|----------------------|----------------------|
| Services transferred at a point in time | \$ 20,060,383        | \$ 15,741,063        |
| Services transferred over time          | 740,271              | 741,425              |
|   | <u>\$ 20,800,654</u> | <u>\$ 16,482,488</u> |

Various economic factors such as supply and demand, laws and policies and labor affect revenues and cash flows. The Company's revenue is derived from sources within the United States.

**TES FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

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**NOTE 7 – PROFIT SHARING PLAN**

Effective January 1, 2005, the Company established a 401(k) discretionary profit-sharing plan that covers all employees who have attained 21 years of age. Employer contributions for the years ended December 31, 2022 and 2021 were \$98,898 and \$74,150, respectively. Plan expenses for the years ended December 31, 2022 and 2021 were \$4,867 and \$4,696, respectively.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Company is involved, from time to time, in claims incidental to the conduct of its business. Based on consultation with legal counsel, the Company does not have claims, either individually or in the aggregate, that would have a material adverse effect on the Company's financial condition or results of operations.

**NOTE 9 – OPERATING LEASES**

The Company leases a copy machine under a non-cancelable operating lease agreement expiring in October 2022 after which it will be on a month-to-month basis. The Company also leases office and storage space on a month-to-month basis from related parties. Total rent expense for the years ended December 31, 2022 and 2021 was \$173,811 and \$156,673, respectively. The Company also received office space sublease income from related parties for the years ended December 31, 2022 and 2021 totaling \$3,500 and \$6,000, respectively. All sublease agreements are on a month-to-month basis. The rent amounts are included under the caption "rents and leases" in the accompanying statements of income and member's equity.

**NOTE 10 – MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 24, 2023, the date on which the financial statements were available to be issued. No other events were identified that required adjustment or disclosure in the financial statements.

**EXHIBIT D**

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

**CALIFORNIA****State Administrator and Agents for Service of Process:**

Department of Financial  
Protection and Innovation 2101  
Arena Boulevard  
Sacramento, CA 95834  
(213) 576-7500  
(866) 275-2677

**HAWAII**

Commissioner of Securities of  
the State of Hawaii  
335 Merchant Street, Room  
~~203~~205  
Honolulu, HI 96813  
(808) 586-2722

**Agents for Service of Process:**

Commissioner of Securities of  
the State of Hawaii  
Department of Commerce and  
Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
(808) 586-2722

**ILLINOIS**

Illinois Attorney General  
Chief, Franchise Division  
500 S. Second Street  
Springfield, IL ~~62706~~62701  
(217) 782-4465

**INDIANA**

Secretary of State  
Securities Division  
Room E-018  
302 W. Washington Street  
Indianapolis, IN 46204  
(317) 232-6681

**MARYLAND**

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, MD 21202  
(410) 576-6360

**Agents for Service of Process:**  
Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, MD 21202-2020

**MICHIGAN**

Michigan Department of Attorney General  
Consumer Protection Division  
525 W. Ottawa Street  
Lansing, MI ~~48913~~48906  
(517) 373-7117

**MINNESOTA**

Department of Commerce  
Commissioner of Commerce  
85 Seventh Place East, Suite 280  
St. Paul, MN 55101-3165  
(651) 539-1600

**NEW YORK**

**Administrator:**  
NYS Department of Law  
Investor Protection Bureau  
28 Liberty St., 21<sup>st</sup> Floor  
New York, NY 10005  
(212) 416-8222

**Agents for Service of Process:**  
~~New York Department~~Secretary of State  
One Commerce Plaza  
99 Washington Avenue, ~~6<sup>th</sup> Floor~~  
Albany, NY 12231-0001  
(518) 473-2492

**NORTH DAKOTA**

**State Administrator and Agent for Service of Process:**  
**North Dakota Securities Department**  
**600 E. Boulevard Avenue, State Capitol**  
**Fourteenth Floor, Dept. 414**  
**Bismarck, ND 58505-0510**  
**(701) 328-4712**

**NORTH DAKOTA**

~~North Dakota Securities Department~~  
~~State Capitol, Fifth Floor, Dept. 414~~  
~~600 E. Boulevard Avenue~~  
~~Bismarck, ND 58505-0510~~  
~~(701) 328-4712~~

**RHODE ISLAND**

Department of Franchise Regulation  
1511 Pontiac Avenue  
John O. Pastore Complex, Bldg. 69-1  
Cranston, RI 02920  
(401) 462-9527

**SOUTH DAKOTA**

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

**VIRGINIA**

State Corporation Commission  
Division of Securities and  
Retail Franchising  
1300 E. Main Street, 9<sup>th</sup> 1<sup>st</sup> Floor  
Richmond, VA 23219

**Agent for Service of Process:**  
Clerk of the State Corporation Commission  
1300 E. Main Street, 1<sup>st</sup> Floor  
Richmond, VA 23219

**WASHINGTON**

Department of Financial Institutions  
Securities Division  
**PO Box 4120**  
**Olympia, WA 98504-1200**

**Agents for Service of Process**  
**Administrator of Securities Division**  
150 Israel Road SW  
Tumwater, WA 98501  
(360) 902-8760

**WISCONSIN**

Department of Financial Institutions  
Division of Securities  
201 W. Washington Avenue  
Madison, WI 53703  
(608) 266-3364

## **EXHIBIT E**

### **OPERATIONS MANUAL TABLE OF CONTENTS**

|  |   |
|--|---|
| Table of Contents                                | Pages 1 – <del>13</del> ; <del>13</del> 12; 12 pages                      |
| 1.0 - Operations Manual Introduction             | Pages <del>14</del> — <del>19</del> ; <del>6</del> 13-20; 8 pages         |
| 2.0 - TES System and Overview                    | Pages <del>20</del> — <del>33</del> ; <del>14</del> 21-32; 12 pages       |
| 3.0 - Coaching                                   | Pages <del>34</del> — <del>76</del> ; <del>43</del> 33-77; 45 pages       |
| 4.0 - Business Development                       | Pages <del>77</del> — <del>130</del> ; <del>54</del> 78-133; 56 pages     |
| 5.0 - Initial Contacts - Business Development    | Pages <del>131</del> — <del>196</del> ; <del>66</del> 134-201; 68 pages   |
| 6.0 - C1 - Seeker Connection                     | Pages <del>197</del> — <del>242</del> ; <del>46</del> 202-249; 48 pages   |
| 7.0 - C2 - Seeker Clarification                  | Pages <del>243</del> — <del>280</del> ; <del>38</del> 250-291; 42 pages   |
| <u>8.0 - C3 – Coach, Client, Collaboration.</u>  | Pages 292-336; 45 pages   |
| <del>88a.0 –C3 – C4 –</del> Client Career 2.0    | Pages <del>281</del> — <del>351</del> ; <del>71</del> 337-381; 45 Pages   |
| 9.0 - Marketing                                  | Pages <del>352</del> — <del>470</del> ; <del>119</del> 382-509; 128 pages |
| 10.0 - Franchisor Member Relations               | Pages <del>471</del> — <del>488</del> ; <del>185</del> 10-532; 23 pages   |
| 11.0 - Finance and Accounting                    | Pages <del>489</del> — <del>498</del> ; <del>105</del> 33-544; 12 pages   |
| 12.0 - Franchise Business Owner Resource Library | Pages <del>499</del> — <del>545</del> ; <del>47</del> 593; 49 pages       |
| 13.0 - Client Resource Library                   | Pages <del>546</del> — <del>571</del> 594-619; 26 pages                   |
|  |   |
| Total Number of Pages                            | <del>571</del> 619 pages  |
|  |   |

## **EXHIBIT F**

### **STATE ADDENDA TO THE DISCLOSURE DOCUMENT**

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

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

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

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

Neither we nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

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

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

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

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

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

The franchise agreement requires binding arbitration. The arbitration will occur in Southbury, Connecticut, with the costs being borne according to the Rules for Commercial Arbitration of the American Arbitration Association. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

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

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

Our website is located at [www.entrepreneurssource.com/](https://entrepreneurssource.com/)

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

Item 6 of the FDD is amended to state the highest interest rate allowed by law in California is 10% annually.

**Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.**



**HAWAII ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

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

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

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

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

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

## ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT

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

1. Item 17.w. is modified to provide that Illinois law applies.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
4. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
- ~~5. Items 5 and 7 are modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.~~

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

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

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

1. Item 17.b. is modified to also provide, “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17.  
. is modified to also provide, “This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”

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

## MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

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

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.
- ~~•~~ With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

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

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

## NEW YORK ADDENDUM TO THE DISCLOSURE DOCUMENT

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

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR 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 ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOTCAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICHTHAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

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.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for 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.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum,”** and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. 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.

7. 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.

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

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

1. Item 17(c) is amended to provide that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under North Dakota Franchise Investment Law.

2. Item 17(u) is amended to provide that the site of arbitration or mediation of disputes be agreeable to all parties and may not be remote from the franchisee's place of business.

3. Item 17(v) is removed in its entirety. Any provision in the franchise disclosure that designates jurisdiction and venue in a forum outside of the State of North Dakota is void pursuant to the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

4. Item 17(w) is modified to provide that North Dakota law applies.

5. Any provision in the franchise disclosure requiring the franchisee to consent to a waiver of trial by jury is void pursuant to the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

6. Any provision in the franchise disclosure requiring the franchisee to consent to a waiver of exemplary and punitive damages is void pursuant to the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

7. Any provision in the franchise disclosure requiring the franchisee to consent to a limitation of claims within one year is void pursuant to the intent of Section 51-19-09 of the North Dakota Franchise Investment Law and the statute of limitations under North Dakota Law will apply.

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



**RHODE ISLAND ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

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

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

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

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

Rhode Island law applies.

## VIRGINIA ADDENDUM TO THE DISCLOSURE DOCUMENT

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

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

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

~~Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.~~

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

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

Additional Disclosure. The following statements are added to Attachment 5: Franchise Disclosure Questionnaire:

“No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.”

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

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

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.

Franchisees who receive financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington State.

Item 5 to the Disclosure Document is amended to also provide: Initial franchisee fees will be deferred until the Franchisor has provided all of its pre-opening obligations under the Franchise Agreement and the franchisee is open for business.

“No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.”

**WISCONSIN ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

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

1. Item 17 is modified to also provide:

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

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

## EXHIBIT G-1

### THE ENTREPRENEUR'S SOURCE FRANCHISE

#### GENERAL RELEASE AGREEMENT

#### **WAIVER AND RELEASE OF CLAIMS**

This Waiver and Release of Claims ("Release") is made as of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_, a(n) \_\_\_\_\_ ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of TES Franchising, LLC, a Connecticut limited liability company ("Franchisor," and together with Releasor, the "Parties").

**WHEREAS**, Franchisor and Franchisee have entered into a Franchise Agreement ("Agreement") pursuant to which Franchisee was granted the right to own and operate a The Entrepreneur's Source business;

**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 (**enter into a successor franchise agreement**), and Franchisor has consented to such transfer (**agreed to enter into a successor franchise agreement**); and

**WHEREAS**, as a condition to Franchisor's consent to the transfer (**Franchisee's ability to enter into a successor franchise agreement**), 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 (**Franchisor entering into a successor franchise agreement**), 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 duly authorized to enter into this Release and to perform the terms and obligations herein contained, 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. The undersigned 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, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third party claim.

3. Non-disparagement. Releasor expressly covenants and agrees not to make any false representation of facts, 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 damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Agreement to any third party without Franchisor's express written consent, except as required by law.

5. 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 Connecticut.

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.

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

*(Signatures on following page)*

|

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

**FRANCHISEE:**

\_\_\_\_\_, a  
\_\_\_\_\_

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

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

Its: \_\_\_\_\_

**FRANCHISEE'S OWNERS:**

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name



## EXHIBIT G-2

### THE ENTREPRENEUR'S SOURCE FRANCHISE

#### SYSTEM PROTECTION AGREEMENT

This System Protection Agreement ("Agreement") is entered into by the undersigned Key Individual (also referred to as "you" or "your") and NAME OF FRANCHISEE ("us," "we," "our," or "franchisee."), and in favor of intended third party beneficiary, TES Franchising, LLC, a Connecticut limited liability company, and its successors and assigns ("TES"), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

*"Competitive Business"* means any business that: (i) sells or offers products or services the same as or similar to those offered at or sold by the Franchise or by any other TES Business, or by any TES Company owned business (including, but not limited to, the products we authorize); (ii) provides or offers to provide services the same as or similar to the type of services sold by you in and/or from the Franchised Business (including, but not limited to, the services we authorize), but excludes a The Entrepreneur's Source business operating pursuant to a franchise agreement with us; or (iii) has a contract or partnership agreement with us under which we or you have the ability to offer coaching, placement and franchise opportunities.

*"Copyrights"* means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a The Entrepreneur's Source business or the solicitation or offer of a The Entrepreneur's Source franchise, whether now in existence or created in the future.

*"Franchisee"* means the The Entrepreneur's Source franchisee for which you are a manager or officer.

*"Franchised Business"* means the business awarded to you pursuant to a franchise agreement with us.

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

*"Key Individuals"* means Principal Owners, their spouses, your officers, directors, Principal Operators, and independent contractors or employees who have had access to the Confidential Information.

*"Know-how"* means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a The Entrepreneur's Source business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

*"Manual"* means our operations manual for the operation of a The Entrepreneur's Source business, which may be periodically modified by us.

*"Marks"* means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a The Entrepreneur's Source business, including "THE ENTREPRENEUR'S SOURCE," and any other trademarks, service marks, or trade names that we designate for use by a The Entrepreneur's Source business. The term "Marks" also includes any distinctive trade dress used to identify a The Entrepreneur's Source business, whether now in existence or hereafter created.

|

*“Prohibited Activities”* means you and all Key Individuals, agree to not directly or indirectly do any or all of the following: (a) induce, canvas, solicit, or request or advise any customers of ours, of the Franchise, or of any TES Franchisee to become customers of any person, firm, or business that competes with any Franchise, any other TES Business, or TES Company owned business; (b) induce, request, or advise any customer of TES, the Franchise, any TES Business or TES Company owned business to terminate or decrease such customer’s relationship with us, any customer of TES, the Franchise, any TES Business or TES Company owned business; or (c) disclose to any other person, firm, partnership, corporation, or other entity the names, addresses, or telephone numbers of any customers of TES, of the Franchise, of any TES Business or of any TES Company owned business except as required by law.

*“Restricted Period”* means during the term of the Franchise and the period of two (2) years after the later of (i) the effective date of termination or expiration, or (ii) the date on which you stop operating the Franchise, or (iii) the date of a court order enforcing this Covenant; provided, however, that if a court or arbitrator of competent jurisdiction determines that the temporal restrictions in this section are overly broad, they shall be revised to restrictions the court deems reasonable.

*“Restricted Territory”* means the geographic area located or within a radius of : (i) at your location or within a radius of 50 miles of your location and franchised area, as may be defined in this Agreement, and within 50 miles of any other TES Franchise, or of any TES Company owned business; provided, however, that if a court or arbitrator of competent jurisdiction determines that the geographic restrictions in this section are overly broad, they shall be revised to restrictions the court deems reasonable.

*“System”* means our system for the establishment, development, operation, and management of a The Entrepreneur’s Source business, including Know-how, proprietary programs and products, Manual, and operating system.

**2. Background.** You are a Key Individual of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

**3. Know-How and Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than the The Entrepreneur’s Source business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of Franchisee’s The Entrepreneur’s Source business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

**4. Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are a Key Individual of Franchisee by engaging in any Prohibited Activities.

**5. Unfair Competition After Relationship.** You agree not to unfairly compete with us during the Restricted Period, within the Restricted Territory, by engaging in any Prohibited Activities. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

6. **Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, grandparent, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

7. **Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement.

8. **Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other The Entrepreneur's Source franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us, our owners or our affiliates, or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

9. **Third-Party Beneficiary.** TES is an intended third-party beneficiary with full rights to enforce this Agreement.

10. **Miscellaneous.**

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of Connecticut, and the courts in that state shall have exclusive jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

EXECUTED on the date stated below.

|

**FRANCHISEE**

Date \_\_\_\_\_ Signature \_\_\_\_\_

\_\_\_\_\_  
Typed or Printed Name

**KEY INDIVIDUAL**

Date \_\_\_\_\_ Signature \_\_\_\_\_

\_\_\_\_\_  
Typed or Printed Name

## 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   | <del>June 20, 2023</del> Pending  |
| Hawaii       | <del>April 19, 2023</del> Pending |
| Illinois     | <del>April 24, 2023</del> Pending |
| Indiana      | <del>April 20, 2023</del> Pending |
| Maryland     | Pending                           |
| Michigan     | <del>April 27, 2023</del> Pending |
| Minnesota    | <del>June 21, 2023</del> Pending  |
| New York     | <del>May 24, 2023</del> Pending   |
| North Dakota | <del>May 30, 2023</del> Pending   |
| Rhode Island | <del>April 21, 2023</del> Pending |
| South Dakota | <del>April 18, 2023</del> Pending |
| Virginia     | <del>May 21, 2023</del> Pending   |
| Washington   | Pending                           |
| Wisconsin    | <del>April 18, 2023</del> Pending |

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 H**  
**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 TES Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, TES Franchising, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires TES Franchising, LLC to give you this disclosure document at least ten (10) business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this 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 TES Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the state agency identified on Exhibit D.

The franchisor is TES Franchising, LLC., located at 464 Heritage Road, Suite 3, Southbury, CT 06488. Its telephone number is 203-405-2120.

Issuance Date: April ~~18, 2023~~ 12, 2024

The franchise seller for this offering is:

|          |   |
|----------|---|
| X        | Terry Powell, 464 Heritage Road, Suite 3, Southbury, CT 06488; 203-405-2120                                     |
| X        | Susan Stilwell, 464 Heritage Road, Suite 3, Southbury, CT 06488; 203-405-2120                                   |
| <u>X</u> | <del>Susan Seotts</del> <u>Eric Missbrenner</u> , 464 Heritage Road, Suite 3, Southbury, CT 06488; 203-405-2120 |
|          | <del>Robert Vearling</del> <u>Susan Scotts</u> , 464 Heritage Road, Suite 3, Southbury, CT 06488; 203-405-2120  |
|          |   |
|          | Betsy Kuhr, 464 Heritage Road, Suite 3, Southbury, CT 06488; 203-405-2120                                       |
|          | Torrie Lusby, 464 Heritage Road, Suite 3, Southbury, CT 06488; 203-405-2120                                     |
|          | <u>Carol Toffolon, 464 Heritage Road, Suite 3, Southbury, CT 06488; 203-405-2120</u>                            |

TES Franchising, LLC authorizes the respective state agencies identified on Exhibit D to receive service of process for it in the particular state.

I received a disclosure document issued April ~~18, 2023~~ 12, 2024 which included the following exhibits:

- |           |   |
|-----------|---|
| Exhibit A | Franchise Agreement   |
|           | Attachment 1- Franchise Data Sheet                          |
|           | Attachment 2- Ownership Interests in Franchise Owner        |
|           | Attachment 3- Owners Agreement                              |
|           | Attachment 4-Automated Clearing House Payment Authorization |
|           | Attachment 5-Franchise Disclosure Questionnaire             |
|           | Attachment 6- State Addenda to the Franchise Agreement      |
| Exhibit B | List of Current and Former Franchisees                      |
| Exhibit C | Financial Statements  |

Exhibit D List of State Administrators/Agents for Service of Process  
Exhibit E Operations Manual Table of Contents  
Exhibit F State Addenda to the Disclosure Document  
Exhibit G-1 General Release Agreement  
Exhibit G-2 System Protection Agreement  
Exhibit H Receipts

\_\_\_\_\_  
Date Signature Printed Name

\_\_\_\_\_  
Date Signature Printed Name

**Please date, sign, and retain this copy for your records.**

## **EXHIBIT H**

### **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 TES Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, TES Franchising, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires TES Franchising, LLC to give you this disclosure document at least ten (10) business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this 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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|

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| Exhibit G-2 | System Protection Agreement                                |
| Exhibit H   | Receipts   |

|       |           |              |
|-------|-----------|--------------|
| _____ | _____     | _____        |
| Date  | Signature | Printed Name |

|       |           |              |
|-------|-----------|--------------|
| _____ | _____     | _____        |
| Date  | Signature | Printed Name |

**Please date, sign, and return this copy to us.**