

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Florida. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Florida than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.
3. **Unopened Franchises.** The Franchisor has signed a significant number of Franchise Agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you may also experience delays in opening your own outlet.

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

You will receive an exclusive territory. During the term of the Franchise Agreement, provided that you are in compliance with the Franchise Agreement and any other agreements with us and subject to Franchisor's reservation of rights set forth in the Franchise Agreement and below, neither we nor our affiliates will operate, nor will we grant anyone else the right to operate, a Clothes Bin business or a business offering the same or similar goods or services under the same or similar Proprietary Marks within your Territory.

You may move your Bins to different locations within your Territory, but you cannot change your Territory. We recommend you move your underperforming Bins as needed within your Territory.

The continuation of territorial exclusivity is not dependent upon achievement of a certain sales volume, market penetration or other contingency. The size of your Territory is not negotiable, and you will not have the right to amend or modify your Territory. We may not modify your Territory without your written consent. However, if you are in breach of your Franchise Agreement, we may terminate the Franchise Agreement pursuant to its terms. The territorial exclusivity will terminate upon expiration or termination of the Franchise Agreement.

You will not have the right of first refusal or any similar rights in the contiguous territories or areas surrounding or near your Territory should we decide to sell a Clothes Bin business outside of your Territory, wherever located.

You may not solicit business, market or advertise, or place Bins outside of your Territory without our advance written consent, which we may give or withhold in our discretion. If we consent to any such activities outside of your Territory, we may, at any time thereafter, revoke our consent and you must immediately cease all such activities outside of your Territory. Any Bins located outside your Territory at the time of any such revocation, must be removed by you within fifteen (15) days from our notice of revocation. In no event may you solicit business, market or advertise, or place Bins within another franchisee's designated territory. You may not maintain a World Wide Web page or otherwise maintain a presence or advertise the Franchised Business on the Internet or any other public computer network or social media site except as required, sponsored, placed or approved in writing by us.

Except for any or our buyers we (or our Affiliate) sell to, or any buyers you may sell to through the National Buyer Program, you may sell your collected clothes, shoes and textiles to businesses or buyers located anywhere, through any channel of distribution available, including the Internet, for the resale of bulk recycled clothes, shoes and textiles.

We (on behalf of ourselves and our Affiliates) retain all rights with respect to the System, the Proprietary Marks, the sale of collected clothes, shoes and textiles or any other products and services, anywhere in the world, including, without limitation, the right to: (a) own, operate, situate and/or license others to operate Clothes Bin businesses anywhere, ~~except outside within~~ your Territory, ~~including but~~ within close proximity to your Territory's boundaries; (b) offer and sell products and services that are not part of the System through any distribution method within ~~or outside~~ your Territory; and (c) sell, at wholesale or retail through any channel of distribution available, including the Internet, and under the Proprietary Marks, and/or other names and marks, recycled clothes, shoes and textiles to any person or entity, from and/or to any location whatsoever, including ~~both within and outside~~ your Territory. We and our Affiliates may engage in such wholesale or retail sales activities from, at, to, or through any wholesale or retail entities or facilities whatsoever. You understand and acknowledge that the Franchise Agreement does

In the event you receive notice, or are informed of any claim, suit, or demand against your use of any Proprietary Mark, you are obligated to promptly notify us. We will promptly take any action we may consider necessary to protect and defend you against the claim and indemnify you against any actual damages and reasonable costs or expenses incurred in connection with the claim, so long as the claim is based solely on any alleged infringement, unfair competition, or similar matter relating to your proper use of the Proprietary Marks.

We have the right to control or settle any legal actions or proceedings. We may, in our sole discretion, prosecute or defend any other actions or proceeding, which we deem necessary or desirable for the protection of the Proprietary Marks. You agree not to, directly or indirectly, contest our right, title, or interest in the Proprietary Marks.

You must promptly notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to the Proprietary Marks. We have the sole discretion to take any action, including taking no action, if we deem appropriate.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue the use of any names or Proprietary Marks, you must use one or more additional or substitute Proprietary Marks as directed by us. You will be required to bear all costs and expenses associated with any such changes.

~~You cannot use the “Clothes Bin” name, Proprietary Marks, or variants of either as part of a business organization name. You must obtain fictitious or assumed name registrations as required by local law. You may not use the “Clothes Bin” name, or any Proprietary Marks, for the sale of unauthorized products or services, or in a manner not specifically authorized in writing by us.~~

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.

There are no patents that are material to the franchise. We claim copyright protection in the Manual and related materials, and advertisement and promotional materials, although these materials have not been registered with the United States Registrar of Copyrights. These materials are considered proprietary and confidential, are considered our property, and may be used by you only as provided in the Franchise Agreement.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements in effect, which significantly limit our right to use or license the copyrighted materials. There are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights.

You must treat the Manual, any other manuals created for or accepted for use in the operation of the Franchised Business, and the information contained in them, as confidential, and you must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, or otherwise make them available to any unauthorized person. The Manual, which is loaned to you for use, will remain our sole property and must, if provided in hard-copied format, be kept in a secure place.

We may revise the contents of the Manual at any time and as we deem necessary or appropriate, and you must comply with each new or changed standard immediately upon notification. You must ensure that the Manual is kept current at all times. In the event of any disputes

as to the contents of the Manual, the terms of the master copy maintained by us at our home office will be controlling.

We will disclose to you certain confidential or proprietary information and trade secrets. Except as is necessary for the operation of the Franchised Business and as we approve, you may not, during the term or at any time after the expiration or termination of the Franchise Agreement, regardless of the cause of termination, directly or indirectly, use for your own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any trade secrets, confidential information, knowledge or know-how concerning the services, advertising, marketing, designs, plans, or methods of operation of the Franchised Business or the System, including, but not limited to, information relating to the National Buyer Program, Bin Placement Services tactics and pricing, our technology, buyers, and artificial intelligence communication methods. You may disclose to your employees only that confidential, proprietary or trade secret information as is necessary to operate the business and then only while the Franchise Agreement is in effect. Any and all information, or knowledge, including, materials, equipment, marketing, and other data, which we designate as secret or confidential, will be deemed secret and confidential for purposes of the Franchise Agreement.

You must require your Manager, if applicable, and any personnel having access to any of our confidential information, to execute the confidentiality and non-disclosure agreement attached to the Franchise Agreement as Exhibit C, which provides that they will maintain the confidentiality of information they receive in connection with their employment by you for the Franchised Business. You are obligated to take all necessary precautions to ensure that all your employees retain our confidential and proprietary information in confidence.

We also consider our trade dress (i.e., elements of the Clothes Bin method and style of doing business) inherently and uniquely distinctive and protectable under applicable Federal and State law.

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

If you are a corporation, limited liability company, partnership, limited partnership or any other type of legal entity, then all owners of the franchisee entity must sign an agreement (Exhibit E to Franchise Agreement) under which all owners agree to be jointly and severally liable for all the obligations to Franchisor under the Franchise Agreement, and to be bound by all the terms, conditions and covenants of the Franchise Agreement. In addition, if Franchisee is an entity, we require you to have an operating partner with at least a 5% equity stake in the franchisee company, who will have the authority to, and does, in fact, actively direct your business affairs in regard to the Franchised Business ("Operating Partner"). We must approve the Operating Partner, which approval we may withhold for any reason whatsoever. You shall inform us in writing as to the identity of the Operating Partner and any successor operating partners on the Ownership and Management Addendum attached to the Franchise Agreement.

If neither you nor your Operating Partner (if applicable) will be overseeing the day-to-day business affairs of the Franchised Business, then you must have a competent Manager to manage the Franchised Business at all times. We do not require that your Manager have any equity interest in the franchisee company. You shall inform us in writing as to the identity of any Manager and any successor managers on the Ownership and Management Addendum attached to the Franchise Agreement.

<u>733 Bin Locations</u>	<u>168 Bin Locations</u>	<u>47 Bin Locations</u>	<u>15 Bin Locations</u>
<u>Average Gross Revenue per Monthly Average Number of Bin Locations</u> (note 4)	<u>High</u> (note 4)	<u>Median</u> (note 4)	<u>Low</u> (note 4)
<u>\$5,855</u>	<u>\$8,687</u>	<u>\$5,812</u>	<u>\$3,443</u>
<u>Average Annual Income per Bin Location per Month</u> (note 5)	<u>High</u> (note 5)	<u>Median</u> (note 5)	<u>Low</u> (note 5)
<u>\$2,137</u>	<u>\$3,894</u>	<u>\$2,015</u>	<u>\$542</u>

Price per Pound Sold through Franchisor's National Buyer Program (note 6):

<u>Time Period</u>	<u>Average Price Per Pound</u>	<u>High</u>	<u>Median</u>	<u>Low</u>
<u>January – December 2023</u>	<u>\$0.49 cents per pound</u>	<u>\$0.55</u>	<u>\$0.50</u>	<u>\$0.44</u>
<u>January – March 2024</u>	<u>\$0.50 cents per pound</u>	<u>\$0.55</u>	<u>\$0.50</u>	<u>\$0.44</u>

Average Monthly Pounds Collected Per Bin Location (note 7):

<u>Average Monthly Pounds Collected Per Bin Location</u>	<u>High</u>	<u>Median</u>	<u>Low</u>
<u>902 lbs.</u>	<u>1,532 lbs.</u>	<u>930 lbs.</u>	<u>406 lbs.</u>

Pounds Collected in 2023 (note 8):

<u>Average Annual Pounds Collected</u>	<u>High</u>	<u>Median</u>	<u>Low</u>
<u>708,142 lbs.</u>	<u>2,100,000 lbs.</u>	<u>538,110 lbs.</u>	<u>185,140 lbs.</u>

The numbers in the above financial performance representations, and the numbers used in the underlying calculations, were rounded to the nearest dollar or single digit.

Note 1: Gross Revenue is the total dollar sales from the sale of clothes, shoes and textiles that each of the 12 reporting franchisees collected in their placed Bins. For clarity, the average was calculated by taking the sum of all data points in a set and dividing the sum by the number of data points in the set. Here, the sum of the reporting franchisees' Gross Revenue was divided by 12. The median is the data point that is in the center of all data points used. Here, the median is the sixth and seventh numbers in the 12 data point set and divided by 2. The low and high figures

**ADDENDUM TO CLOTHES BIN FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

This Addendum (“Addendum”) is entered into this _____, 20__ (the “Effective Date”), between FLSC RECYCLING LLC, a Florida limited liability company (“Franchisor”), and _____, a _____ (referred to in this Addendum as “Franchisee”) and amends the Franchise Agreement between Franchisor and Franchisee dated as of the Effective Date (the “Franchise Agreement”), as follows:

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, arbitration may take place outside of Illinois.
3. Franchisees’ rights upon Termination and Non-Renewal are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

5. **Financial Condition.** The Franchisor’s financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor’s financial ability to provide services and support to you.

Intending to be bound, Franchisor and Franchisee sign and deliver this Addendum effective on the Effective Date.

FRANCHISOR: FLSC Recycling, LLC

FRANCHISEE: _____

By: _____

By: _____

Name: _____

Name: _____

As its: _____

As its: _____

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document or Franchise Agreement, the following provisions will supersede and apply to all franchises offered and sold under the laws of the State of Illinois:

1. Any releases that the franchisor requests that you sign must conform with the Illinois Franchise Disclosure Act.
2. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
3. Franchisee's rights upon termination and non-renewal are set forth in Section 19 and 20 of the Illinois Franchise Disclosure Act.
4. Section 4 of the Illinois Franchise Disclosure Act states that any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
5. Illinois law governs the agreements between the parties to this franchise.

6. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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