

## FRANCHISE DISCLOSURE DOCUMENT

FRANCHISOR: BEEHIVEBEE HIVE HOMES, INC. (a Utah corporation)   
3973 North Eagle Road  
Boise, Idaho 83713-0727  
Telephone: 208-939-6781  
Website: [www.beehivehomes.com](http://www.beehivehomes.com)  
Email: [TWalker@beehivehomes.com](mailto:TWalker@beehivehomes.com)

The franchise offered is a BeeHiveBee Hive Homes facility providing assisted living and/or residential care to persons not requiring skilled nursing care.

The initial investment necessary to begin operation of a BeeHiveBee Hive Homes franchise ranges from approximately \$3,400,000 to \$5,100,000. This includes an initial franchise fee of \$75,000 that must be paid to the franchisor or its affiliates but does not include the cost of land.

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

You may wish to receive your Franchise Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact BeeHiveBee Hive Homes at 3973 North Eagle Road, Boise, Idaho 83713-0727, 208-939-6781, [TWalker@beehivehomes.com](mailto:TWalker@beehivehomes.com).

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

Buying a franchise is a complex investment. The information in this Franchise 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 Franchise Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issue Date: May 23, 2023.

The franchise business is the operation of Homes facilities providing ~~assisted living and/or residential care~~, assisted living, rehabilitation and/or memory care (the “Homes”) of persons not requiring skilled nursing care. These Homes provide services using a unique system under the certain names and marks.

### The Franchise

The franchise being offered in this disclosure document is the right to establish, construct and operate ~~an assisted living and/or residential care~~ a Home offering services to persons who do not require skilled nursing assistance. No medical services are provided to residents at the Home. Homes are generally staffed with from 1 to 4 persons, depending upon the time of day. Higher staffing is generally required in the mornings with lower staffing at night. Homes provide meals, assistance with activities of daily living (ADL’s) and social activities. Residents are primarily elderly persons who are generally able to take care of themselves and who can benefit from a group room and board arrangement. Residents typically come to a Home referred by word of mouth or in response to advertising of the Home. Residents may also be referred by their physician or in some cases by home health providers. The Homes are based on a ranch style architectural appearance and are generally located in residential neighborhoods. Each Home is approximately 8,000 to 12,000 square feet and has from 15 to 24 bedrooms accommodating an equal number of residents. The Homes are generally constructed using standardized plans and are operated in a standardized manner.

The Homes as providers of health related services may be subject to regulation by the health agencies of the specific state in which a Home is located. Every state requires a certification of the Home, which certification requirements vary from state to state. Some states require that a licensed CNA be on staff and others may require that the administrator of the Home be certified by the respective state. Operation of the Homes is also subject to federal HIPAA privacy laws, and, if applicable, specific state privacy laws. No medical services are provided at the Homes. These laws and regulations may differ from state to state and should be considered in connection with any decision regarding a ~~BeeHive~~Bee Hive Homes franchise.

YOU will have to compete with other businesses providing similar services including several franchise programs competing with ~~BeeHive~~Bee Hive Homes. The principal market for the services of the franchise is the population of aging persons who are generally able to care for themselves or who may require some assistance with ADL’s and who can benefit from the associations of a group living environment and meals and maintenance services of a Home.

The market is an emerging market driven by the aging of the general population. Medicare/Medicaid programs are available for some prospective residents as well as

Veterans programs and some county aging programs. Participation in these programs is determined by the individual franchisee and is not mandated or prohibited by US.

### Business Experience

The Franchisor does not and has not conducted or operated any Homes of the type that are to be operated by YOU and, except as described here, neither has any of its predecessors or affiliates. However, certain affiliates of ~~BeeHive~~Bee Hive Homes, Inc., including its principals, have operated Homes which are similar to the type being franchised, although these Homes ~~are~~were not operated as franchises. Mr. Twayne K. Walker, principal of ~~BeeHive~~Bee Hive Homes, Inc. and its affiliates, has conducted and operated a business of the type to be operated by YOU, having operated up to six Homes of the type being franchised, the first of which was opened in November 1987. These Homes were subsequently sold to third parties. Mr. Dennis R. Toland has conducted and operated a business of the type to be operated by YOU, having operated up to four Homes of the type being franchised, the first of which was opened in November 1991. These Homes were subsequently sold to third parties.

~~BeeHive~~Bee Hive Homes, Inc. and its affiliates began offering franchises of the type of business that is to be operated by YOU in November 1992.

~~BeeHive~~Bee Hive Homes, Inc. and its predecessors and affiliates have offered Sub-Franchises and Area Representative Agreements. Sub-Franchises are no longer offered. ~~BeeHive~~Bee Hive Homes, Inc. continues to offer Area Representative Agreements to individuals on a limited and select basis.

## ITEM 2. BUSINESS EXPERIENCE

### BeeHiveBee Hive Homes, Inc.

Director and President

Twayne K. Walker

Mr. Walker has been the President and a Director of ~~BeeHive~~Bee Hive Homes of America, Inc. since June, 2000. He has been involved in the business since its inception in September 1987 and has been a primary force behind the development and philosophy of ~~BeeHive~~Bee Hive Homes of America, Inc. Mr. Walker is employed full-time by Bee Hive Homes ~~Intermountain~~, Inc. and its predecessors since 1996. Mr. Walker served as vice-president/secretary of and was employed full-time by T&R Construction, Inc., an Idaho corporation, from March 1985 until April 2000. Since April 2000, Mr. Walker has served as secretary/treasurer of Yellowstone West, LLC, a builder of log homes and commercial properties.

Director and Vice President/Secretary

Dennis R. Toland

Mr. Toland has been the Vice President/Secretary and a Director of BeeHiveBee Hive Homes of America, Inc. since June, 2000. Mr. Toland has worked with BeeHiveBee Hive Homes since August 1992.

### Area Representatives

BeeHiveBee Hive Homes, Inc. continues to offer Area Representative Agreements to individuals on a limited and select basis. These individuals may have management responsibility relating to the sale or operation of franchises. For information regarding the experience of these Area Representatives, please refer to Exhibit "H" - State Specific Addenda.

### ITEM 3. LITIGATION

~~On August 28, 2018, Andras Szantho, as Personal Representative to the Wrongful Death Estate of David Gallegos filed a Complaint (Case No. D-101-CV-2018-02227) in the First Judicial District Court for the County of Santa Fe, State of New Mexico, against Alamo Care, LLC d/b/a Bee Hive Homes of Alamogordo, et.al., including BeeHive Homes of America, Inc. and BeeHive Homes, Inc., alleging wrongful death, negligence, unfair trade practices and punitive damages. BeeHive Homes of America, Inc. and BeeHive Homes, Inc. have denied any liability in the matter. The suit is ongoing.~~

On May 13, 2020, a Complaint was filed in the U.S. District Court for the District of New Mexico (Civil No. 20-456) by the National Fair Housing Alliance against BeeHiveBee Hive Homes, Inc. and seven franchise homes in New Mexico alleging discrimination in violation of the Fair Housing Act against fictitious deaf persons. BeeHiveBee Hive Homes, Inc. denied any liability in the matter. The matter was settled and on March 16, 2021, the Court entered its Order dismissing the action with prejudice and retaining jurisdiction for 36 months if needed to enforce the settlement agreement.

On May 15, 2020, a Complaint was filed in the U.S. District Court for the District of Utah (Civil Action No. 2:20-CV-00312-DBP) by the National Fair Housing Alliance against BeeHiveBee Hive Homes, Inc. and one of its franchise homes in Utah alleging discrimination in violation of The Fair Housing Act ("FHA"), 42 U.S.C. §3602; Section 504 of the Rehabilitation Act of 1973 ("RA"), 29 U.S.C. §794; and Section 1557 of the Patient Protection and Affordable Care Act ("ACA"), 42 U.S.C. §18116 against fictitious deaf persons. BeeHiveBee Hive Homes, Inc. denied any liability in the matter. The matter was settled and on March 26, 2021, the Court entered its Order granting a motion for dismissal with prejudice and retention of jurisdiction by the Court to enforce the settlement agreement if needed.

On May 9, 2023, William Fisher, as the Attorney-in-Fact of Toby Butler, filed a Complaint (Case No. D-1215-CV-2023-00407) in the Twelfth Judicial District Court for

the County of Otero, State of New Mexico, against Alamo Care, LLC d/b/a/ Bee Hive Homes of Alamogordo; Bee Hive Homes of America, Inc.; Jay T. Manning; and Elena Smarr in her capacity as the Administrator of Bee Hive Homes of Alamogordo alleging negligence, unfair trade practices and punitive damages. Bee Hive Homes of America, Inc. has denied any liability in the matter. The suit is ongoing.

On September 21, 2023, Mary Martinez, as Attorney-in-Fact of Martha Viola Jones, filed a Complaint (Case No. D-101-CV-2023-02336) in the First Judicial District Court for the County of Santa Fe, State of New Mexico, against San Pedro Hope, LLC dba Bee Hive Homes of Santa Fe; Buzz Operations, LLC; Bee Hive Homes of America, Inc., and Danyell Sena, in her capacity as the Administrator of Bee Hive Homes of Santa Fe alleging negligence, unfair trade practices and punitive damages. Bee Hive Homes of America, Inc. has denied any liability in the matter. The Court has granted its motion to dismiss for lack of personal jurisdiction, with prejudice.

Other than the above, there is no other litigation that 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

YOU must pay an initial franchise fee of \$75,000 for the first franchise. The initial franchise fee includes all fees and payments for services or goods received from US before YOUR franchise opens. This initial franchise fee is payable one-third (1/3) upon the signing of the Franchise Agreement and the balance in full upon the earlier of (i) funding of a construction loan for the Home, or (ii) issuance of a building permit for the Home. If the initial franchise fee is not paid in full on or before the date which is one year after the date of the Franchise Agreement, WE, in our sole discretion, may terminate the Franchise Agreement, and no fees will be refunded to YOU. However, franchises in some states may be subject to special payment terms.

YOU may purchase additional franchises, with the approval of the Franchisor, by paying a reduced initial franchise fee of \$50,000.00 per franchise. This initial franchise fee for additional franchises is payable in full upon the signing of the franchise agreement for the additional franchise.

All franchisees pay the same initial franchise fees. All franchise fees are nonrefundable.

#### ITEM 6. OTHER FEES

k. Territorial development and sales quotas	Sections 3.1, <del>4.3</del> & 7.1	Item 12
l. Ongoing product/service purchases	Section 8 & 11	Item 8
m. Maintenance, appearance and remodeling requirements	Section 11	Item 11
n. Insurance	Section 10.1	Items 6 & 8
o. Advertising	Section 8.9	Items 8 & 11
p. Indemnification	Section 10.3	Item 19
q. Owner's participation/management/staffing	Section 8.6, 11	Items 11 & 15
r. Records/reports	Section 4.4 & 9	Item 6
s. Inspections/audits	Section 8.8, 9.3	Items 6 & 11
t. Transfer	Section 13	Item 17
u. Renewal	Section 5.2, 5.3	Item 17
v. Post-termination obligations	Sections <u>5.3</u> , <u>5.4</u> , 6.2, 6.3, 13.6, <u>12</u> , 14.4 & 14.5	Item 17
w. Non-competition covenants	Section 12	Items 14 & 17
x. Dispute resolution	Section 16	Item 17

## ITEM 10. FINANCING

WE do not offer direct or indirect financing. WE do not guarantee your note, lease or obligation.

Other franchisees have obtained financing through the United States Small Business Administration under one or more of its available loan programs.

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

retail stores; population, age and income demographics; and proximity to competing businesses. If YOU are unable to find a location that meets the requirements for a HOME in six months, YOUR franchise agreement will be terminated and any franchise fees paid will be refunded to YOU. Approval by US is not a representation or endorsement to YOU of successful operation of a franchise. WE do not own any premises for lease to franchisees. YOU are responsible for conforming YOUR site to applicable ordinances, codes and zoning. (paragraph 7.1 of the Franchise Agreement)

C. The typical length of time between the signing of the Franchise Agreement with the accompanying payment of one-third (1/3) of the initial franchise fee and the opening of YOUR ~~BeeHive~~Bee Hive Home can vary greatly, up to 18 months to 30 months. Factors affecting this length of time usually include obtaining a satisfactory location, financing arrangements, finalizing architectural plans conforming with applicable building codes, local zoning and ordinance compliance, permitting, site improvement, construction of the Home and delivery and installation of decor, fixtures and equipment. Healthcare licensing and certification of the Home and employees does not generally cause any significant delays in the process.

D. The obligations that WE will perform during the operation of YOUR ~~BeeHive~~Bee Hive Home are:

(1) OUR representative will reasonably assist YOU in any operational problem encountered by YOU in connection with YOUR franchise and OUR representative will make himself available to consult with YOU during the continuing operations of YOUR Home on the terms and for the additional compensation as may be mutually agreed to by the parties. (paragraph 8~~7~~16 of the Franchise Agreement)

(2) WE will provide YOU a copy of the “~~BeeHive~~“Bee Hive Homes Owner/Operator Training Manual” and the “~~BeeHive~~“Bee Hive Homes Policy and Procedures Manual.” The Manuals contain approximately ~~500~~300 pages. WE retain the right to modify the Manuals in any manner we deem appropriate, in our sole discretion, provided no modification shall alter YOUR rights under the Franchise Agreement and if there is a conflict between the Manuals and the Franchise Agreement the terms and conditions of the Franchise Agreement shall control. (paragraph 8~~7~~27 of the Franchise Agreement)

(3) Except as stated in paragraph (1) above, WE are not bound by the Franchise Agreement or any related agreement to provide any other supervision, assistance or services during the operation of the franchise. While not obligated to do so, WE may publish newsletters and introduce new programs. WE may also provide consultation and assistance to YOU during visits by OUR representatives.

The Franchise Agreement requires that YOU may only provide specified services. WE have the right to add additional services that YOU will be required to offer. If YOU desire to engage in any other activities at YOUR Home, OUR prior written approval must be obtained. YOU are, however, not limited in the customers with whom YOU may deal.

**ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE  
RESOLUTION**

**\_\_\_\_\_THE FRANCHISE RELATIONSHIP**

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

PROVISION	FRANCHISE AGREEMENT SECTION	SUMMARY
a. Length of the franchise term	Section 5.1	ten years
b. Renewal or extension of the term	Section 5.2	additional ten year renewal periods if you are in good standing
c. Requirements for franchisees to renew or extend	Section 5	three to nine month advance notice, approval by US, and signing by YOU of the current form of franchise agreement, which may have materially different terms and conditions from your initial franchise agreement
d. Termination by YOU	Not Applicable	Not Applicable
e. Termination by US without cause	Not Applicable	Not Applicable
f. Termination by US with cause	Section 14	WE can terminate if YOU commit certain events of default <u>or other breaches of the Franchise Agreement</u>
g. "Cause" defined - curable defaults	Section 14.1	YOU have 30 days to cure: nonpayment of fees, nonperformance of franchise agreement where performance can be completed



h. "Cause" defined - non-curable defaults	Section 14.1	non-curable defaults: bankruptcy (may not be enforceable under federal bankruptcy law), unauthorized transfers, abandonment, trademark misuse
i. YOUR obligations on termination/nonrenewal	Section 14.4; 14.5; <u>14.6 &amp; 14.7</u>	pay amounts due; sell Home to Franchisor
j. Assignment of contract by US	Section 13.1	Assignee reasonably willing and able to perform
k. "Transfer" by YOU - defined	Section 2.20; 13.2	includes transfer of contract or assets and change in ownership
l. OUR approval of transfer by YOU	Section 13.4	prior written approval but not unreasonably withheld
m. Conditions for OUR approval of transfer	Section 13.4	payment of fees, new franchise agreement, training
n. OUR right of first refusal to acquire YOUR business	Section 13.5 <u>6</u>	WE can match any offer
o. OUR option to purchase YOUR business	Section 14.5	WE can purchase YOUR business for the initial cost of the real property and the book value of the personal property upon an Event of Default
p. YOUR death or disability	Section 13.3	transfer must generally be approved within 6 months. Please refer to the state cover page, if any, accompanying this Franchise Disclosure Document for any special provisions applicable to YOUR state
q. Non-competition covenants during the term of the franchise	Section 12.1	no involvement in competing business
r. Non-competition covenants after the franchise is terminated or expires	Section 12.1	no involvement in competing business for three years. Please refer to the state cover page, if any, accompanying this Franchise Disclosure Document for any special provisions applicable to YOUR state.

s. Modification of the agreement	Section 18.13 <u>4</u>	only in writing
t. Integration/merger clause	Section 18.13 <u>4</u>	Only the terms of the franchise agreement are binding. Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Notwithstanding the foregoing, no provision in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 16	all disputes must be arbitrated in Utah
v. Choice of forum	Section 18.2	litigation generally must be in Utah. Please refer to the state cover page, if any, accompanying this Franchise Disclosure Document for any special provisions applicable to YOUR state (subject to applicable state law).
w. Choice of law	Section 18.1	Utah law applies (subject to applicable state law).

Note: Please refer to the Specific State Disclosures attached to this Franchise Disclosure Document for important information concerning YOUR rights under certain laws of various states, including YOUR rights in connection with choice of law, choice of forum, termination and renewal.

#### ITEM 18. PUBLIC FIGURES

WE do not use any public figure to promote OUR franchises.

#### ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned Homes, if there is a reasonable basis for the information, and if the information is included in the Franchise 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 Home you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

WE do not make any representations about YOUR future financial performance or the past financial performance of company-owned or franchised Homes. 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 Home, however, WE may provide YOU with the actual records of that Home. If YOU receive any other financial performance information or projections of YOUR future income, YOU should report it to US by contacting Twayne Walker, c/o ~~BeeHive~~Bee Hive Homes, Inc., at 3973 North Eagle Road, Boise, Idaho 83713-0727 or 208-939-6781; the Federal Trade Commission; and the appropriate state regulatory agencies.

## ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1  
Systemwide Home Summary  
For Years Ended December 31, ~~2022/2021/2020~~2023/2022/2021

Home Type	Year	Homes at the start of the year	Homes at the end of the year	Net Change
Franchised	<del>2020</del> <u>2021</u>	<del>184</del> <del>192</del> <del>192</del> <u>201</u>	198	6
“	2022	198	201	3
“	<u>2023</u>	<u>201</u>	<u>199</u>	<u>&lt;2&gt;</u>
Company Owned	<del>2020</del> <u>2021</u>	0	0	0
“	<del>2021</del> <u>2022</u>	0	0	0
“	<del>2022</del> <u>2023</u>	0	0	0
Total Homes	<del>2020</del> <u>2021</u>	<del>184</del> <del>192</del> <del>192</del> <u>201</u>	198	6
“	2022	198	201	3

<u>“</u> <u>=</u>	<u>2023</u>	<u>201</u>	<u>199</u>	<u>&lt; 2 &gt;</u>
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Table No. 2  
Transfers of Homes from Franchisees to New Owners (other than the Franchisor)  
For Years Ended December 31, ~~2022/2021/2020~~2023/2022/2021

State	Year	Number of Transfers
<del>AZ</del> <del>2020</del> <del>MS</del>	2022	7
MT	2022	3
<del>NV</del> <del>2020</del> <del>NM</del> <del>202</del> <del>01</del> <del>OH</del> <del>2020</del> <del>UT</del>	<del>2020</del> <del>8</del> <del>“</del> 2021	4
“	2022	3
<u>“</u> <u>=</u>	<u>2023</u>	<u>2</u>
<u>WI</u>	<u>2023</u>	<u>1</u>
Totals	<del>2020</del> <u>1</u>	<del>13</del> <del>“</del> 20214
“	2022	13
<u>“</u> <u>=</u>	<u>2023</u>	<u>3</u>

Table No. 3  
Status of Franchised Homes  
For Years Ended December 31, ~~2022/2021/2020~~2023/2022/2021

State	Year	Homes at start of year	Homes Opened	Terminations	Non-Re-newals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Homes at End of Year
AZ	<del>2020</del> <u>1</u>	<del>11</del> <del>200</del> <del>01</del> <del>122</del> <del>02</del> <del>112</del>	1	0	0	0	0	13
	2022	13	0	0	0	0	0	13

<u>EO</u>	<u>2020</u> <u>2023</u>	<u>13</u>	<u>0</u>	32	0	0	0	<u>011</u>
<u>5CO</u>	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
<u>FL</u>	<u>2020</u> <u>3202</u> <u>3</u>	<u>15</u>	0	0	0	0	<u>40</u>	<u>5</u>
<u>FL</u>	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
<u>GA</u>	<u>2020</u> <u>3</u>	<u>20000</u> <u>11202</u> <u>114</u>	0	0	0	0	0	<u>12022</u> <u>10000</u> <u>01HD2</u> <u>02050</u> <u>0004</u>
<u>1GA</u>	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	<u>2019</u> <u>2023</u>	<u>1</u>	<u>51</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
<u>ID</u>	<u>2021</u>	<u>1</u>	0	0	0	0	0	<u>41</u>
<u>IN</u>	<u>2020</u> <u>2</u>	<u>41</u>	0	0	0	0	0	<u>41</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>IN</u>	2021	4	0	0	0	0	0	4
	2022	4	1	0	0	0	1	4
<u>KY</u>	<u>2020</u> <u>3</u>	<u>64</u>	0	0	0	0	0	<u>64</u>
<u>KY</u>	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
<u>LA</u>	<u>2020</u> <u>3</u>	<u>16</u>	0	0	0	0	0	<u>16</u>
<u>LA</u>	2021	1	0	0	0	0	0	1

	2022	1	0	0	0	0	0	1
<del>MI</del>	2020 <u>3</u>	1	0	0	0	0	0	1
<u>MI</u>	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<del>MN</del>	2020 <u>3</u>	<u>61</u>	0	0	0	0	0	<u>61</u>
<u>MN</u>	2021	6	0	0	0	0	0	6
	2022	6	1	0	0	0	0	7
<del>MS</del>	2020 <u>3</u>	<u>97</u>	<u>1</u>	0	0	0	0	<del>08</del>
<u>MS</u>	2021	9	1	0	0	0	0	10
	2022	10	1	0	0	0	0	11
<del>MT</del>	2020 <u>3</u>	<del>302</del> <u>11</u>	0	0	0	0	<del>320</del>	<u>11</u>
<u>MT</u>	2021	32	1	0	0	0	0	33
	2022	33	2	0	0	0	0	35
<del>NV</del>	2020 <u>3</u>	<u>535</u>	<del>10</del>	0	0	0	<u>60</u>	<u>35</u>
<u>NV</u>	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
<del>NM</del>	2020 <u>2023</u>	<u>6</u>	<u>0</u>	<del>34</del> <u>1</u>	0	0	0	<del>05</del>
<del>034</del> <u>NM</u>	2021	34	1	0	0	0	0	35
	2022	35	0	0	0	0	1	34
<del>OH</del>	2020 <u>3</u>	<del>134</del>	0	0	0	0	0	<del>134</del>
<u>OH</u>	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

	2022	1	0	0	0	0	0	1
<del>MI</del>	2020 <u>3</u>	1	0	0	0	0	0	1
<u>MI</u>	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<del>MN</del>	2020 <u>3</u>	<u>61</u>	0	0	0	0	0	<u>61</u>
<u>MN</u>	2021	6	0	0	0	0	0	6
	2022	6	1	0	0	0	0	7
<del>MS</del>	2020 <u>3</u>	<u>97</u>	<u>1</u>	0	0	0	0	<del>08</del>
<u>MS</u>	2021	9	1	0	0	0	0	10
	2022	10	1	0	0	0	0	11
<del>MT</del>	2020 <u>3</u>	<del>302</del> <u>11</u>	0	0	0	0	<del>320</del>	<u>11</u>
<u>MT</u>	2021	32	1	0	0	0	0	33
	2022	33	2	0	0	0	0	35
<del>NV</del>	2020 <u>3</u>	<del>53</del> <u>5</u>	<del>10</del>	0	0	0	<u>60</u>	<u>35</u>
<u>NV</u>	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
<del>NM</del>	2020 <u>2023</u>	<u>6</u>	<u>0</u>	<del>34</del> <u>1</u>	0	0	0	<del>05</del>
<del>034</del> <u>NM</u>	2021	34	1	0	0	0	0	35
	2022	35	0	0	0	0	1	34
<del>OH</del>	2020 <u>3</u>	<del>13</del> <u>4</u>	0	0	0	0	0	<del>13</del> <u>4</u>
<u>OH</u>	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

<del>OK</del>	<del>2020</del> <u>3</u>	1	0	0	0	0	0	1
<u>OK</u>	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
<del>TN</del>	<del>2020</del> <u>3</u>	<del>1</del> <u>3</u>	0	0	0	0	0	<del>1</del> <u>3</u>
<u>TN</u>	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
<del>TX</del>	<del>2020</del> <del>13</del> <u>20</u> <u>23</u>	<del>5</del> <u>2</u>	0	0	0	0	<del>18</del> <u>0</u>	<del>2</del> <u>2</u>
<u>TX</u>	2021	18	1	0	0	0	0	19
	2022	19	2	0	0	0	0	21
<del>UF</del>	<del>2020</del> <u>3</u>	<del>45</del> <u>21</u>	<u>1</u>	2	0	0	0	<del>20</del> <u>2</u>
<del>45</del> <u>U</u> <u>T</u>	2021	45	0	0	0	0	1	44
	2022	44	0	0	0	0	4	40
<del>WI</del>	<del>2020</del> <u>2023</u>	<del>40</del> <u>0</u>	<del>31</del> <u>0</u>	0	0	0	0	<del>40</del> <u>0</u>
<u>WI</u>	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	0	5
<del>Total</del>	<del>2020</del> <u>3</u>	<del>184</del> <u>16</u> <u>5</u>	0	0	0	<del>80</del> <u>0</u>	<del>192</del> <u>0</u>	<del>5</del> <u>5</u>
<u>Total</u>	2021	192	7	0	0	0	1	198
	2022	198	9	0	0	0	6	201
	<u>2023</u>	<u>201</u>	<u>3</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>199</u>



<del>OK</del>	<del>2020</del> <u>3</u>	1	0	0	0	0	0	1
<u>OK</u>	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
<del>TN</del>	<del>2020</del> <u>3</u>	<del>1</del> <u>3</u>	0	0	0	0	0	<del>1</del> <u>3</u>
<u>TN</u>	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
<del>TX</del>	<del>2020</del> <del>13</del> <u>20</u> <u>23</u>	<del>5</del> <u>2</u>	0	0	0	0	<del>18</del> <u>0</u>	<del>2</del> <u>2</u>
<u>TX</u>	2021	18	1	0	0	0	0	19
	2022	19	2	0	0	0	0	21
<del>UF</del>	<del>2020</del> <u>3</u>	<del>45</del> <u>21</u>	<u>1</u>	2	0	0	0	<del>20</del> <u>2</u>
<del>45U</del> <u>T</u>	2021	45	0	0	0	0	1	44
	2022	44	0	0	0	0	4	40
<del>WI</del>	<del>2020</del> <u>2023</u>	<del>40</del> <u>0</u>	<del>3</del> <u>10</u>	0	0	0	0	<del>40</del> <u>0</u>
<u>WI</u>	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	0	5
<del>Total</del>	<del>2020</del> <u>3</u>	<del>184</del> <u>16</u> <u>5</u>	0	0	0	<del>80</del> <u>0</u>	<del>192</del> <u>0</u>	<del>5</del> <u>5</u>
<u>Total</u>	2021	192	7	0	0	0	1	198
	2022	198	9	0	0	0	6	201
	<u>2023</u>	<u>201</u>	<u>3</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>199</u>

1

Table No. 4  
Status of Company-Owned Homes  
For Years Ended December 31, ~~2022/2021/2020~~2023/2022/2021

The Company has not maintained any Company-owned Homes during the reporting period.

Table No. 5  
Projected Openings as of December 31, ~~2022~~23

State	Franchise Agreement signed but Home not opened	Projected new franchised Homes in the next fiscal year	Projected new Company owned Homes in the next fiscal year
GA	<u>32</u>	<u>1</u>	<u>0</u>
<u>KY</u>	<u>1</u>	1	0
<del>MN</del> <u>MO</u>	<u>1</u>	<u>0</u>	<u>0</u>
<u>MS</u>	2	1	0
NJ	1	<u>0</u>	0
OH	2	1	0
OK	1	1	0
TX	<u>43</u>	<u>21</u>	0
Total	13	6	0

#### Current and Former Franchisees

The name, address and telephone number of each franchisee under a Franchise Agreement with US or OUR affiliates is attached as Exhibit B-1.

The name, address and telephone number of every franchisee who had a Home terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with US or OUR affiliates within 10 weeks of the issuance date of this Franchise Disclosure Document is attached as Exhibit B-2.

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

### Confidentiality Provisions

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the ~~BeeHive~~Bee Hive Homes franchise. 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.

## ITEM 21. FINANCIAL STATEMENTS

Attached to this Franchise Disclosure Document as Exhibit C are the ~~BeeHive~~Bee Hive Homes, Inc. (FKA Bee Hive Homes Intermountain, Inc.) audited financial statements for the years ended December 31, 2022, ~~2021 and 2020~~ and unaudited interim financial statements for the period ending September 30, 2023. ~~The unaudited interim financial statements are prepared without audit. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM. Effective January 1, 2020, BeeHive Homes, Inc. and Bee Hive Homes of Utah, Inc. were merged with and into Bee Hive Homes Intermountain, Inc., which changed its name effective January 1, 2020 to BeeHive Homes, Inc.~~2023, 2022 and 2021.

## ITEM 22. CONTRACTS

The following franchise contracts and agreements are proposed for use in connection with this franchise and are attached to and made a part of this Franchise Disclosure Document:

Exhibit D - ~~BeeHive~~Bee Hive Homes Franchise Agreement

Exhibit E - Guaranty and Assumption of Obligations Under Franchise Agreement

Exhibit F - Assignment to Entity

The name, principal business address and telephone number of each franchise seller offering the franchise are:

Ashlee Stone, 3973 North Eagle Road, Boise, ID 83713; Tele: 208-939-6781.

Gerald Hamilton, 3973 North Eagle Road, Boise, ID 83713; Tele: 208-939-6781.

Ty Harding, 3973 North Eagle Road, Boise, ID 83713; Tele: 208-939-6781.

Mark Hegele, 3973 North Eagle Road, Boise, ID 83713; Tele: 208-939-6781.

NOW, THEREFORE, in consideration of the terms, conditions and covenants contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, it is understood and agreed by and among the parties hereto as follows:

I. **ACKNOWLEDGMENTS.** Franchisee acknowledges to have carefully read this Agreement and the ~~BeeHive~~Bee Hive Homes Franchise Disclosure Document and understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor's high standards of quality and service and the uniformity of those Standards at each Home using the System under the Names and Marks. Franchisee hereby ~~covenants to protect and preserve the goodwill of the Names and Marks.~~ Franchisee acknowledges that he has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that, like any other business, the nature of the business conducted at a Home using the System may change over time, that an investment in a Home involves business risks and that Franchisee's business abilities and efforts are vital to the success of the venture. Any information Franchisee may acquire from franchisees of other Homes relating to their sales, profits or cash flows does not constitute information obtained from Franchisor, nor does Franchisor make any representation as to the accuracy of any such information. Franchisee acknowledges that, in all of Franchisor's past, present and future dealings with Franchisee, Franchisor's respective officers, directors, employees and agents act only in a representative, and not in an individual, capacity. All business dealings between Franchisee and such persons in connection with this Agreement are solely between Franchisee and Franchisor. Franchisee further acknowledges that Franchisor has advised Franchisee to have this Agreement reviewed and explained to Franchisee by an attorney prior to signing. Franchisee represents and warrants to Franchisor, as an inducement to Franchisor's entry into this Agreement, that all statements Franchisee has made and all materials Franchisee has submitted to Franchisor in connection with Franchisee's application for and purchase of the franchise contemplated herein are accurate and complete and that Franchisee has made no misrepresentations or material omissions in entering into this Agreement. Franchisor's approval of Franchisee's application for a franchise for ~~the~~a Home is made in reliance upon all of Franchisee's representations and warranties to Franchisor.

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

## II. DEFINITIONS

As used in this Agreement, the following words and phrases shall have the meanings indicated:

2.1. "Affiliate" means any natural person or entity which, directly or indirectly, controls, is controlled by, or is under common Control with, the subject Person.

2.2. "Agreement" means this Franchise Agreement, including all exhibits, attachments and addenda and all amendments and modifications thereto made in writing and approved by the parties hereto, and all renewals thereof made in accordance herewith.

2.3. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, or of the power to veto major policy decisions of an entity, whether through the ownership of voting securities, by contract, or otherwise.

2.4. "Copyrighted Materials" means all brochures, advertisements, sales literature, publications, the Manual (as defined below) and all other printed or copyrightable materials prepared by or for Franchisor and made generally available to franchisees.

2.5. "Equity Interest" means any direct or indirect legal or beneficial interest in the Franchise, the Home or this Agreement.

2.6. "Equity Owner" means the direct or indirect owner of any Equity Interest.

2.7. "Events of Default" has the meaning set forth in Section 14.1 herein.

2.8. "Home" means ~~the a single facility providing residential care, rehabilitation, memory loss, and/or assisted living facility, rehabilitation and/or memory care for individuals at~~ the Location that Franchisee will operate pursuant to this Agreement and includes all land, structures, facilities, hereditaments, appurtenances, furniture, fixtures, equipment, and entry, exit, parking and other areas at the Location. ~~The Home shall conform to Franchisor's general architectural and design drawings, including any elevations and floor plans and number of beds provided by Franchisor, and any variation, alteration or modification shall require the prior written approval of Franchisor. Additional Homes or an increase in the number of beds may be constructed at the Location with Franchisor's prior written approval and provided that each additional Home or increase in the number of beds is subject to its own Franchise Agreement and Franchise Fee.~~

2.9. "Immediate Family Member" means a spouse, parent or child.

2.10. "Location" means the real property on which the Home is located or to be located, as approved by Franchisor, and as more specifically identified in Section 3.1 herein.

2.11. "Manual" means all written compilations of the Standards, and may consist of one or more of the following: Policies and Procedures, Owner/Operator Training, Emergency Procedures, Inservice Training and/or Employee Procedures. The Manual may take the form of one or more of the following: one or more looseleaf or bound volumes; bulletins; notices; videos; CD-ROMS and/or other electronic media; websites; online postings; e-mail and/or electronic communications; facsimiles; or any other medium capable of conveying the Manual's contents.

2.12. "Monthly Revenues Report" has the meaning set forth in Section 4.4 herein.

2.13. "Names and Marks" means the trade name, trademark or service mark "BEEHIVEBEE HIVE HOMES®", the Trade Name and such other or similar names, service marks, trademarks, trade names and copyrights, together with all ancillary signs, symbols, slogans, phrases, emblems, designs and other indicia as are indicated by Franchisor and used in connection with the Home and the System.

2.14. "Person" means a natural person or legal entity.

2.15. "Standards" means all standards, specifications, requirements, criteria, and policies that have been and ~~are~~may be in the future developed and compiled by Franchisor for use by Franchisee in connection with the design, construction, renovation, refurbishment, appearance, equipping, furnishing, supplying, opening, operating, maintaining, marketing, services, service levels, quality, and quality assurance of Homes, including the Home, and for advertising and accounting, whether contained in the Manual or set out in this Agreement or other written communication.

2.16. "System" means the elements, including know-how, that Franchisor designates to distinguish operating under the Names and Marks that provide to the public a similar, distinctive, high-quality service. The System currently includes: the Names and Marks, the Trade Name, and the Standards; advertising, publicity and other marketing programs and materials; training programs and materials; and programs for Franchisor's inspection of the Home and consultation with the Franchisee.

2.17. "Term" has the meaning set forth in Sections 5.1 and 5.2 herein.

2.18. "Trade Name" has the meaning set forth in Section 3.4 herein.

2.19. "Trade Secrets" means all know-how, processes, techniques, and information relating to the provision of services in connection with the Home and the System.

2.20. "Transfer" means in all its forms, any sale, lease, assignment, spin-off, transfer, or other conveyance of any ~~Equity Interest~~direct or indirect legal or beneficial interest in this Agreement, the franchise business or the Home.

2.21. "Transferee" means the recipient resulting from a Transfer.

### III. ESTABLISHMENT OF FRANCHISE

3.1. Grant of Franchise. Subject to the terms and conditions contained in this Agreement, Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, the exclusive right to construct or acquire a Home conforming to the Franchisor's Standards and to operate the Home using the System during the Term at the following designated address (the "Location"):

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[insert address of Home]

3.2. Grant of Licenses. Subject to the terms and conditions contained in this Agreement, Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, the nonexclusive right and

costs and other expenses of litigation that Franchisor and/or its Affiliates may incur in connection with Franchisee's non-compliance with this covenant.

## VII. OBLIGATIONS OF FRANCHISOR

Franchisor has the following responsibilities to Franchisee under this Agreement. Franchisor reserves the right to fulfill some or all of these responsibilities through one or more of its Affiliates or through unrelated third parties, in its sole business judgment. Franchisor may require Franchisee to make payment for any resulting services or products directly to the provider.

7.1. Location. Franchisor shall provide assistance to Franchisee in the selection and evaluation of the Location. However, Franchisee is solely responsible for selecting and obtaining the Location for the Home and for construction of the Home at the Location. Franchisee is solely responsible for the negotiation of all agreements and other contracts relating to the Location and all construction and improvement thereon. Franchisee shall consult with its own legal counsel and other advisors prior to entering into any agreement or contract respecting the Location and any construction or improvement at the Location. It is specifically understood and agreed by and between the parties to this Agreement that the grant of a franchise pursuant to this Agreement is only for the construction of one Home to be located at the Location set forth in Section 3.1 and that there can be no change in the address of the Home without the prior written agreement of the parties to this Agreement.

Franchisor covenants that no franchise for an additional Home, whether franchised or owned by Franchisor, will be sold within an area determined by Franchisor which contains the Location and a population of at least 30,000 persons, without the prior written consent of Franchisee. Franchisee acknowledges and agrees that each territory in which there is a Home may be different from each other territory in terms of size, population, and other factors, it being further agreed that the determination of the size, population, and other factors regarding the territory shall be established by Franchisor. Franchisee hereby waives any and all claims against Franchisor and all other current and future franchisees regarding the size, population, or other factors differentiating the area encompassing Franchisee's Location from that of other franchisees.

~~Franchisee is solely responsible for obtaining the Location for the Home and for construction of the Home at the Location. Franchisee is solely responsible for the negotiation of all agreements and other contracts relating to the Location and all construction and improvement thereon. Franchisee shall consult with its own legal counsel and other advisors prior to entering into any agreement or contract respecting the Location and any construction or improvement at the Location.~~

7.2. Home Design and Specifications. Franchisor will provide general architectural and design drawings, which may include elevations, floor plans and mechanical drawings, for the Home to the Franchisee, possibly drawing from the architectural renderings of an existing Home number of beds, as guidelines for the required "trade dress" of the Home. Any variation, alteration or modification of these guidelines shall require the prior written approval of Franchisor. Franchisor will also provide an itemization of all furnishings, equipment and supplies to be used in the operation of the Home. Franchisee Additional Homes or any increase in the number of beds may be constructed at the Location but only with Franchisor's prior written approval and provided that each additional Home or increase in the number of beds is subject to a separate Franchise Agreement and Franchise Fee.



~~Franchisee, at its sole expense, shall be responsible to engage its own architect, attorneys, contractors, general and subs, and other advisors to prepare final plans, specifications, renderings, and drawings for approval by: (i) local government agencies, according to local zoning laws and applicable ordinances and (ii) Franchisor. Any modification or addition to the elevations or floor plans, including an increase in the number of beds, provided by Franchisor shall require the prior written approval of Franchisor. Franchisee shall obtain all such approvals and permits, including the express written approval of Franchisor, prior to commencing construction of construct the Home. Upon receipt of all required approvals and permits, Franchisee shall construct, furnish and equip the Home in accordance with such approvals and permits, and System Standards. Franchisee shall not construct or cause to be constructed any additional Home at the Location or any addition to the approved Home at the Location without payment of an additional Franchise Fee and the prior written approval of Franchisor. At Franchisee's request, Franchisor may assist Franchisee in arranging for Franchisor's own architect to prepare any required specifications and drawings at the sole expense of Franchisee. Franchisee will negotiate all construction contracts and all equipment and supply contracts and will supervise or arrange for supervision of construction, furnishing and equipping of the Home. Franchisor will, upon Franchisee's request, provide assistance and guidance in such negotiation, provided that improvements and obtain all required permits and licensing. Final plans must be approved in writing by the Franchisor for compliance with "trade dress" guidelines prior to submission for building permits. Franchisor shall not be obligated to become a party to, and will have no liability whatsoever in connection with, any agreements pertaining to the construction, furnishing, equipping and supplying of the Home. Franchisee shall consult with its own legal and other advisors prior to entering into any agreement or contract.~~

7.3. Signs. Franchisor will provide to Franchisee one standard exterior sign which bears the name "~~BEEHIVE~~ BEE HIVE HOMES®" and which conforms with local requirements as to size and style. Additional signs may be purchased by Franchisee at its sole expense in accordance with specifications furnished by Franchisor.

7.4. Training. Franchisor will provide training, prior to opening of the Home for business, in the various practices, policies and procedures for operation of the Home. Franchisee, and if there is more than one Franchisee at least one of the Franchisees, and the resident manager are required to complete a training program of up to three (3) days duration at a location(s) designated by Franchisor, which may include the corporate office and/or an operating Franchise. The Franchisee shall be responsible for travel, lodging and meals for itself and its resident manager, if applicable. In addition to the foregoing, additional representatives of the Franchisee may attend the training program at the sole expense of the Franchisee and with the prior consent of Franchisor. If Franchisee or its resident manager does not complete the required training program to the satisfaction of Franchisor, then Franchisor may terminate this Agreement in accordance with the provisions hereof, or in lieu thereof, Franchisor may elect to provide such additional personnel as Franchisor in its sole discretion deems necessary, to train Franchisee's staff at the site of the Home and enable Franchisee to open the Home. Franchisee will pay all costs of such additional personnel, including, without limitation, salaries, lodging, meals and round trip transportation. Such additional personnel will remain at the Home at Franchisee's expense until Franchisor determines that Franchisee and its staff are capable of operating the Home.

7.5. Opening Supervision. Franchisor will provide reasonable opening supervision to assist Franchisee in the preparation and opening of the Home. Such supervision shall include assistance in engaging staff, training personnel in food preparation, marketing, inventory control and promotional programs in connection with the opening of the Home. Franchisee shall notify Franchisor in writing at least four (4) weeks prior to completion of construction of the Home so that Franchisor may schedule representatives for commencement of opening procedures. The opening date shall be set by agreement of Franchisor and Franchisee.

7.6. Operational Assistance. Franchisor will provide reasonable assistance to Franchisee in operational, facilities and marketing issues encountered by Franchisee in connection with the implementation of the Home operation and Franchisor shall make its representatives available to consult with Franchisee during the continuing operations of Franchisee's Home on such terms and for such additional compensation as may be mutually agreed to by the parties.

7.7. Manual. Franchisor will provide for use by the Franchisee ~~a copy of~~ access to the Franchisor's Manual, which may be hard copy or electronic format, and any revisions and updates which Franchisor and its Affiliates may make to the Manual during the Term. Franchisor and its Affiliates retain the right to modify the Manual in any manner they deem appropriate, in their sole discretion, provided no such modification shall alter Franchisee's rights under this Agreement and if there is a conflict between the Manual and this Agreement the terms and conditions of this Agreement shall prevail. The Manual is the exclusive property of the Franchisor and is provided for use by the Franchisee on a confidential basis and only during the Term.

7.8. Equipment and Supplies. Franchisor will make available to Franchisee for use in the Home various purchase, lease, or other arrangements for signage, operating equipment, operating supplies, and furnishings, which Franchisor makes available to other Homes.

## VIII. OBLIGATIONS OF FRANCHISEE

8.1. Home. Franchisee covenants to construct, equip, staff and own one Home, at its own expense, at the Location; to open and commence operation of such Home no later than the date which is three (3) years after the Effective Date of this Agreement and to continuously operate such Home using the System under the Names and Marks, in compliance with this Agreement and the Standards, and in such a manner as to provide courteous, uniform, high quality service to the public, during the Term of this Agreement. Franchisee acknowledges that, although Franchisor provides the Standards, Franchisee has exclusive day-to-day control of the business and operation of the Home and Franchisor does not in any way possess or exercise such control.

8.2. Compliance With Standards. Franchisee will comply with the Standards, including Franchisor's specifications for all supplies, products and services. Franchisor may require Franchisee to purchase particular supplies, products or services meeting certain standards to maintain the common identity and uniqueness of the design, furnishings and appurtenances of the Homes, and Franchisee will comply with such requirements. Unless Franchisor specifies otherwise, Franchisee may purchase supplies, products and services from any source of distribution which meets the specifications and Standards.

8.3. Compliance With Manual. Franchisee covenants to adhere to the Standards contained in the Manual. ~~The Franchisee agrees to ensure that his copy of the Manual is, at all times,~~ Portions

of the Manual may be state specific, and it is the Franchisee's obligation to identify those portions and to keep them current and up to date. If there is any dispute as to Franchisee's compliance with the provisions of the Manual, the master copy of the Manual maintained at Franchisor's principal office will control. The Franchisee will not disclose the contents of the Manual to any unauthorized person and upon termination of this Agreement will return all ~~f~~Forms of the Manual to Franchisor.

8.4. Compliance with Laws. Franchisee covenants to comply with all applicable statutes, ordinances, rules and regulations of federal, state and local governments and agencies thereof which in any way regulate or affect the operation of its franchise business and agrees not to engage in any activity or practice which results in violation of any such statutes, ordinances, rules and regulations or which results in or may reasonably be anticipated to result in any public criticism of the Franchisor's System or any part thereof. Franchisee shall not discriminate on the basis of race, color, religion (creed), gender, gender expression, age, national origin (ancestry), disability, marital status, sexual orientation, or military status, in any of its activities or operations, specifically, but not by way of limitation, employment relations with staff and providing housing to residents. Notwithstanding the foregoing, Franchisor shall provide reasonable assistance to Franchisee in the initial licensing of the Home with state and local governmental authorities for operation as a BeeHive Home and thereafter Franchisee shall be solely responsible for maintaining such licensing.

8.5. Confidentiality. Franchisee will treat as confidential the Standards, the Manual and all other Proprietary Information. Proprietary Information means all information or materials concerning development, operation, marketing and licensing of the System, including the Standards and the Manual, whether developed by Franchisor, Franchisee or another Person. Franchisee acknowledges and agrees that it does not acquire any right or interest in the Proprietary Information other than the right to utilize the same in the development and operation of the Home under the terms of this Agreement. Franchisee agrees that it will not use the Proprietary Information in any business or for any purpose other than in the development and operation of the Home under the System and will maintain the absolute confidentiality of the Proprietary Information during and after the Term. Franchisee will not make unauthorized copies of any portion of the Proprietary Information; and will adopt and implement all procedures Franchisor may periodically establish in its business judgment to prevent unauthorized use or disclosure of the Proprietary Information, including restrictions on disclosure to employees and the use of non-disclosure and non-competition clauses in agreements with employees, agents and independent contractors who have access to the Proprietary Information.

8.6. Ownership of Home and Location. Franchisee will own, directly or indirectly, fee simple title to the real property and improvements (the "Real Property") that comprise the Home and the Location, together with all personal property ("Personal Property") used in connection with the operation of the Franchise, at all times during the Term of this Agreement, subject to such liens and encumbrances as the Franchisor has agreed to in writing. Franchisee shall not transfer any interest in such Real Property or Personal Property except in compliance with this Agreement. The Franchisee shall maintain legal possession and Control of the Home and the Location at all times during the Term of this Agreement and shall promptly deliver to Franchisor a copy of any notice of default received from any mortgagee or other lien holder.

8.7. Conflict of Interest. Franchisee covenants that for the duration of this Agreement: (a) neither it nor any Equity Owner shall be employed by or have any direct or indirect financial or ownership interest in any other business providing services of the type described in this Agreement

shall execute Franchisor's then current form of voluntary termination agreement, which may include a general release, covering termination of this Agreement; and

(d) Transferee or its Equity Owner(s) shall meet all of Franchisor's then current requirements for new franchisees; shall submit to Franchisor all information reasonably requested by Franchisor to determine qualification as transferees; and shall execute Franchisor's then current form of new franchise agreement and all ancillary forms, including the Franchisor's Guarantee and Assumption Agreement by the transferee's Equity Owner(s), if any.

13.5. Unauthorized Transfer. If Franchisee engages in an Unauthorized Transfer as provided in Section 13.2 or Section 13.6, Franchisee hereby covenants and promises to pay to Franchisor, in addition to all other costs and expenses provided for in this Agreement, an additional transfer fee in an amount equal to ten (10) times [5% times [12 times [the greater of (i) the average published monthly rate per resident of the Home during the 12 months preceding the Unauthorized Transfer or (ii) the average published monthly rate per resident of the home which has been in operation for the preceding 18 month and is in nearest geographic proximity to the Home, times the number of beds in the Home]]]. The parties hereto agree that this additional transfer fee is not a penalty, but the parties' best estimate of the anticipated damage to Franchisor resulting from the Unauthorized Transfer.

In addition to the foregoing, Franchisee or its Equity Owner(s) proposing the Unauthorized Transfer shall pay to Franchisor at the date of closing of the Transfer a commission equal to six percent (6%) of the gross transfer price if Franchisor or its Affiliate finds or introduces the proposed transferee to Franchisee or its Equity Owner(s)

13.6. Right of First Refusal. Franchisee hereby gives and grants to Franchisor and its designees an unrestricted right of first refusal with respect to any proposed Transfer, excluding Permitted Transfers, by Franchisee and/or its Equity Owner(s) (the "Transferor") of any Equity Interest. Franchisee/Transferor shall deliver written notice of the proposed Transfer to Franchisor, together with an executed copy of the valid, enforceable purchase agreement for the Transfer. Franchisor shall have until the sixtieth (60<sup>th</sup>) day after receipt of the written notice of the proposed Transfer and the purchase agreement from the Franchisee/Transferor in which to elect to exercise this right of first refusal by delivery of a written notice of election to Transferor. If Franchisor elects to exercise its right of first refusal it shall do so in accordance with the terms and conditions of the purchase agreement; provided, however, that Franchisor shall have a minimum of thirty (30) days after the delivery of the notice of election in which to make any payments which might sooner be required under the purchase agreement. If Franchisor does not elect to exercise its right of first refusal, the Transferor may proceed with the proposed Transfer to the proposed transferee named in and in accordance with the terms and conditions of the purchase agreement and subject to Section 13.2 of this Agreement. However, if the proposed Transfer is not completed in accordance with the terms and conditions of the purchase agreement, the requirements of this Section shall again apply to the proposed Transfer and must again be complied with. The parties hereto acknowledge and agree that any exercise of this right of first refusal shall be subordinate to and subject to any lien of the Small Business Administration. Any Transfer by Franchisee and/or its Equity Owner(s) which does not comply with the terms and conditions of this Section 13.5~~6~~ will be deemed an Unauthorized Transfer.

~~13.6. Unauthorized Transfer. If Franchisee engages in an Unauthorized Transfer as provided in Section 13.2 or Section 13.5, Franchisee hereby covenants and promises to pay to Franchisor, in addition to all other costs and expenses provided for in this Agreement, an additional transfer fee in an amount equal to ten (10) times the sum of the 12 highest monthly royalty payments paid or payable under this Agreement. The parties hereto agree that this additional transfer fee is not a penalty, but the parties' best estimate of the anticipated damage to Franchisor resulting from the Unauthorized Transfer.~~

13.7. Mortgages and Pledges to Lending Institutions.

(a) Franchisee may mortgage or pledge the Home or an Equity Interest therein to a lender to finance the acquisition or construction of the Home, without notifying Franchisor or obtaining its consent, provided that: (i) Franchisee or the applicable Equity Owner is the sole borrower; (ii) the loan is not secured by any other Home or other collateral; and (iii) the loan does not provide more than 6 months of operating capital.

(b) Franchisee and/or its Equity Owner(s) must notify Franchisor, in writing, before creating any additional lien or encumbrance, beyond that permitted under Section 13.7(a), on the Home or an Equity Interest therein, or making a collateral assignment of this Agreement and shall not create such lien or encumbrance without the prior written approval of Franchisor. Such approval may be based upon, among other factors, Franchisor's evaluation of the structure of the financing to determine which, if any, special agreements and/or assurances for the lender, the Franchisee and/or its Equity Owner(s) will be required of Franchisor, including a "lender comfort letter" or a loan related guaranty, in a form satisfactory to Franchisor. Franchisor may charge a fee for its review of a proposed mortgage or pledge and for the processing of a lender comfort letter.

XIV. DEFAULT AND TERMINATION REMEDIES

14.1. Events of Default. The following, subject to the notice requirements of Section 14.2 below, shall constitute "Events of Default":

(a) Any monies payable by Franchisee to Franchisor shall not be paid as and when due and payable;

(b) There shall be any failure or omission in the full and faithful performance and observance of any of the terms, conditions and limitations of this Agreement on Franchisee's part to be performed or observed (other than the payment of monies);

(c) The occupancy of Franchisee's Home shall be less than 50% for twentythirty (2030) or more consecutive days after once having attained an occupancy of greater than 50%;

(d) There shall be filed by or against Franchisee, in any court pursuant to any statute, either of the United States or any state, a petition for any relief under the Federal Bankruptcy Act or for reorganization or for the appointment of a receiver or trustee for the property of Franchisee, which is not vacated within a period of twenty (20) days, or Franchisee shall be adjudicated bankrupt or insolvent within the meaning of insolvency in

~~13.6. Unauthorized Transfer. If Franchisee engages in an Unauthorized Transfer as provided in Section 13.2 or Section 13.5, Franchisee hereby covenants and promises to pay to Franchisor, in addition to all other costs and expenses provided for in this Agreement, an additional transfer fee in an amount equal to ten (10) times the sum of the 12 highest monthly royalty payments paid or payable under this Agreement. The parties hereto agree that this additional transfer fee is not a penalty, but the parties' best estimate of the anticipated damage to Franchisor resulting from the Unauthorized Transfer.~~

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(b) Franchisee and/or its Equity Owner(s) must notify Franchisor, in writing, before creating any additional lien or encumbrance, beyond that permitted under Section 13.7(a), on the Home or an Equity Interest therein, or making a collateral assignment of this Agreement and shall not create such lien or encumbrance without the prior written approval of Franchisor. Such approval may be based upon, among other factors, Franchisor's evaluation of the structure of the financing to determine which, if any, special agreements and/or assurances for the lender, the Franchisee and/or its Equity Owner(s) will be required of Franchisor, including a "lender comfort letter" or a loan related guaranty, in a form satisfactory to Franchisor. Franchisor may charge a fee for its review of a proposed mortgage or pledge and for the processing of a lender comfort letter.

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(b) There shall be any failure or omission in the full and faithful performance and observance of any of the terms, conditions and limitations of this Agreement on Franchisee's part to be performed or observed (other than the payment of monies);

(c) The occupancy of Franchisee's Home shall be less than 50% for twentythirty (2030) or more consecutive days after once having attained an occupancy of greater than 50%;

(d) There shall be filed by or against Franchisee, in any court pursuant to any statute, either of the United States or any state, a petition for any relief under the Federal Bankruptcy Act or for reorganization or for the appointment of a receiver or trustee for the property of Franchisee, which is not vacated within a period of twenty (20) days, or Franchisee shall be adjudicated bankrupt or insolvent within the meaning of insolvency in

liens or encumbrances of any kind, plus accrued interest, penalties and other charges; and (iv) fourth, the balance, if any, shall be paid to Franchisee.

If the exercise price for the subject property is not sufficient to give Franchisor clear title to such property, then Franchisee hereby expressly authorizes Franchisor, or its designated agent, to negotiate with claim holders for the transfer of clear title to such property to Franchisor upon such terms and conditions as are acceptable to Franchisor. Franchisee expressly authorizes a continuation of the time for payment of the exercise price to the date which is thirty (30) days after the termination or completion of negotiations between Franchisor and the aforementioned claim holders. Franchisor shall have no obligation to pay the exercise price if Franchisor is unable to obtain title satisfactory to Franchisor. Exercise of this right by Franchisor shall confer no rights upon Franchisee and Franchisor's failure to timely pay the exercise price shall result in termination of the right with no further obligation or duty to Franchisor.

The parties hereto acknowledge and agree that any exercise of Franchisor's rights provided for herein shall be subordinate to and subject to any lien of the Small Business Administration.

14.6. Franchisor's Alternative Right Upon Termination Event of Default or Expiration. As additional consideration for this Agreement, Franchisee hereby ~~gives covenants and grants~~ agrees to pay to Franchisor and its designees, ~~the unrestricted right and option to the right granted under this Section 14.6 in lieu of that granted in Section 14.5,~~ exercisable upon the occurrence of an Event of Default described in Section 14.1 above, and subject to the notice requirements of Section 14.2 above, or upon the occurrence of an Election Not to Renew as defined in Section 5.2 of this Agreement, ~~to require Franchisee to pay and Franchisee hereby covenants and promises to pay to Franchisor,~~ in addition to all other costs and expenses provided for in this Agreement and in lieu of Section 14.5 above, an additional transfer fee in an amount equal to ten (10) times ~~the sum of the 12 highest monthly royalty payments paid or payable under this Agreement~~ [5% times [12 times [the greater of (i) the average published monthly rate per resident of the Home during the 12 months preceding the Unauthorized Transfer or (ii) the average published monthly rate per resident of the home which has been in operation for the preceding 18 months and is in nearest geographic proximity to the Home , times the number of beds in the Home]]]. The parties hereto agree that this additional transfer fee is not a penalty, but the parties' best estimate of the anticipated damage to Franchisor resulting from the Event of Default or Election Not to Renew.

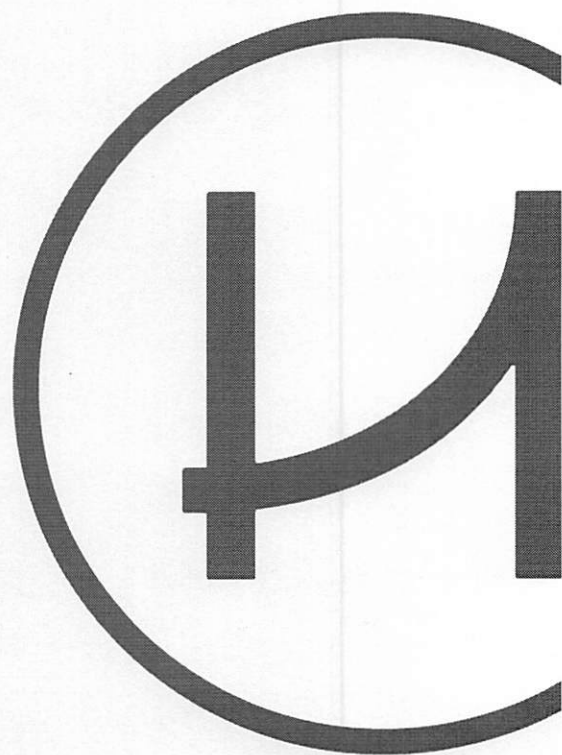
14.7. Franchisee's Obligation to Sell. Notwithstanding any other provision of this Agreement, upon the occurrence of an Event of Default described in Section 14.1 above, and subject to the notice requirements of Section 14.2 above, or upon the occurrence of an Election Not to Renew as defined in Section 5.2 of this Agreement, Franchisee will sell, subject to the terms of this Agreement, the Home and its contents within four months after the date of Franchisor's written notice to sell.

## XV. ENFORCEMENT OF RIGHTS

15.1. Specific Performance. Franchisor shall have the right to specifically enforce all of the terms and conditions of this Agreement and the Franchisee shall indemnify and save and hold harmless Franchisor from all costs, attorney's fees and disbursements incurred in such enforcement proceedings. Franchisee acknowledges that if Franchisee breaches this Agreement and/or continues to utilize the Names and Marks at such times when Franchisee is not legally entitled to use them,

# Financial Statements

Bee Hive Homes, Inc.  
Includes Additional Information  
Years Ended December 31, 2023, 2022, and 2021





## **Table of Contents**

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<b>Independent Auditors' Report</b>	<b>3</b>
<b>Financial Statements</b>	
Balance Sheets	5
Statements of Income	7
Statements of Changes in Shareholder's Deficit	8
Statements of Cash Flows	9
Notes to Financial Statements	11
<b>Additional Information</b>	
Independent Accountants' Audit Report on Additional Information	21
Balance Sheets – Alternative Presentation	22
Statements of Income – Alternative Presentation	24
Notes to Financial Statements – Alternative Presentation	25

## INDEPENDENT AUDITORS' REPORT

To the Shareholder  
Bee Hive Homes, Inc.  
Boise, Idaho

### Opinion

We have audited the financial statements of Bee Hive Homes, Inc. (an S corporation), which comprise the balance sheets as of December 31, 2023, 2022, and 2021, and the related statements of income, changes in shareholder's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bee Hive Homes, Inc. as of December 31, 2023, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bee Hive Homes, Inc. 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 Bee Hive Homes, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.





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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material 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 Bee Hive Homes, Inc.'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 Bee Hive Homes, Inc.'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.

Harvie CPA, P.C.

Meridian, Idaho  
March 27, 2024

**BEE HIVE HOMES, INC.**  
**BALANCE SHEETS**  
**December 31, 2023, 2022, and 2021**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 425,589	\$ 651,097	\$ 306,473
Accounts receivable, net	506,663	556,139	371,109
Prepaid expenses	<u>0</u>	<u>25,222</u>	<u>0</u>
Total Current Assets	932,252	1,232,458	677,582
<b>Property and Equipment</b>			
Furniture and fixtures	15,831	21,221	21,221
Vehicle	346,218	417,340	486,725
Leasehold improvements	81,784	49,545	38,555
Equipment	<u>51,107</u>	<u>57,762</u>	<u>49,826</u>
	494,940	545,868	596,327
Less accumulated depreciation	<u>(254,951)</u>	<u>(278,291)</u>	<u>(244,629)</u>
Total Property and Equipment	239,989	267,577	351,698
<b>Other Assets</b>			
Shareholder receivable	<u>130,072</u>	<u>27,474</u>	<u>40,299</u>
Total Assets	<u>\$ 1,302,313</u>	<u>\$ 1,527,509</u>	<u>\$ 1,069,579</u>

See notes to financial statements.

**BEE HIVE HOMES, INC.**  
**BALANCE SHEETS (Continued)**  
**December 31, 2023, 2022, and 2021**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>LIABILITIES AND SHAREHOLDER'S DEFICIT</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 41,295	\$ 32,553	\$ 55,402
Payroll and accrued liabilities	0	0	19,377
Due to related parties	12,609	12,609	1,459
Current portion of deferred revenue			
initial franchise fees	302,679	311,677	304,576
Current portion of long-term debt	225,443	48,015	78,019
Other payables	<u>16,200</u>	<u>24,430</u>	<u>10,878</u>
Total Current Liabilities	598,226	429,284	469,711
<b>Other Liabilities</b>			
Deferred revenues – initial franchise fees	988,694	1,133,872	1,235,149
Long-term debt, net of current portion			
and unamortized discount	<u>1,362,494</u>	<u>200,535</u>	<u>411,975</u>
Total Other Liabilities	<u>2,351,188</u>	<u>1,334,407</u>	<u>1,647,124</u>
Total Liabilities	2,949,414	1,763,691	2,116,835
<b>Shareholder's Deficit</b>			
Common stock	587	587	587
Treasury stock	(1,406,076)	0	0
Additional paid-in capital	19,713	19,713	19,713
Retained deficit	<u>(261,325)</u>	<u>(256,482)</u>	<u>(1,067,556)</u>
Total Shareholder's Deficit	<u>(1,647,101)</u>	<u>(236,182)</u>	<u>(1,047,256)</u>
Total Liabilities and Shareholder's Deficit	<u>\$ 1,302,313</u>	<u>\$ 1,527,509</u>	<u>\$ 1,069,579</u>

See notes to financial statements.

**BEE HIVE HOMES, INC.**  
**STATEMENTS OF INCOME**  
**For the Years Ended December 31, 2023, 2022 and 2021**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Revenue</b>			
Monthly fees	\$ 3,723,957	\$ 3,468,874	\$ 2,794,419
Franchise fees	329,176	327,175	358,249
Contract transfer fees	20,000	140,000	35,020
Vendor fees	<u>34,024</u>	<u>35,842</u>	<u>33,432</u>
Total Revenue	4,107,157	3,971,891	3,221,120
<b>Expenses</b>			
Salaries	1,135,561	1,189,372	998,026
Professional fees	547,167	523,884	510,687
Franchise fee expense	373,685	366,162	198,953
Conference fees	167,490	107,230	93,576
Dues and subscriptions	123,745	115,116	107,153
Advertising and marketing	109,018	105,869	74,153
Automobile expense	90,550	84,174	73,453
Travel and entertainment	85,585	75,971	50,685
Payroll taxes	84,679	88,618	74,566
Rent	69,000	69,000	53,500
Depreciation and amortization	68,327	72,979	60,843
Training	66,860	51,535	46,270
Bad debt	0	36,487	87,500
Other	<u>81,069</u>	<u>66,254</u>	<u>63,657</u>
Total Operating Expenses	<u>3,002,736</u>	<u>2,952,651</u>	<u>2,493,022</u>
Income From Operations	1,104,421	1,019,240	728,098
<b>Other Income (Expense)</b>			
Other income	94,987	305,930	171,704
Gain on disposal of property and equipment	0	24,443	4,329
Interest expense	<u>(21,548)</u>	<u>(11,932)</u>	<u>(13,564)</u>
Total Other Income (Expense)	<u>73,439</u>	<u>318,441</u>	<u>162,469</u>
Net Income	<u>\$ 1,177,860</u>	<u>\$ 1,337,681</u>	<u>\$ 890,567</u>

See notes to financial statements.

**BEE HIVE HOMES, INC.**  
**STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIT**  
**For the Years Ended December 31, 2023, 2022 and 2021**

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	<u>Common Stock</u>	<u>Treasury Stock</u>	<u>Additional Paid- In Capital</u>	<u>Retained Deficit</u>	<u>Total</u>
<b>Balance at 12/31/20</b>	\$ 587	\$	\$ 19,713	\$ (1,175,948)	\$ (1,155,648)
Distributions				(782,175)	(782,175)
Net Income	<u>          </u>	<u>          </u>	<u>          </u>	<u>890,567</u>	<u>890,567</u>
<b>Balance at 12/31/21</b>	587		19,713	(1,067,556)	(1,047,256)
Distributions				(526,607)	(526,607)
Net Income	<u>          </u>	<u>          </u>	<u>          </u>	<u>1,337,681</u>	<u>1,337,681</u>
<b>Balance at 12/31/22</b>	587		19,713	(256,482)	(236,182)
Distributions				(1,182,703)	(1,182,703)
Repurchase of stock		(1,406,076)			(1,406,076)
Net Income	<u>          </u>	<u>          </u>	<u>          </u>	<u>1,177,860</u>	<u>1,177,860</u>
<b>Balance at 12/31/23</b>	<u>\$ 587</u>	<u>\$(1,406,076)</u>	<u>\$ 19,713</u>	<u>\$ (261,325)</u>	<u>\$ (1,647,101)</u>

See notes to financial statements.

**BEE HIVE HOMES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2023, 2022 and 2021**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>			
Net income	\$ 1,177,860	\$ 1,337,681	\$ 890,567
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	68,327	72,979	60,843
Discount amortization included in interest expense	9,819	0	0
Debt forgiveness – Paycheck Protection Program loan	0	(153,647)	(171,300)
Gain on disposal of property and equipment	0	(24,443)	(4,329)
Changes in operating assets and liabilities:			
Accounts receivable	64,866	(172,205)	109,539
Prepaid expenses	25,222	(25,222)	0
Accounts payable	8,742	(22,849)	44,661
Accrued expenses	(8,230)	(5,825)	(27,798)
Accrued loss	0	0	(45,000)
Deferred revenues – initial franchise fees	<u>(154,176)</u>	<u>(94,176)</u>	<u>(181,748)</u>
Net Cash Provided by Operating Activities	1,192,430	912,293	675,435
<b>Cash Flows From Investing Activities</b>			
Proceeds from sale of equipment	0	55,000	0
Purchase of equipment	<u>(40,739)</u>	<u>(19,415)</u>	<u>(16,359)</u>
Net Cash Provided (Used) by Investing Activities	(40,739)	35,585	(16,359)
<b>Cash Flows From Financing Activities</b>			
Principle payments on long-term debt	(76,508)	(87,797)	(26,271)
Advances to related parties	(117,988)	11,150	(1,289)
New long term borrowings	0	0	153,647
Shareholder distributions	<u>(1,182,703)</u>	<u>(526,607)</u>	<u>(782,175)</u>
Net Cash Provided (Used) by Financing Activities	<u>(1,377,199)</u>	<u>(603,254)</u>	<u>(656,088)</u>
Net Change in Cash	(225,508)	344,624	2,988
Cash, Beginning of Year	<u>651,097</u>	<u>306,473</u>	<u>303,485</u>
Cash, End of Year	<u>\$ 425,589</u>	<u>\$ 651,097</u>	<u>\$ 306,473</u>

See notes to financial statements.



**BEE HIVE HOMES, INC.**  
**STATEMENTS OF CASH FLOWS (Continued)**  
**For the Years Ended December 31, 2023, 2022 and 2021**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Cash paid for interest	\$ 21,548	\$ 11,932	\$ 13,564
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities:</b>			
Acquisition of equipment with debt	\$ 0	\$ 0	\$ 226,130
Vehicle loan payoff – trade in	0	0	44,063
Purchase of treasury stock with debt	1,750,000	0	0
Discount on note payable	343,924	0	0

See notes to financial statements.

## BEE HIVE HOMES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### **Note A – Significant Accounting Policies**

##### *Business Activities*

Bee Hive Homes, Inc., (the Company) is a closely held Utah corporation. The company was formerly known as Bee Hive Homes Intermountain, Inc., and changed the name of the corporation to Bee Hive Homes, Inc., effective January 22, 2020. The Company offers one type of Franchise: A Bee Hive Home franchise. The franchise offered is for the establishment and operation of a business offering residential care for the elderly. The Company is located in Idaho but is authorized to sell franchises in multiple states. The Company anticipates selling its franchises in every state in the United States.

##### *Basis of Accounting*

The Company uses the accrual method of accounting for financial statement purposes.

##### *Concentration of Credit Risk*

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000. The uninsured balance totaled \$70,461, \$375,534, and \$87,339 at December 31, 2023, 2022, and 2021, respectively.

The Company has extended credit to sub-franchisors. Two customers accounted for 38%, 28% and 31% of trade receivables at December 31, 2023, 2022, and 2021, respectively. For the years ended December 31, 2023, 2022, and 2021, two customers accounted for 30%, 32% and 29% of total revenues, respectively.

##### *Cash and Cash Equivalents*

The Company considers its short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

##### *Advertising*

Advertising costs are expensed as they are incurred. Total advertising expense for the years ended December 31, 2023, 2022 and 2021 was \$109,018, \$105,869 and \$74,153, respectively.

## BEE HIVE HOMES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### **Note A – Significant Accounting Policies (Continued)**

##### *Fair Value*

The Company uses fair value for reporting financial assets and liabilities. A hierarchy for reporting the reliability of input measurements is used to assess fair value for all assets and liabilities. Fair value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy established prioritizes fair value measurements based on the types of inputs used in the valuation technique. Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short-term highly liquid nature.

##### *Accounts Receivable*

The Company has receivables for royalties and initial franchise set-up fees. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. The balance of the allowance for doubtful accounts was \$0, \$90,000, and \$87,500 at December 31, 2023, 2022, and 2021, respectively.

##### *Property and Equipment*

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to fifteen years.

##### *Use of Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

##### *Deferred Revenue*

The Company receives initial franchise fees from franchisees, generally upon the opening of a franchised location. These initial franchise fees are earned ratably over the life of the franchise agreement, and the unearned portion of the initial franchise fees is recorded in deferred revenue on the Company's balance sheet.

## BEE HIVE HOMES, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### Note A – Significant Accounting Policies (Continued)

##### *Income Taxes*

The Company elected, with the consent of its shareholder, to be taxed under the provisions of Subchapter S of the Internal Revenue Code. In lieu of corporation income taxes, taxable income and credits are allocated to the shareholder of the Company for inclusion in their personal income tax returns. Accordingly, no provision or liability for federal income tax is included in the accompanying financial statements.

The Company has elected to pay an elective tax in the amount of 6.5% to the state of Idaho. The Company has determined that such payments meet the criteria of a shareholder distribution under ASC 740. Accordingly, no provision or liability for state income tax is included in these financial statements.

##### *Uncertain Tax Positions*

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement.

There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2023, 2022 or 2021.

The Company files income and franchise taxes in the U.S. federal jurisdiction and in all states in which it operates. The Company is generally no longer subject to examination by the Internal Revenue Service for years before 2020.

##### *Subsequent Events*

The Company has evaluated subsequent events through March 27, 2024 which is the date the financial statements were available to be issued.

# **BEE HIVE HOMES, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note B – Revenue Recognition**

The Company enters into franchise agreements with franchisees. The Company provides the nonexclusive right and sub-license to use the names, marks, trade secrets, and copyright material under these agreements. The Company provides guidance on selecting a potential architect that could be used in the franchisee's area. In addition, the Company provides pre-opening training and reasonable opening supervision and operations assistance. The franchise agreements require the franchisee to pay an initial, non-refundable fee of \$75,000 for the first franchise, \$50,000 for each subsequent franchise and a continuing fee based upon a percentage of sales. Direct costs of sales and servicing of franchise agreements are charged to general and administrative expenses as incurred. Accounting Standards Codification Topic 606 under U.S. GAAP (ASC 606) provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. The standard does not change the recognition of royalties from homes operated by franchisees, which are recognized at the time the underlying sales occur. The standard does change the timing in which the Company recognizes initial fees.

The Company's primary revenue streams are from initial franchise fees and monthly royalty fees charged to franchise owners. Royalty fees are based on a percentage of gross receipts collected by the franchisees and will fluctuate directly with the level of sales generated by franchisees. Franchise fees are one-time payments at the initiation of a franchise agreement and can vary greatly from year-to-year depending on the number of franchised locations that are opened.

The Company derives revenue from nonrefundable transfer fees, which are charged to existing franchisees when they want to transfer their franchise license to another franchisee. The nonrefundable transfer fee is reimbursement to the Company for legal, accounting, credit, and investigation expenses incurred in support of facilitating the transfer. These fees are earned and recognized at the time of the transfer.

Franchise revenues consist of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Initial franchise fees	\$ 329,176	\$ 327,175	\$ 358,249
Contract transfer fees	20,000	140,000	35,020
Royalties	<u>3,723,957</u>	<u>3,468,874</u>	<u>2,794,419</u>
Total franchise fee revenue	<u>\$ 4,073,133</u>	<u>\$ 3,936,049</u>	<u>\$ 3,187,688</u>

**BEE HIVE HOMES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note C – Long-Term Debt**

Long-term debt consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
PPP loan note payable to CapEd. Payable in monthly installments of \$3,602, including interest of 1%, beginning June 2022. See Note E.	\$ 0	\$ 0	\$ 153,647
Note payable to Ally Financial, secured by a vehicle. Payable in monthly installments of \$1,400, including interest at an annual rate of 6.99%. The note matures in February 2027.	47,658	60,630	72,729
Note payable to GM Financial, secured by a vehicle. Payable in monthly installments of \$1,201, including interest at an annual rate of 5.79%. The note was paid in full in 2022.	0	0	42,460
Note payable to Idaho Central Credit Union, secured by a vehicle. Payable in monthly installments of \$921, including interest at an annual rate of 3.79%. The note matures in July 2028.	45,638	54,767	63,556
Note payable to Westmark Credit Union, secured by a vehicle. Payable in monthly installments of \$588, including interest at an annual rate of 4.99%. The note matures in November 2027.	24,528	30,182	35,610
Note payable to Alpine Credit Union, secured by a vehicle. Payable in monthly installments of \$625, including interest at an annual rate of 4.39%. The note matures in January 2027.	20,852	26,591	33,466
Note payable to GM Financial, secured by a vehicle. Payable in monthly installments of \$1,387, including interest at an annual rate of 3.99%. The note matures in February 2028.	62,533	76,380	88,526

**BEE HIVE HOMES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note C – Long-Term Debt (Continued)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Note payable to former shareholder and payable in yearly installments of \$175,000. The note is non-interest bearing (imputed interest of 4.19%), secured by common stock, less unamortized discount of \$334,105 at December 31, 2023. At December 31, 2023, the Company amortized \$9,819 of the discount utilizing the interest rate method. The note matures in November 2033. See Note D for additional details.	<u>1,720,833</u>	<u>0</u>	<u>0</u>
	1,922,042	248,550	489,994
Less current portion	(225,443)	(48,015)	(78,019)
Less unamortized discount	<u>(334,105)</u>	<u>0</u>	<u>0</u>
	<u>\$1,362,494</u>	<u>\$ 200,535</u>	<u>\$ 411,975</u>

A summary of the estimated maturity of the long-term debt at December 31 is as follows:

2024	\$ 225,443
2025	227,999
2026	229,913
2027	211,091
2028	181,763
Thereafter	<u>845,833</u>
Total	<u>\$1,922,042</u>

# **BEE HIVE HOMES, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note D – Shareholders' Equity Transactions**

On October 31, 2023, the Company's two founding shareholders entered into an agreement for the Company to repurchase the common stock of one of the shareholder's which was equal to 50% of the total outstanding stock of the corporation. At December 31, 2023 of the 850 shares of common stock issued and outstanding, the Company repurchased 425 shares for a total of \$1,406,076 by issuing a note payable. The note payable has a face value of \$1,750,000. At December 31, 2023, the present value of the future cash flow for the note payable is \$1,406,076, with an amortized discount of \$343,9245. As part of the agreement, the Company also agreed to pay the premiums of a life insurance policy owned by the former shareholder for a period of ten years. The former shareholder is the beneficiary of the policy and the amount will be treated as compensation to them over the period of the policy. Additional information on the note payable can be found within Note C to these financial statements.

The Company has 1,000 shares of common stock authorized and 850 shares issued. Share balances at December 31, 2023, 2022 and 2021 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Common Stock, \$0.69 par value, shares outstanding	425	850	850
Treasury stock, at cost	<u>425</u>	<u>0</u>	<u>0</u>
Total shares issued	<u><u>850</u></u>	<u><u>850</u></u>	<u><u>850</u></u>

### **Note E – Paycheck Protection Program Loan Payable**

On April 24, 2020, the Company received loan proceeds in the amount of approximately \$171,300 under the Paycheck Protection Program ("PPP"). The PPP was established under the Coronavirus Aid, Relief and Economic Security Act, as amended ("CARES Act") and is administered by the U.S. Small Business Administration ("SBA"). Under the terms of the CARES Act, PPP loan recipients can apply for loan forgiveness. The potential loan forgiveness for all or a portion of PPP loans is determined, subject to limitations, based on the use of loan proceeds over the 24-weeks after the loan proceeds are disbursed for payment of payroll costs and any payments of mortgage interest, rent, and utilities. The amount of loan forgiveness will be reduced if PPP loan recipients terminate employees or reduce salaries during the covered period. The unforgiven portion of the PPP Loan, if any, is payable over two years at an interest rate of 1%, with a deferral of payments for the first ten months. On July 19, 2021 the Company was notified by their bank that the SBA had granted forgiveness on the PPP loan based on their application effective September 16, 2021. The Company recognized the forgiveness as revenue within 2021.



**BEE HIVE HOMES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note E – Paycheck Protection Program Loan Payable (continued)**

On February 17, 2021 the Company received a second Paycheck Protection Program loan in the amount of \$153,647, subject to the same terms of forgiveness as the loan mentioned above. The unforgiven portion of the loan, if any, is payable over five years at an interest rate of 1%, with a deferral of payments for the first sixteen months. On January 5, 2022 the Company was notified by their bank that the SBA had granted forgiveness on the PPP loan based on their application. The Company recognized the forgiveness as revenue within 2022.

**Note F – Related Party Transactions**

At December 31, 2023, 2022 and 2021, the Company has amounts due to a shareholder of \$12,609, \$12,609 and \$1,459, respectively, for distributions declared. Amounts due to shareholders are due on demand and non-interest bearing.

The Company has shareholder receivables totaling \$130,072, \$27,474, and \$40,299 for the years ended December 31, 2023, 2022, and 2021, respectively. The unpaid balance of the receivable bears interest at a rate of 4.19% and is payable annually. The receivables are due on demand.

During the years ended December 31, 2023, 2022 and 2021, the Company rented office space from a shareholder on a month-to-month basis. Rent expense totaled \$69,000, \$69,000, and \$53,500 for each of the years ended December 31, 2023, 2022 and 2021, respectively. The Company also leases a vehicle from a shareholder periodically on a month-to-month basis. Rent expense, included in automobile expense, totaled \$40,500, \$36,000 and \$36,000 the years ended December 31, 2023, 2022 and 2021.

The Company pays a franchise royalty to Bee Hive America, a related party through common ownership, based on a percentage of monthly royalty and franchisee fee collections. Total franchise fee expense paid to Bee Hive America for the years ended December 31, 2023, 2022 and 2021 was \$373,000, \$365,000, and \$190,000 respectively.

**BEE HIVE HOMES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note G – Income Tax**

The Company has elected to be taxed as an S Corporation. Income for 2023, 2022, and 2021 will be taxed to the shareholder as an individual and not to the Corporation. The Company uses accelerated depreciation for income tax reporting. There are additional timing differences due to various tax positions taken by the Company. These differences in accounting treatments between the financial statements and the Company's tax return result in a deferred tax liability for the shareholder as an individual and is not recognized by the Company.

At December 31, 2023, the significant timing differences that create deferred tax (assets) liabilities for the shareholder includes the following:

Excess of tax return over financial statement depreciation	\$ 185,535
Timing differences between financial statement and tax return	<u>552,135</u>
	<u>\$ 737,670</u>

## **ADDITIONAL INFORMATION**

## INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Shareholder  
Bee Hive Homes, Inc.  
Boise, Idaho

We have audited the financial statements of Bee Hive Homes, Inc. as of and for the years ended December 31, 2023, 2022, and 2021, and have issued our report thereon dated March 27, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The following schedules are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The following additional information is prepared on the basis of accounting as described in Note A to the additional information, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Harris CPA, P.C.*

Meridian, Idaho  
March 27, 2024



**BEE HIVE HOMES, INC.**  
**BALANCE SHEETS – ALTERNATIVE PRESENTATION**  
**December 31, 2023, 2022, and 2021**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 425,589	\$ 651,097	\$ 306,473
Accounts receivable, net	394,163	441,139	246,109
Prepaid expenses	<u>0</u>	<u>25,222</u>	<u>0</u>
Total Current Assets	819,752	1,117,458	552,582
<b>Property and Equipment</b>			
Furniture and fixtures	15,831	21,221	21,221
Vehicle	346,218	417,340	486,725
Leasehold improvements	81,784	49,545	38,555
Equipment	<u>51,107</u>	<u>57,762</u>	<u>49,826</u>
	494,940	545,868	596,327
Less accumulated depreciation	<u>(254,951)</u>	<u>(278,291)</u>	<u>(244,629)</u>
Total Property and Equipment	239,989	267,577	351,698
<b>Other Assets</b>			
Shareholder receivable	<u>130,072</u>	<u>27,474</u>	<u>40,299</u>
Total Assets	<u>\$ 1,189,813</u>	<u>\$ 1,412,509</u>	<u>\$ 944,579</u>

See notes to financial statements – alternative presentation.

**BEE HIVE HOMES, INC.**  
**BALANCE SHEETS - ALTERNATIVE PRESENTATION (Continued)**  
**December 31, 2023, 2022, and 2021**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>LIABILITIES AND SHAREHOLDER'S EARNINGS</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 41,295	\$ 32,553	\$ 55,402
Payroll and accrued liabilities	0	0	19,377
Due to related parties	12,609	12,609	1,459
Current portion of long-term debt	225,443	48,015	78,019
Other payables	<u>16,200</u>	<u>24,430</u>	<u>10,878</u>
Total Current Liabilities	295,547	117,607	165,135
<b>Other Liabilities</b>			
Long-term debt, net of current portion	<u>1,362,494</u>	<u>200,535</u>	<u>411,975</u>
Total Liabilities	1,658,041	318,142	577,110
<b>Shareholder's Earnings</b>			
Common stock	587	587	587
Treasury stock	(1,406,076)	0	0
Additional paid-in capital	19,713	19,713	19,713
Retained earnings	<u>917,548</u>	<u>1,074,067</u>	<u>347,169</u>
Total Shareholder's Earnings (deficit)	<u>(468,228)</u>	<u>1,094,367</u>	<u>367,469</u>
Total Liabilities and Shareholder's Earnings	<u>\$ 1,189,813</u>	<u>\$ 1,412,509</u>	<u>\$ 944,579</u>

See notes to financial statements – alternative presentation.

**BEE HIVE HOMES, INC.**  
**STATEMENTS OF INCOME - ALTERNATIVE PRESENTATION**  
**December 31, 2023, 2022, and 2021**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Revenue</b>			
Monthly fees	\$ 3,723,957	\$ 3,468,874	\$ 2,794,419
Franchise fees	100,000	111,000	105,000
Contract transfer fees	20,000	140,000	35,020
Vendor fees	<u>34,024</u>	<u>35,842</u>	<u>33,432</u>
Total Revenue	3,877,981	3,755,716	2,967,871
<b>Expenses</b>			
Salaries	1,135,561	1,189,372	998,026
Professional fees	547,167	523,884	510,687
Franchise fee expense	373,685	366,162	198,953
Dues and subscriptions	123,745	115,116	107,153
Conference fees	167,490	107,230	93,576
Advertising and marketing	109,018	105,869	74,153
Payroll taxes	84,679	88,618	74,566
Automobile expense	90,550	84,174	73,453
Travel and entertainment	85,585	75,971	50,685
Depreciation and amortization	68,327	72,979	60,843
Rent	69,000	69,000	53,500
Training	66,860	51,535	46,270
Bad debt	0	36,487	87,500
Other	<u>81,069</u>	<u>66,254</u>	<u>63,657</u>
Total Operating Expenses	<u>3,002,736</u>	<u>2,952,651</u>	<u>2,493,022</u>
Income From Operations	875,244	803,065	474,849
<b>Other Income (Expense)</b>			
Other income	94,987	305,930	171,704
Gain on disposal of property and equipment	0	24,443	4,329
Interest expense	<u>(21,548)</u>	<u>(11,932)</u>	<u>(13,564)</u>
Total Other Income (Expense)	<u>73,439</u>	<u>318,441</u>	<u>162,469</u>
Net Income	<u>\$ 948,683</u>	<u>\$ 1,121,506</u>	<u>\$ 637,318</u>

See notes to financial statements – alternative presentation.

## **BEE HIVE HOMES, INC.**

### **NOTES TO FINANCIAL STATEMENTS – ALTERNATIVE PRESENTATION**

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#### **Note A – Alternative Presentation Summary**

The Company enters into franchise agreements with franchisees. The franchise agreements require the franchisee to pay an initial, non-refundable fee of \$75,000 for the first franchise, \$50,000 for each subsequent franchise and a continuing fee based upon a percentage of sales. Accounting Standards Codification Topic 606 under U.S. GAAP (ASC 606) provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. The standard changes the timing in which the Company recognizes initial fees, which are recognized over the life of the contract. The alternative presentation omits the impact the implementation of ASC 606 has on franchise fees by eliminating deferred revenue and adjusting franchise fee related receivable and revenue to be recognized at the time of collection. Information included in the alternative presentation is not presented in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) and should only be used in conjunction with the audited financial statement from which it is derived.