

FRANCHISE DISCLOSURE DOCUMENT



HomeSmart International, LLC,
an Arizona limited liability company
8388 East Hartford Dr., Suite 100
Scottsdale, AZ 85255
Phone: 602-889-2100
Fax: 602-230-7666
Franchisepnotice@hsmove.com
www.homesmart.com/franchising

HomeSmart International, LLC offers franchises for the operation of a business offering real estate brokerage services to both residential and commercial real property purchasers and sellers (each a “Real Estate Brokerage Business”).

The total investment necessary to begin operation of a HomeSmart franchised business is \$65,500-205,000. This includes \$20,000 that must be paid to the franchisor or its Affiliate(s). If you desire to open one or more Branch Offices within your Territory from which to operate your HomeSmart Real Estate Brokerage Business, you must pay us a Branch Office Fee of \$10,000 for each additional Branch Office you open.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact HomeSmart International Franchise Services at 8388 East Hartford Dr., Suite 100, Scottsdale, Arizona 85255, and (602) 889-2100.

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

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

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

The issuance date: April 10, 2026

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About This Franchise

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

1. **Out of State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration or litigation only in Arizona. 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 franchisor in Arizona than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Spousal Consent.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
4. **Minimum Required Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
5. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statement (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
6. **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 also may 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.

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

To simplify the language in this Franchise Disclosure Document, “**HomeSmart International**” or “**we**” or “**us**” or “**Franchisor**” means HomeSmart International, LLC. “**You**” or “**Franchisee**” means the person, corporation, partnership, or other business entity that buys the Franchise. If you are a business entity, “**you**” includes your owners.

The Franchisor, Predecessor and Affiliates

HomeSmart International, LLC is an Arizona limited liability company formed on May 19, 2005. We do not do business under any other name. Our principal business address is 8388 East Hartford Dr., Suite 100, Scottsdale, AZ 85255. We began offering franchises for HomeSmart Real Estate Brokerage Businesses in August 2005. We have not offered franchises in other lines of business. While we do not operate a Real Estate Brokerage Businesses, our Affiliates (described below) operate fifteen (15) HomeSmart Real Estate Brokerage Business located in Alabama, Arkansas, Arizona, California, Colorado, Florida, Georgia, Maryland, North Carolina, Tennessee, the District of Columbia, Virginia, Delaware, Texas, Michigan, West Virginia, Vermont, and Maine.

Our agent and address for service of process in Arizona is CT Corporation System, 3800 North Central Avenue, Suite 460, Phoenix, Arizona 85012, (888) 724-9870. Our other agents for service of process are disclosed on **Exhibit D**.

Our parent is HomeSmart Holdings, Inc., a Delaware corporation formed on October 22, 2020.

We have six (6) affiliates (“**Affiliates**”).

HomeSmart Services, LLC (“**HomeSmart Services**”) is a Delaware limited liability company formed on November 5, 2020. HomeSmart Services offers Professional Employer Organization (PEO) services to Franchisor and its Affiliates with a range of HR-related functions, including payroll administration, employee benefits management and HR consulting. Equitable Title Agency, LLC (“**Equitable**”) is an Arizona limited liability company formed on March 14, 2016. Equitable is a title agency. On the Run Printing, LLC (“**On the Run**”) is an Arizona limited liability company formed on November 18, 2011. On the Run is a printing company. VirtuSmart Inc. (“**VirtuSmart**”) is an Arizona corporation formed as a limited liability company on May 19, 2005, and converted to a corporation on March 29, 2022. VirtuSmart is a technology company that provides software, computer equipment, and related services to real estate brokerage businesses, including our franchisees. EQJV, LLC (“**EQJV**”) is an Arizona limited liability company that was formed on January 15, 2020. EQJV is a joint venture partner in several third party entities that provide title services. HS Brokerage Holdings, LLC is a Delaware limited liability company (“**HS Brokerage**”) that was formed on November 5, 2020. HS Brokerage is the parent for all company owned HomeSmart brokerages throughout the United States. The principal place of business for each of our Affiliates is 8388 E Hartford Dr., Suite 110, Scottsdale, Arizona 85255. None of our Affiliates offer any franchises in the real estate brokerage business or any other line of business.

We do not have any predecessors.

The Business

We offer franchises for the use of our “HOMESMART” trademarks, trade names, service marks and logos (“**Marks**”) in the operation of HomeSmart Real Estate Brokerage Businesses. HomeSmart Real Estate Brokerage Businesses are operated under a business format with a unique system, including our valuable know-how, information, Trade Secrets, methods, Operations Manual, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of HomeSmart Real Estate Brokerage Businesses (“**System**”). We reserve the right to change or otherwise modify the System at any time. Each HomeSmart Real Estate Brokerage Business offers residential and commercial real property purchasers and sellers a variety of services in the real estate industry.

You must operate your HomeSmart Real Estate Brokerage Business according to our standard business operating practices and sign our standard franchise agreement (“**Franchise Agreement**”). We reserve the right to add, modify, or delete any Services that you must offer or sell at your HomeSmart Real Estate Brokerage Business at any time. You must also obtain all necessary permits, licenses, and approvals to operate your HomeSmart Real Estate Brokerage Business, including a license to operate as a real estate broker as required by each state in which your HomeSmart Real Estate Brokerage Business is located.

The franchise that we offer is available to anyone who is not currently operating a HomeSmart Real Estate Brokerage Business. As a franchise operator, you may operate one HomeSmart Real Estate Brokerage Business for each Franchise Agreement you sign with us. However, you will be permitted to open branch offices (“**Branch Offices**”) in your Territory as part of your HomeSmart Real Estate Brokerage Business for an additional branch office fee (“**Branch Office Fee**”) of \$10,000 per Branch Office. Not all franchise purchases require the purchase of Branch Offices. As such, unless stated otherwise, the fees listed below apply to each HomeSmart Real Estate Brokerage Business for which you sign a Franchise Agreement rather than each Branch Office you open under the same Franchise Agreement.

To maintain your Territory, you must retain the agreed upon number of real estate agents at your HomeSmart Real Estate Brokerage Business (the “**Annual Agent Quota**”) (See Section 5.4 of the Franchise Agreement) which establishes the number of Agents that must be met by your HomeSmart Real Estate Brokerage Business during each year of the term of the Franchise Agreement). You must also open the number of Branch Offices in your Territory, as mutually agreed by us, which reflects a fair and accurate number of the Branch Offices that you have the resources and capability of opening during the term of the Franchise Agreement.

Regulations

There are specific regulations pertaining to operating in the residential and commercial real estate industry and you must comply with all local codes, regulations, and licensing requirements. Local and state authorities may require you to obtain a real estate broker’s license to operate a HomeSmart Real Estate Brokerage Business. Some states also require franchised real estate brokers to identify themselves as franchised real estate brokers when offering Services to the public. You should consult with local agencies and/or your attorney. You must obtain all required licenses and permits and ensure that your

employees, agents, and others providing residential and commercial real estate services to customers on behalf of your HomeSmart Real Estate Brokerage Business have all required licenses and permits. The failure to maintain the proper licensing is a material breach of the Franchise Agreement. You should familiarize yourself with these laws before deciding to purchase a franchise and license to operate a HomeSmart Real Estate Brokerage Business from us.

Market Competition

The System presently focuses on providing real estate services to the public. You will have to compete with other real estate brokerage businesses including franchised operations, national chains, independent real estate brokers and agents, and independently owned real estate companies offering real estate services to residential and commercial customers.

ITEM 2: BUSINESS EXPERIENCE

Chief Executive Officer and Founder- Matt Widdows

Mr. Widdows has been our Chairman and Founder since our formation on May 19, 2005. He also served as our President from our founding until April 2011. Additionally, he has served as the President and CEO of HomeSmart, LLC since its formation on June 4, 1997, in Phoenix, Arizona. Mr. Widdows also serves as CEO of HomeSmart Holdings, Inc., since its formation on November 2, 2020.

Senior Vice President of Franchise Sales- Bryan Brooks

Mr. Brooks has been our Senior Vice President of Franchise Sales since October 2015.

Chief Industry Officer- Todd Sumney

Todd Sumney has been the company's Chief Marketing Officer /Chief Industry Officer since 2014.

Chief Operating Officer- Katie Cooper

Ms. Cooper has been our Chief Operating Officer since April 2023. From February 2021 through April 2023, Ms. Cooper was the Founder, Chief Strategy Officer for Real Estate By Design, Consulting & Brokerage Services in Denver, Colorado.

ITEM 3: LITIGATION

In Re: Franchise No Poaching Provisions (HomeSmart International, LLC). No. 20-2-02174-1 SEA. On January 24, 2020, in an effort to avoid protracted and expensive litigation, HomeSmart International, LLC, entered into an Assurance of Discontinuance ("AOD") with the State of Washington. In connection with the AOD, HomeSmart agreed to not include provisions in its franchise agreement that prohibits a franchisee from hiring the employees of a different franchisee ("No-Poaching Provisions") in its franchise agreements and to not enforce the No-Poaching Provisions" in any of its existing franchise agreements. HomeSmart International, LLC also agreed to amend all of its existing franchise agreements as they come up for renewal.

Daniel Umpa, on behalf of himself and all others similarly situated v. HomeSmart International, LLC et. al. On December 27, 2023, HomeSmart International, LLC was named as a Defendant in a lawsuit filed

in the United States District Court for the Western District of Missouri. The Plaintiff claims the Defendants conspired to impose, implement, and enforce anticompetitive restraints that cause home sellers who list their properties on Multiple Listing Services to pay inflated commissions on the sale of their homes and to pay a commission to the cooperating broker. Plaintiff is seeking to certify a class of all persons in the United States who, from December 27, 2019, through December 27, 2023, used a listing broker affiliated with the Defendants in the sale of a home listed on an MLS, and who paid a commission to a cooperating broker. The matter was settled and the lawsuit was dismissed on December 16, 2024, after approval of a settlement agreement by the court. The material terms of the settlement agreement were: (i) payment of \$4,700,000 by the defendants to the plaintiffs and the settlement class; (ii) HomeSmart agreed to advise and periodically remind company-owned brokerages, franchises, and their agents that there is no requirement to make offers to or accept offers of compensation from buyer brokers or other buyer representatives or that, if made, such offers must be blanket, unconditional or unilateral; (iii) an agreement that any HomeSmart company-owned brokerages and their agents disclose to prospective home sellers and buyers that broker commissions are not set by law and are fully negotiable; (iv) prohibiting all company-owned brokerages and their agents acting as buyer representatives (and recommending and encouraging that franchisees and their agents acting as buyer representatives refrain) from advertising or otherwise representing that their services are free; (v) requiring company owned brokerages and their agents to disclose offers of compensation made to prospective buyers; (vi) prohibiting company owned brokerages and their agents (and recommending and encouraging franchisees and their agents refrain) from utilizing technology or taking manual actions to filter out or restrict listings that are searchable by and displayed to consumers based on the level of compensation offered to cooperating brokers, unless directed to do so by a client; and (vii) an obligation to advise and periodically remind HomeSmart company owned brokerages and their agents of their obligation to (and recommending and encouraging that franchisees and their agents) show properties regardless of the existence or amount of compensation offered to buyer brokers or buyer representatives provided that each such property meets the buyer's articulated purchasing priorities.

Angela Boykin, individually and on behalf of all others similarly situated v. HomeSmart International, LLC et al. On March 4, 2024, HomeSmart International, LLC was named as a Defendant in a lawsuit filed in the United States District Court for the District of Nevada. The Plaintiff claims the Defendants conspired to impose anticompetitive rules on home sellers that caused sellers to pay inflated commissions on the sale of their homes and to pay commissions to cooperating brokers. Plaintiff is seeking to certify a class of all persons who listed properties on a Multiple Listing Service in Nevada using a listing agent or broker affiliated with one of the Defendants and paid a buyer broker commission from four years prior to the filing of the complaint. The matter was resolved as part of the settlement referenced above under the *Daniel Umpa* lawsuit.

Dawid Zawislak and Michael D'Acquisto, individually and on behalf of similarly situated individuals v. HomeSmart International, LLC et. al. HomeSmart International, LLC was named as a Defendant in a lawsuit filed in the United States District Court for the Northern District of Illinois. Plaintiffs claim the Defendants conspired to impose, implement, and enforce anticompetitive restraints that caused home buyers who purchased their properties on Multiple Listing Services to pay increased home prices and unnecessarily high costs in residential real estate transactions. Plaintiffs are seeking to certify a class of all persons in the United States who, from 2002 through the present, purchased residential real estate listed on a NAR MLS in the United States. HomeSmart International, LLC denies any wrongdoing and will vigorously defend against the claims.

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

ITEM 4: BANKRUPTCY

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

ITEM 5: INITIAL FEES

You must pay us an initial franchise fee (“**Initial Franchise Fee**”) of \$20,000 for your first HomeSmart International Real Estate Brokerage Office, which is payable when you sign a Franchise Agreement and is not refundable under any circumstances. If you commit to opening one or more Branch Offices in the Territory, you will also be required to pay us a Branch Office Fee of \$10,000 per Branch Office immediately prior to the Opening Date (as defined below in Item 6) of each Branch Office. The Branch Office Fee is in lieu of an Initial Franchise Fee for each Branch Office that you open and is not refundable under any circumstances. We will negotiate with you before you sign your Franchise Agreement regarding the size of your Territory and the number of Branch Offices you must open in the Territory. During our last fiscal year, 27 franchised outlets were opened, and we collected Initial Franchise Fees that ranged from \$0 to \$20,000, which includes the Initial Franchise Fee plus Branch Office Fees that were collected at the same time as the Initial Franchise Fee.

ITEM 6: OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fees and Franchise Marketing Accrual Fund Contributions (2)	The Royalty Fee you pay us is calculated as: (A) The greater of the collective total of: (i) \$12 per agent per month; plus \$120 per completed side; or (ii) \$500 per month, and (B) \$25 per rental, referral, or lease fee collected by Broker.	Payable monthly on or before the 10th of each month.	Franchise Marketing Accrual Fund Contributions are equal to 4% of the per transaction flat fee but are already incorporated into the Flat Fee Model (See Attachment 1) and therefore no additional Franchise Marketing Accrual Fund Contributions are collected. We account for Franchise Marketing Accrual Fund contributions from the Flat Fees paid.
Annual Membership Fee (2) †	We currently anticipate charging an Annual Membership Fee to be paid by each of your agents. We will notify you prior to the date that such fee will be first due.	Due on or before the 10th day after each agent commences his or her association with you and on the 10th day of that month each year.	We reserve the right to charge your agents an Annual Membership Fee in consideration for their continued right to participate in the System. Once an Annual Membership Fee is established, subsequent increases to the Annual Membership Fee will not exceed 10% of the Annual Membership Fee then being charged. If any agent fails

Type of Fee	Amount	Due Date	Remarks
			to pay an Annual Membership Fee when due, then you will pay such fee on demand from us.
Branch Office Fee (3) †	For each Branch Office in your Territory, you will pay an additional Branch Office Fee of \$10,000.	Due prior to the Opening Date of each Branch Office.	(See Note 12 for definition of Opening Date)
Local Advertising (4)	Will vary under circumstances.	As incurred.	You must agree to spend money for local advertising and promotions in the Territory in accordance with local marketing standards and practices.
Additional Assistance (5)†	\$500-\$1000 per person per day plus travel expenses, lodging and meals.	Payable 10 days after billing.	We reserve the right to provide opening assistance on site at no additional charge.
Initial Training for Additional Person(s) (6)†	\$500 per person.	Payable before the beginning of the Initial Training Program.	Training for two (2) people is included in the Initial Franchise Fee. Additional people may attend the Initial Training and will be charged \$500 per person for a full week of attendance and/or \$250 per person attending training for 3 days or less. For all subsequent trainings during the Initial Term and/or Successor Terms of the Agreement at Franchisor's training facility, each person in attendance will be charged at a rate of \$500 per person for 4 days or more and \$250 per person for 3 days or less.
Transfer Fee†	20% of the then current Initial Franchise Fee plus 20% of the then current Branch Office Fee per Franchisee Branch Office.	Before acceptance of transfer.	Payable before you transfer your franchise.
Successor Franchise Fee†	50% of the then current Initial Franchise Fee plus 50% of the then current Branch Office Fee for each Branch Office that is or will be open at the beginning of the Successor Term.	Upon signing the Successor Franchise Agreement.	Based upon Franchise Fee for new franchises offered at the time Successor Franchise Agreement is signed plus the then-current Branch Office Fee.

Type of Fee	Amount	Due Date	Remarks
Audit†	Cost of audit plus late fee of 5% interest per month on understated amount.	30 days after billing.	Payable only if audit shows an under-statement of at least 1% of total fees due to Franchisor for any month.
Indemnification†	Will vary under circumstances.	As incurred.	You must reimburse us if we are held liable for claims arising from your HomeSmart Real Estate Brokerage Business.
Cost of Enforcement or Defense†	All costs including accounting and attorney's fees.	Upon settlement or conclusion of claim or action.	You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.
Late Fee	5% of the amount of any late payments.	As incurred.	Applies after any payments are due and unpaid.
Interest(7)†	1½% per month on the late amount.	As incurred.	Begins to accrue after any payments are due and unpaid.
Late Report Fee†	The greater of 5% of the reported amount or \$100 per violation.	As incurred.	Payable only if a required report or financial statement is not delivered when due.
Technology Fee†	Currently \$250 per month per System Instance of the "RealSmart Broker™" but we reserve the right to increase this amount at any time.	Payable monthly on or before the 10th of each month.	This fee may be increased by us when we add new technology or services if our costs and expenses to provide technology service to you increases. We may charge separately for individual features or components.
Optional System License and Support Fee†	\$0-\$3,000 per month per System Instance of the RealSmart Broker™.	As incurred.	This fee will vary based on volume and the services requested by you.
MLS/RETS Fee†	Estimated at \$250 per MLS per month	Payable monthly on or before the 10th of each month.	Payable for each month from and after the Opening Date.
Domain Name Fee	Equal to our expense in securing and maintaining your franchise specific domain name.	Payable annually or per domain registration terms.	We will only charge you what we pay to secure and maintain your domain name.
Additional Computer Training	Will vary based on length and type of course.	Prior to training.	You must take a computer training class at a local computer school (which may be an Affiliate of ours) if we determine that you do not have sufficient skills to

Type of Fee	Amount	Due Date	Remarks
			operate your computer, understand how to use the software, and access e-mail and the Internet.
Seminars, Conventions or Programs (8)	The estimated range of costs is \$1,000 - \$2000 plus materials estimated at \$100.	As incurred.	We reserve the right to conduct periodic meetings of all Franchisees.
Lead Services	Lead Services will provide leads from various sources. These transactions will have splits that vary by source/program. The Franchisee will retain a portion of the split depending on the program, and the remainder will go to Franchisor.	Immediately upon the closing of each applicable transaction	Lead Services will identify and engage with strategic partners and lead programs providing referrals.

† Denotes fees that are imposed and payable to us or our Affiliates. All fees paid to us or our Affiliates are non-refundable under any circumstances once paid except as provided. Fees paid to vendors or other suppliers may or may not be refundable depending on your vendors and suppliers. We reserve the right to require you to pay fees and other amounts due to us via electronic funds transfer or other similar means, as described in the Franchise Agreement. If payments are required in this method, you must comply with our procedures and perform all acts and deliver and sign all documents, including authorization (in the form attached to the Franchise Agreement as **Attachment 4** or any other form that we may accept) for direct debits from your business bank operating account, which may be necessary to assist in or accomplish payment by this method. Under this procedure, you will authorize us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest that may be owed. You must make the funds available to us for withdrawal by ACH electronic transfer no later than the payment due date. If you have not timely reported your HomeSmart Real Estate Brokerage Business's Gross Revenue to us for any reporting period, then we will be authorized, at our option, to debit your account for (a) the fees transferred from your account for the last reporting period for which a report of the HomeSmart Real Estate Brokerage Business's Gross Revenue was provided to us, or (b) the amount due based on information retrieved from the RealSmart Broker™.

Notes:

(1) **Gross Revenue.** In this Disclosure Document, "Gross Revenue" means the total of all commissions (including rental commissions) or property management fees, collected or receivable by Franchisee and Franchisee's independent sales associates, agents, representatives, contractors, employees, partners, directors, officers, owners, or Franchisee's Affiliates, regardless of whether or not

such individuals or Affiliates are entitled to retain all or part of such Gross Revenue, directly or indirectly, in connection with the HomeSmart Real Estate Brokerage Business (earned in compliance with all applicable laws) including, but not limited to, transactions and provision of Services for which a real estate or auctioneer's license (including appraisal, title, or escrow services) is required, the sale or provision of Products or Services that we or any of our Affiliates develop or make available to you directly or through a third party, property management services, and/or any transaction, sale and/or service in which the Marks or the System are used in any manner, without deducting any of your multiple listing fees, advertising costs, commissions, overrides, bonuses, salaries, gifts, or any other costs or expenses and other receipts and fees from your Agents, and from all other sources (including but not limited to referral fees and finder's fees received from brokers or agents in other brokerage companies) that are derived from the sale, lease, transfer or other disposition (including like-kind exchanges, barter exchanges, or other exchanges of property not involving money) of Real Property, including any note, obligation, lien or other consideration given to Franchisee in lieu of a commission, and insurance claims for lost profits if a claim is paid by the insurer.

Gross Revenue does not include the (a) amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers, provided that the amount of any tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority; (b) monthly fees or additional transaction fees charged to agents by the Franchisee; or (c) fair market rent paid by Franchisee's Agents for the lease of office space at Franchisee's Central Office or Branch Office locations.

Gross Revenue will be deemed received at the earlier of the closing of any transaction described above or when payment for any Services is received by Franchisee or an Agent. Gross Revenue consisting of property or services will be valued at the fair market value of the property or services at the time that they are received.

(2) **Annual Membership Fee.** We anticipate initiating an annual membership fee ("Annual Membership Fee"). Once an Annual Membership Fee is established, subsequent increases to the Annual Membership Fee will not exceed 10% of the Annual Membership Fee then being charged. The Annual Membership Fee will be payable by each of your agents although if your agents do not pay the Annual Membership Fee when due, you will be required to pay this fee on demand from us.

(3) **Branch Office Fee.** You may, in a manner consistent with your Franchise Agreement, open Branch Offices in your Territory. If you open a Branch Office in your Territory, you must pay us a Branch Office Fee equal to \$10,000.

(4) **Local Advertising.** We will provide guidelines for Local Advertising. Local Advertising expense does not include the costs of advertising residential or commercial property for sale by your HomeSmart Real Estate Brokerage Business, costs for recruiting agents or other advertising expenses related directly to the sale of residential or commercial property.

(5) **Additional Assistance.** The Initial Franchise Fee includes between three (3) and five (5) business days of initial training for you or, if you are a legal or business entity, and one additional person such as a Designated Business Manager. You will be responsible for all wages, benefits, and travel expenses for all participants attending the initial training program including airfare, lodging, meals, ground transportation and personal expenses. The training will be at our Arizona headquarters, or

another location designated by us. After completion of the initial training, we will provide additional telephone assistance to you at no cost. If you require or request additional on-site assistance beyond what is provided by us, you can request that we send a representative to provide further assistance to you. If we provide additional assistance at your request, we must agree in advance to the charges you will pay and the length of the visit. The cost of additional assistance will depend on your needs and the amount of assistance you desire. We may also require you to receive additional assistance if you are not meeting our requirements or if we determine pre-opening assistance is required, or if we determine that it is necessary for us to provide additional assistance to you to keep the System competitive. This additional assistance will be at your expense as described above. Our current published rate in our Operations Manual for additional assistance is \$500-\$1000 per person per day plus the cost of travel and room and board, but we reserve the right to adjust that rate periodically in our Operations Manual.

(6) **Initial Training for Additional Persons.** We provide initial training for two people for between three (3) and five (5) business days with no additional training fee. If you want additional people to attend the initial training program, we will charge a training fee of \$500 per person for a full week of training or \$250 per person for three (3) days or less of training. Training fees can be increased or decreased by us at any time. You will also need to pay for airfare, lodging, ground transportation, meals, salary and benefits, and other personal expenses for each person attending the initial and recurring training program.

(7) **Interest.** The interest rate charged on unpaid amounts will not exceed the maximum rate permitted by applicable state law. In California, the maximum interest rate on unpaid amounts is ten percent (10%) per year.

(8) **Seminars, Conventions or Programs.** This figure is an estimate of the conference fees that you will pay to us (estimated to be between \$500 - \$1,000 per person) per event to attend seminars, conventions, or programs that we put on. This does not include the travel and living expenses that you and your representatives incur in attending these seminars, conventions, or programs.

(9) **“Opening Date”** means the first of the following to occur on or after the date on which we sign the Franchise Agreement: you begin to offer any Services, you collect any Gross Revenue, you use any Mark, you open any Office, 120 days after the date on which we sign the Franchise Agreement; or, you otherwise engage in a HomeSmart Real Estate Brokerage Business.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT STANDARD FRANCHISE – CENTRAL OFFICE

Type of Expenditure ⁽¹⁾	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ⁽²⁾	\$20,000	\$20,000	Lump sum	Upon signing the Franchise Agreement	HomeSmart International
Travel and living expenses while training ⁽³⁾	\$1,500	\$5,000	As incurred	As incurred during training	Airlines, hotels, restaurants
Computer hardware and software ⁽⁴⁾	\$5,000	\$30,000	Lump sum	At delivery	Suppliers, vendors
Supplies ⁽⁵⁾	\$1,500	\$5,000	Before opening and as needed	At delivery	Suppliers
Opening promotional expense ⁽⁶⁾	\$3,500	\$25,000	As incurred	Varies times	Vendors
Office Lease ⁽⁷⁾	\$1,000	\$10,000	As incurred	As negotiated	Landlord
Leasehold Improvements/Construction ⁽⁸⁾	\$0	\$20,000	Negotiable	Negotiable	Landlord and Contractors
Furniture, Fixtures, and Equipment ⁽⁹⁾	\$5,000	\$20,000	Lump Sum Negotiable	As Invoiced	Vendors
Insurance, Security and Utilities Deposits, Dues, Licenses ⁽¹⁰⁾	\$2,500	\$10,000	Lump Sum Negotiable	As Incurred	Landlord/ Utilities
Exterior Office Signage	\$500	\$10,000	As incurred	At delivery	Vendors
Additional Funds ⁽¹¹⁾	\$25,000	\$50,000	As incurred	First 3 months of operations	Suppliers, Utilities
TOTAL⁽¹²⁾	\$65,500	\$205,000			

Notes:

(1) **Estimated Expenses.** The high and low ranges in the table are based on an average for a one office HomeSmart Real Estate Brokerage Business for the first three months of operations. If you open Branch Offices, your costs for opening each Branch Office will be similar to these costs, other than a Branch Office Fee will be paid instead of an Initial Franchise Fee. Fees and expenses paid to vendors or other third parties may or may not be refundable depending on the arrangements you make with them.

(2) **Initial Franchise Fee & Branch Office Fees.** The Initial Franchisee Fee is \$20,000 for a standard franchise, plus \$10,000 for each Branch Office in your Territory. The Initial Franchise Fee is due when you sign the Franchise Agreement. The Branch Office Fee is due immediately prior to the opening of each Branch Office. These fees are non-refundable once paid except as provided in Item 5.

(3) **Travel and Living Expenses While Training.** We provide training for two (2) people for between three (3) to five (5) business days at our corporate office located in Scottsdale, Arizona or at another location designated by us. You must pay for airfare, meals, transportation costs, salaries, benefits, lodging and incidental expenses for all initial training program attendees. You will be required to pay a training fee (See Item 5) to Us if you request that we provide training to more than two (2) people.

(4) **Computer Hardware and Software.** The estimated initial investment includes costs related to the purchase of specified computer Hardware and Software. If we require, you must provide us with electronic access to certain daily information.

(5) **Supplies.** Your initial supplies will typically include form contracts, signs, and marketing materials. We have the right to change the supplies at any time.

(6) **Opening Promotional Expenses.** These figures represent an estimate of the costs associated with opening and promoting your HomeSmart Real Estate Brokerage Business and include business cards, stationary, nametags, pre-event kick-off dinner, promotional event, promotional materials, catering, entertainment, etc.

(7) **Office Lease.** You must lease space in a commercial office building from which to operate your HomeSmart Real Estate Brokerage Business. We do not provide you with any site selection assistance in this process. We must approve your proposed Central Office and Branch Office locations.

(8) **Leasehold Improvements/Construction.** Your office space must satisfy appearance and size standards that we have established and meet the requirements necessary to conduct a HomeSmart Real Estate Brokerage Business. You must open the Central Office within 120 calendar days from the date you sign the Franchise Agreement unless we otherwise approve additional time in writing. The actual cost of the office space and improvements will depend on whether you lease or purchase the space, the size, condition and location of the Central Office premises, the demand for the premises among prospective lessees and the type of tenant finish or improvement you choose.

(9) **Furnishings, Fixtures and Equipment.** You will have to purchase or lease furnishings, fixtures, and equipment for your office location. We do not provide you with any assistance in this process, and we do not have any relationships with vendors that may be of use to you in this process.

(10) **Insurance, Security and Utilities Deposits, Dues, Licenses.** These amounts include the cost of insurance, estimated security deposit for your office (equal to one months' rent) and utility deposits. The actual amount of your insurance and these deposits will vary depending on local landlord practices and other factors. These amounts also include the estimated cost of obtaining a license from a state agency to act as a real estate broker and dues to local, state, and national real estate organizations.

(11) **Start-Up Expenses and Working Capital.** This is for budgeting purposes only to account for unanticipated expenses. This amount includes estimated operating expenses you should expect to incur

during the first three months of operations, not including any revenue generated by your HomeSmart Real Estate Brokerage Business. It includes Office lease expenses, royalties, advertising, payroll costs, deposits, fees for city, state and local business licenses, business entity organization expenses, other prepaid expenses, accounting and professional fees, and other operational expenses. These figures do not include any taxes that you may pay. You should check with your local and state governmental agencies for any taxes that may be assessed.

(12) **Total Estimated Initial Investment.** These figures are estimates only and reflect only the first three months of operations.

The figures above are estimates of your initial investment and are based on our estimate of nationwide costs and market conditions prevailing as of the date of this Franchise Disclosure Document. You must bear any deviation or escalation in costs from the estimates that we have given. You should review these figures carefully with a business advisor before making any decision to purchase a franchise. The availability and terms of financing depend on several factors, including the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We have standards and specifications for your Office, equipment, dress code, supplies, forms, Services, advertising and marketing materials, signage, and most other services and Products used in, sold, or provided through your HomeSmart Real Estate Brokerage Business. To maintain our standards of consistent, high quality Services, customer recognition, advertising support, value, and uniformity in HomeSmart Real Estate Brokerage Businesses, you must purchase or lease all of your required equipment, Software, Hardware, supplies, fixtures, Services and Products used in or sold through your HomeSmart Real Estate Brokerage Business, per our specifications and standards, only from us or our Approved Suppliers and distributors. None of our Affiliates are the only approved supplier in any category of Products or Services. With the exception of the arts graphics package that we will provide you, we are not an approved supplier, but we reserve the right to become an approved supplier at any time. Our parent, HomeSmart Holdings, Inc. owns an economic interest in Smart Referral Network, LLC, an approved provider of referral management and lead generation services, VirtuSmart, LLC, an approved supplier of hardware, software, and printing services, HomeSmart University, LLC, an approved supplier of real estate education services, Equitable Title Agency, LLC, an approved supplier of title agency services, On the Run Printing, LLC, an approved supplier of printing services and HS Brokerage Holdings, LLC, which directly or through its subsidiaries provides referral management services. We may derive revenue from your purchases or leases of computer related Hardware, Software, goods, services, supplies, fixtures, equipment, inventory and Products from our Approved Suppliers and distributors; however, we do not currently anticipate having any such agreements in place with any Approved Suppliers. You must buy computers, Software, Hardware, computer related services, Products, equipment, supplies, fixtures, inventory, goods, and services (“Required Products and Services”) that meet our requirements as detailed in the Operations Manual. In some instances, you will be required to purchase certain Required Products and Services from us or from specific suppliers previously approved by us (“Approved Suppliers”) and/or specific providers designated by us, including us and our Affiliates (“Designated Suppliers”). Approved Suppliers and Designated Suppliers will be identified in the Operations Manual. If we have appointed Approved Suppliers or Designated Suppliers with respect to Required Products or Services, you may not purchase such Product or Service from anyone other than an Approved Supplier or Designated Supplier without prior written approval. We will

respond to requests for approval to do so within 30 days from the date the request is received. You must submit all information, specifications, and samples that we may request regarding a supplier, service, or Product proposed by you. The general criteria we apply in approving a proposed supplier involve the ability of the supplier to provide sufficient quantity of Product at a competitive price and the proposed supplier's dependability and general reputation. We may revoke approval of an Approved Supplier if that supplier no longer meets these general criteria.

We estimate that the purchase of these computers, Software, Hardware, computer related services, supplies, equipment, inventory, fixtures, goods, services and Products from us or our designated or approved sources, or those meeting our standards and specifications, will be approximately 25% to 50% of your total cost to establish a HomeSmart Real Estate Brokerage Business and 25% to 50% of your total cost of operating a HomeSmart Real Estate Brokerage Business (not including amortization, depreciation, or replacement of worn or obsolete improvements, equipment or fixtures).

In our last fiscal year that ended December 31, 2025, 8 new franchised outlets were opened.

In the fiscal year ending December 31, 2025, and as of the effective date of this disclosure document, neither we nor our Affiliates derived any revenues, rebates, or other material consideration from the sale of required goods and services to franchisees.

Franchisees must license from us, or our Affiliates, Approved Suppliers, or Designated Suppliers certain proprietary computer programs and related materials developed for use in the operation of HomeSmart Real Estate Brokerage Business ("**Software**"). We may require you to pay a separate license fee for the Software, as set forth in Item 11. We also charge you a Technology Fee with respect to the Software and other technology employed at your HomeSmart Real Estate Brokerage Business.

You may use the Software only on computer equipment and Hardware purchased through our Affiliates, Designated Suppliers, Approved Suppliers, or obtain our written approval to purchase other equipment. We will respond to requests for approval to purchase equipment other than the Computer System within 30 days from the date the request is received.

We do not have any purchasing or distribution co-operatives as of the date of this Franchise Disclosure Document. We may negotiate purchase arrangements with suppliers and distributors of approved Products for the benefit of our franchisees, and we reserve the right to receive rebates and other payments, or volume discounts based on your purchases from these suppliers and distributors and from our purchase of Products that we may re-sell to you. We do not provide material benefits, such as renewing or granting additional franchises to franchisees, based on their use of our Affiliates, Designated Suppliers, or Approved Suppliers.

Insurance

General Liability and Business Insurance

You must procure and maintain, at your own expense, insurance policies protecting you, us, our designated Affiliates, and the owners, officers, directors and employees of us and our designated Affiliates against any loss, liability, errors and omissions, business interruption, personal injury, death, property damage, or expense resulting from the operation of your HomeSmart Real Estate Brokerage Business and all services you provide in connection with the operation of your HomeSmart Real Estate

Brokerage Business as we may require for your and our protection in amounts set forth in the Operations Manual and Franchise Agreement (which may be adjusted periodically).

Cyber and Privacy Insurance

You shall use your best efforts to protect your customers against a cyber-event including, without limitation, a data breach or other identity theft or theft of personal information (collectively, a “**Cyber Event**”). Specifically, you shall comply with, among other laws and regulations: (i) state and federal laws and regulations relating to data privacy, data security and security breaches; and (ii) our security policies and guidelines, as may be amended from time to time (collectively, “**Data Safeguards**”). In addition to the general liability and business insurance, you must also procure and maintain, at your own expense, insurance policies protecting you, us, our designated Affiliates, and the owners, officers, directors and employees of us and our designated Affiliates against any loss, liability or expense related in any way to a Cyber Event or failure to comply with any Data Safeguard resulting from the operation of your Real Estate Brokerage Business and all services you provide in connection with the operation of your Real Estate Brokerage Business as we may require for your and our protection in amounts set forth in the Operations Manual and Franchise Agreement (which may be adjusted periodically).

Insurance Coverage Amounts and Other Requirements

You must carry, at all times, broad form comprehensive general liability coverage against claims for employment practices coverage, bodily and personal injury, death, property damage, cyber event or crime, and privacy or identity theft caused by or occurring in conjunction with the conduct of business by you pursuant to this Agreement and broad form contractual liability coverage, including errors and omissions coverage, under one or more policies of insurance containing minimum liability coverage prescribed by us from time to time, but in no event in an amount less than \$1,000,000 per occurrence/\$2,000,000 aggregate. You must carry, at all times, no less than \$1,000,000 per occurrence/\$2,000,000 aggregate in Commercial General Liability (“**CGL**”) insurance coverage and a \$1,000,000 Cyber Policy protecting you and us against a Cyber Event arising from your operation of your HomeSmart Real Estate Brokerage Business. You must add Franchisor, its officers, directors, employees, agents, and contractors as additional insureds to each of those policies. You must also procure and maintain all other insurance required by state or federal law. We may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time including excess liability insurance to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. The policies must also stipulate that we receive a 30-day prior written notice of cancellation or non-renewal and must contain endorsements by the insurance companies waiving all rights of subrogation against us. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to us including original endorsements affecting the coverage required by us will be furnished to us together with proof of payment within 10 days of issuance. You will also furnish us with certificates and endorsements evidencing this insurance coverage within 10 days after each of the following events: at all policy renewal periods, no less often than annually, and at all instances of any change to, addition to, or replacement of any insurance. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are subject to approval by us. If you fail to procure and maintain the required insurance coverage, we have the right and authority to

procure the insurance coverage on your behalf and charge you, which charges, together with a reasonable fee for our expenses incurred in this procurement, you will pay immediately upon notice.

The insurance policies required herein shall: (a) name us, as well as our officers, directors, employees, agents and contractors, as an additional named insureds and contain a waiver of all subrogation rights against the foregoing insureds, our Affiliates, and our and their successors and assigns; (b) provide for thirty (30) days' prior written notice to us of any material modification, cancellation, or expiration of such policy; (c) provide that the coverage applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured; (d) contain no provision which in any way limits or reduces coverage for you in the event of a claim by any one or more of the parties indemnified under this Agreement; (e) be primary to and without right of contribution from any other insurance purchased by the parties indemnified under this Agreement; (f) extend to and provide indemnity for all obligations assumed by you hereunder and all other items for which you are required to indemnify us under this Agreement.

You shall provide us with evidence of the insurance required hereunder not later than ten (10) days before you begin operating as a Franchisee and with a complete copy of each insurance policy no more than thirty (30) days after delivery of the original proof of insurance. Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by us in writing, we shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to you, which charges shall be payable by you immediately upon notice together with a fifteen percent (15%) administrative fee. The foregoing remedies shall be in addition to any other remedies we may have at law or in equity.

The maintenance of sufficient insurance coverage shall be your responsibility. Your obligations to maintain insurance coverage as herein described shall not be affected in any manner by reason of any separate insurance maintained by us nor shall the maintenance of such insurance relieve you of any indemnification obligations under this Agreement.

ITEM 9: FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 1 and Section 9	ITEM 11
b. Pre-opening purchases/leases	Sections 9 and 10	ITEM 8 & ITEM 11
c. Site development and other pre-opening requirements	Section 9	ITEM 6, ITEM 7 & ITEM 11
d. Initial and ongoing training	Sections 8 and 9	ITEM 11
e. Opening	Section 9	None
f. Fees	Sections 6, 7 and 12	ITEM 5 & ITEM 6

Obligation	Section in Franchise Agreement	Disclosure Document Item
g. Compliance with standards and policies/Operations Manual	Section 9	ITEM 11
h. Trademarks and proprietary information	Section 11	ITEM 13 & ITEM 14
i. Restrictions on services offered	Sections 9 and 10	ITEM 8 & ITEM 16
j. Warranty and customer service requirements	None	None
k. Territorial development and agent quotas	Section 5	ITEM 11 & ITEM 12
l. Ongoing purchases	Section 9 and 10	ITEM 6
m. Maintenance, appearance, and remodeling requirements	Sections 4 and 9	ITEM 7
n. Insurance	Section 13	ITEM 8
o. Advertising	Section 12	ITEM 11
p. Indemnification	Sections 11 and 13	None
q. Owner's participation/Management/ staffing	Section 9	ITEM 15
r. Records/reports	Section 7	ITEM 6 & ITEM 17
s. Inspection/audits	Sections 7, 8 and 9	ITEM 6
t. Transfer	Section 16	ITEM 17
u. Renewal	Section 4	ITEM 17
v. Post-termination obligations	Sections 11, 15 and 18	ITEM 17
w. Non-competition covenants	Section 15	ITEM 17
x. Dispute resolution	Section 20	ITEM 17

ITEM 10: FINANCING

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

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

Except as listed below, HomeSmart is not required to provide you with any assistance.

Pre-opening Obligations

Before you open your HomeSmart Real Estate Brokerage Business, we (or our designee) will provide the following assistance and services to you.

- Designate your Territory. (Section 8.3(a) of the Franchise Agreement and **Attachment 1** to the Franchise Agreement).
- Furnish you with (or provide you with the ability to acquire from approved vendors or suppliers) specific items for the design and physical appearance of your Office and the supplies required for the operation of the business. (Section 8.3(c) of the Franchise Agreement).
- Within 90 days of your signing of the Franchise Agreement and your receipt of all required licenses and permits, we will conduct a three (3) to five (5) business days training course for you and one additional person in Scottsdale, Arizona or at another location of our selection. The training program may or may not be conducted on consecutive days. If you are not an individual, we will conduct a three (3) to five (5) day business training course for your Designated Business Manager in Scottsdale, Arizona or at another location designated by us. (Section 8.3(d) of the Franchise Agreement).
- Approve the renovations to your Office necessary to comply with our standards and specifications and your compliance with the opening procedures for your Office, as described in the Operations Manual. (Section 9.2(b) of the Franchise Agreement).

Continuing Obligations

During the term of the Franchise Agreement, we (or our designee) will provide the following assistance and services to you:

- Make a representative available to speak with you on the telephone during regular business hours to discuss your operational experiences and support needs. Provided, however, that questions regarding technological support will be referred to third parties (including but not limited to our Affiliates) who may charge a fee for providing you with these technological support services (Section 8.4(a) of the Franchise Agreement).
- Inform you of mandatory specifications, standards, and procedures for the operations of your HomeSmart Real Estate Brokerage Business. (Section 8.4(d) of the Franchise Agreement).
- Research new services and methods of doing business and provide you with information concerning developments of this research. (Section 8.4(e) of the Franchise Agreement).
- Maintain the FMAF and use these funds to develop promotional and advertising programs and public relations support for HomeSmart Real Estate Brokerage Businesses. (Sections 8.4(f) and 12.1 of the Franchise Agreement).
- Provide advertising materials to you in the form of an arts graphics package, which is included in your Operations Manual. (Section 8.4(g) of the Franchise Agreement).
- Our representatives will have the right but not the obligation to provide additional assistance. (Section 8.4(h) of the Franchise Agreement). There may be additional charges for these services.

If we provide additional assistance, we must agree in advance on the charges you will pay and the length of the visit.

- We may choose to provide you with continuing national, regional, or local workshops and seminars. You must pay the conference fee, if any, and all travel and living expenses. We require that you or your Designated Business Manager attend these conferences. These conferences will be held at our Scottsdale, Arizona headquarters, your Office, or at a location chosen by us. (Section 8.4(b) of the Franchise Agreement).
- We may provide you with a monthly newsletter. (Section 8.4(i) of the Franchise Agreement).

Operations Manual

You must establish and operate your HomeSmart Real Estate Brokerage Business in compliance with your Franchise Agreement and the standards and specifications contained in the HomeSmart confidential operations manual (“**Operations Manual**”) loaned to you by us. The Operations Manual consists of one or more manuals, technical bulletins or other written materials and may be modified by us periodically. The Operations Manual may be in print or electronic format. We reserve the right to require you to use an electronic version of the Operations Manual. We also reserve the right to require you to access the document using the Internet or an intranet created and supported by us. You will have the opportunity to view the Operations Manual at our headquarters before purchasing a franchise, provided you agree in writing to keep its content confidential. The Operations Manual contains approximately 300 pages. The Table of Contents for the Operations Manual is attached to this Franchise Disclosure Document as **Exhibit F**.

Training

We provide an initial training program lasting between three (3) and five (5) business days. The initial training program is usually conducted at our corporate headquarters located in Scottsdale, Arizona, but the training course may be held elsewhere in the future.

Under the Franchise Agreement, before you begin operating your HomeSmart Real Estate Brokerage Business, you or, if you are not an individual, a “**Designated Business Manager**,” must attend and successfully complete to our satisfaction our initial training program. If the Designated Business Manager’s employment with you is terminated, you must designate a new Designated Business Manager who must successfully complete our initial training program within 90 days after the termination of the initial Designated Business Manager. If we do not hold an initial training program during that 90-day period, the replacement Designated Business Manager must attend and successfully complete the first available initial training program held by us. You may be charged a training fee for a replacement Designated Business Manager. You must also pay the costs for airfare, ground transportation, lodging, meals, personal expenses, and the Designated Business Manager’s salary and benefits.

There is no tuition or fee for the initial training program for you and one additional representative such as a Designated Business Manager or business partner, etc. If you desire to have additional people attend the initial training program, there will be a \$500 per person training fee. We do not pay any travel expenses, lodging, meals, ground transportation or other personal expenses.

Our training program consists of between three (3) and five (5) business days, which may or may not be consecutive days, of training as follows:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
History and Overview of the Systems; Office Tour	8	0	Scottsdale, Arizona, or your Central Office (in our discretion)
Technology Training	12	0	Scottsdale, Arizona, or your Central Office (in our discretion)
Fiscal Management and Office Management	8	0	Scottsdale, Arizona, or your Central Office (in our discretion)
Recruiting and Retention; Standards and Quality Control; Risk Management	8	0	Scottsdale, Arizona, or your Central Office (in our discretion)
Business Plan Strategy Session	4	0	Scottsdale, Arizona, or your Central Office (in our discretion)
TOTAL	40	0	

The initial training program and other on-going training will be conducted by training personnel under the direction of our Chief Industry Officer, Todd Sumney, who has been with HomeSmart since May 2014. We may change training personnel as necessary. We may delegate our duties and share our responsibilities with regard to training. Training classes are generally held every other month or as needed. The hours of classroom training and hours of on-the-job training are estimates and may, in certain circumstances, be slightly shorter or slightly longer than the actual classroom or on-the-job training.

Our Operations Manual and workbook serve as the primary instructional materials during the training program. We may present seminars, conventions, or continuing development programs for the benefit of Franchisees. Your attendance is mandatory. You must pay for any conference fee and your travel and living expenses incurred in attending any seminar.

ADVERTISING PROGRAMS

Franchise Marketing Accrual Fund (“FMAF”)

All HomeSmart Real Estate Brokerage Businesses are required to pay to us a Franchise Marketing Accrual Fund (“**FMAF Contribution**”). The FMAF Contribution is four percent (4%) incorporated into the monthly Royalty Fee that you pay.

The FMAF will be accounted for separately by us, but we are not required to maintain the FMAF funds in a separate or segregated account at a bank or other financial institution. The FMAF is administered by us. Any unused funds in any fiscal year will be applied to the following fiscal year's funds. We reserve the right to contribute or loan additional funds to the FMAF on any terms we deem reasonable. Each company-owned or Affiliate-owned outlet offering Products and services similar to the HomeSmart Real Estate Brokerage Business you will operate will make contributions to the FMAF equal to the contributions required of HomeSmart Real Estate Brokerage Businesses within the System. The FMAF is unaudited. We will make available to you once a year, upon request by telephone or written correspondence, an unaudited annual accounting for the FMAF that shows how the FMAF proceeds have been spent for the previous year within 120 days after our fiscal year end. We do not provide a periodic accounting of how Marketing Fees are spent.

We may use the Marketing Fees we collect from franchisees to create marketing materials relating to the System and the services sold by our Franchisees; to pay for public relations projects intended to enhance the goodwill and public image of the System; to assist Franchisees in developing local marketing programs; to pay for the cost of placing marketing materials in various print, broadcast and Internet media; to undertake any other marketing efforts we deem necessary or beneficial to the System; and to reimburse us or our Affiliates for salaries and overhead expenses related to the marketing services provided to Franchisees and to cover part of the cost of maintaining the website. No advertising expenditures from the FMAF are devoted principally to the sale of new franchises. We will attempt to spend monies contributed to the FMAF in such a way as to provide advertising benefits to all participating HomeSmart Real Estate Brokerage Businesses, but we make no guarantees that you will benefit pro rata or at all from your contributions to the FMAF. We reserve the right to allocate Marketing Fees to various permitted uses as we see fit, and we do not guarantee that you will receive equal benefits or identical coverage. Neither we nor our Affiliates receive payment for providing goods or services to the FMAF, except for reimbursement of expenses as described above.

During the 2025 fiscal year, we spent the Marketing Fees as follows: 45.6%-Marketing and Advertising; 3%-Promotional Materials; 51.2%-Creative Development; 0%-Reserved for Ongoing Marketing and Advertising Programs.

Local Advertising

You must agree to spend money for local advertising and promotions in your Territory ("**Local Advertising**") in accordance with local real estate brokerage marketing standards and practices. All Local Advertising by you must be conducted in a dignified manner and shall conform to the standards and requirements set forth in the Franchise Agreement and Operations Manual or otherwise for use of the Marks. You must promptly discontinue use of any advertising or promotion plans or materials that do not meet the requirements of the Franchise Agreement or Operations Manual, whether or not previously approved, upon notice from us. You may, at your sole expense, plan and carry out a grand opening promotion relating to the opening of your HomeSmart Real Estate Brokerage Business. Within 30 days after a written request from us, you must submit a report showing the amount you spent for Local Advertising during the preceding year and documents substantiating that you incurred and paid particular expenditures during the year. None of the Local Advertising payments made by you will be used by us in the advertising or promotion of individual franchise sales.

Cooperatives

We have not and do not anticipate establishing any advertising cooperatives.

Franchise Owners Advisory Council

The Franchise Owners Advisory Council (“**Council**”) will have at least three (3) representatives each of whom are appointed by the Franchisor. The Council is tasked with creating a program for electing new Council representatives on a regular basis. The Council will serve in a purely advisory capacity on many matters, including advertising. We will have the power to change or dissolve the Council at any time.

Office Location

You must operate the HomeSmart Real Estate Brokerage Business from a conventional office located outside of any personal residence. The office must be located within your Territory and must exist solely and exclusively for the operation of the HomeSmart Real Estate Brokerage Business. These requirements apply to both your Central Office and any Branch Office. If we approve any office location, such approval indicates only that we believe the office falls within the acceptable criteria we have established as of the approval date.

Based on the requirements of the Franchise Agreement, the factors we consider for such approval are whether the office is located in your Territory; if it is located in a conventional office located outside of any personal residence; if it is used solely and exclusively for the operation of the HomeSmart Real Estate Brokerage Business; and if it is located sufficiently far enough away from any office of another HomeSmart franchisee as we determine. We do not select your Office Location, assist you in conforming it to local ordinances and building codes, assist you with constructing or decorating it, or provide for any necessary equipment, signs, or fixture. It is your obligation to locate a site for your Central Office and any Branch Office(s) and to provide us with all necessary information in accordance with the timing requirements established in the Franchise Agreement so that we may approve such office in time for you to open your HomeSmart Real Estate Brokerage Business in accordance with the requirements established in the Franchise Agreement. Specifically, if you fail to open your Central Office within 4 months of executing the Franchise Agreement, we may terminate the Franchise Agreement. Branch Offices must be opened according to the cumulative number established for each year of the Term as set forth in **Attachment 1** to the Franchise Agreement. If at any time you do not open the requisite number of Branch Offices by the end of the year, you may lose your rights to the Territory and/or we may authorize other franchisees to open Branch Offices in your Territory.

You must comply with all applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You must apply for all required real estate or brokerage licenses and permits within 10 business days after signing the Franchise Agreement. If you do not receive all required licenses and permits within 6 months of executing the Franchise Agreement, we may terminate the Franchise Agreement.

You may not operate out of a virtual, temporary, or short term office location (a “Short Term Location”) (defined as any location where you have secured the location for less than six (6) months) unless you receive prior written permission from the Franchisor. Franchisor may, in its sole discretion, approve or disapprove of such an arrangement provided that, under no circumstances, shall such arrangement be approved for a period of time exceeding six months.

You must secure an Office Location for at least one (1) year in order to establish a Territory (See Item 12). The opening of a Short Term Location will not establish a Territory.

Schedule for Opening and Site Selection Requirements

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your HomeSmart Real Estate Brokerage Business will be 1 to 4 months. However, we may grant you an extension up to a total of 180 days. Some factors which may affect this timing are your ability to acquire an office location through lease negotiations; your ability to secure any necessary financing; your ability to comply with local zoning and other ordinances; your ability to obtain any necessary permits and certifications; the timing of the delivery of equipment, tools, and inventory; and the time to convert, renovate or build your office. You must open your Central Office within 6 months after signing the Franchise Agreement unless we otherwise consent in writing (Section 9.12, Franchise Agreement).

You may not open your Central Office or any Branch Office until: we notify you in writing that all of your pre-opening obligations have been fulfilled; initial training is completed to our satisfaction; all amounts due to us have been paid; we have been furnished with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums that we request; you notify us that all approvals and conditions set forth in the Franchise Agreement have been met; you have received all required permits and licenses; you have ordered, received and installed your equipment, supplies, inventory and Computer System; and you have provided evidence that your agents are licensed to sell real estate in your state. However, you are not required to immediately associate with or hire licensed real estate agents upon the establishment and opening of your HomeSmart Real Estate Brokerage Business. You must be prepared to begin operating your HomeSmart Real Estate Brokerage Business immediately after we state that your HomeSmart Real Estate Brokerage Business is ready for opening.

You must open the number of Branch Offices in the Territory according to the schedule outlined in **Attachment 1** to the Franchise Agreement, which has been mutually agreed upon by the parties as a fair and accurate number of Branch Offices that you have the resources and capability of opening during the Initial Term. For each Branch Office that you desire to open, you will propose a location for the Office, which we must approve. Your failure to open the requisite number of Branch Offices by the end of each year in the schedule outlined in **Attachment 1** to the Franchise Agreement may result in the reduction or elimination of your Territory or the termination of the Franchise Agreement, as we determine.

Software and Computer Equipment

You must purchase and use computer Hardware and Software required by us in conjunction with the RealSmart BrokerTM. Currently, you must purchase at least one desktop computer (or a similar machine with similar specifications) for your administrative computers and at least one additional computer for your general Agent computers (“**Hardware**”), each of which must run an operating system capable of running the RealSmart BrokerTM and any related Software and connecting to the Internet. The Hardware, RealSmart BrokerTM and the Software associated with these systems are referred to collectively as the “**Computer System.**” The estimated total cost of purchasing the Computer System is \$5,000 to \$30,000. The Computer System will store basic industry-required information including but not limited to housing addresses, transactional details, and other information required by multiple listing services and

the state in which you operate your Real Estate Brokerage Business. Your agents will be responsible for obtaining their own Hardware and Software.

Currently, you must pay a license fee for the use of the RealSmart BrokerTM and other technology that we provide to you (“**Technology Fee**”) equal to \$250 per month (for a total of \$3,000 per year) per System instance of the RealSmart BrokerTM. We reserve the right to increase the Technology Fee during each year of the Initial Term, and any Successor Term and Interim Period by any amount determined by us, but not to exceed \$50 per Office each month. You may purchase additional Software and support as they become available. We will require you to upgrade your Computer System or incur costs related to the maintenance of your Computer System as prescribed in the Operations Manual and as modified periodically by us. Such upgrades, in some cases, may only be available through our suppliers or Affiliates. We may change the Designated Suppliers or Affiliates periodically on written notice to you.

We provide you with a technological service that incorporates the data generated by your multiple listing service (“**MLS**”) into your RealSmart BrokerTM. You must also pay to us a fee for this service (“**MLS/RETS Fee**”), which is currently \$250 per MLS per month for your HomeSmart Real Estate Brokerage Business. You are also responsible for any initial testing or ongoing connection fees charged by your local MLS for the provisioning of data outside the scope of the purpose of the MLS/RETS Fee.

You must have sufficient computer skills to be able to operate your Computer System and to access e-mail and the Internet. You must have access to the Internet and maintain an email account that allows us to communicate with you on a regular basis. You must check your email account several times every business day. If we determine that you require additional computer training, you must take and pay for, at your own expense, a computer training course at a local computer training school (which may be our Affiliate). You must complete this training within 90 days of the day we advise you of this requirement, and you must present us with a certificate acceptable to us to show that you passed the course.

We have the right to independently access your electronic information and data through our proprietary RealSmart BrokerTM. We also have the right to collect and use your electronic information and data in any manner we choose in order to promote the development of the System and the sale of franchises. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system.

You are solely responsible for protecting yourself from viruses, computer hackers, and other communications and computer-related problems, and you may not sue us for any harm caused by these communications and computer-related problems.

Pricing

We will not assist you in establishing minimum or maximum prices at which you must sell the products and services that you offer from or at your HomeSmart Real Estate Brokerage Business.

ITEM 12: TERRITORY

You will be granted a territory (“**Territory**”) in which to locate your Central Office(s) and Branch Office Locations. We will negotiate the size of your Territory and the number of Branch Offices you must open in your Territory, if any, before executing the Franchise Agreement. Your Territory may be based on geographic or political boundaries (including but not limited to city, zip code, county, or state

boundary lines) and other characteristics including natural boundaries, and the amount and size of urban, suburban, and rural areas. We have the exclusive right to determine the boundaries of your Territory.

During the Initial Term of the Franchise Agreement, once you have identified a Central Office for your HomeSmart Real Estate Brokerage Business and secured that location for no less than one (1) year, so long as you comply with all of your obligations under the Franchise Agreement, and subject to our reservation of rights and the Annual Agent Quota requirement (discussed below), we will not open a competing HomeSmart Real Estate Brokerage Business within your Territory.

The number of Branch Offices that you commit to opening in your Territory, as mutually agreed by us, will be based on subjective factors of your Territory. These subjective factors may include the geography, population, demographics, and the level of residential real estate transaction activity or home ownership that exists or may exist within your Territory. These factors do not lend themselves to a set formula for determining the number of Branch Offices that should be opened in a Territory, and that is why we will agree upon a number of Branch Offices prior to signing your Franchise Agreement. For each Branch Office that you desire to open, you will propose a location for the Branch Office to us, and we have the right to approve or deny the location you propose to use. You may relocate a Branch Office within your Territory after we approve the location you propose to use.

We have the right to approve or deny the relocation of that Branch Office based on the following factors: whether the office is located in your Territory; if it is located in a conventional office located outside of any personal residence; if it is used solely and exclusively for the operation of the HomeSmart Real Estate Brokerage Business; and if it is located sufficiently far enough away from any office of another HomeSmart franchisee as we determine. If applicable, we will use the most recent data available from the National Association of Realtors to determine the number of licensed Agents within a Territory.

The grant of the license to you does not in any way prohibit other franchisees or us and our agents and Affiliates from listing and selling real property in your Territory (at no compensation to you). Also, the grant of the license does not prohibit you from listing or selling real property in a Territory granted to another franchisee or anywhere else outside of your Territory. You may use other channels of distribution to market outside of your Territory, as long as the rights to those channels are not currently reserved by us, as described below. For soliciting or selling Products or Services to customers outside of your Territory via the Internet or e-commerce, you may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique, or otherwise establish any presence on the Internet without our prior written approval.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Customers from your Territory may purchase or obtain Services from other franchisees and from us and our Affiliates or designees over the Internet, or in other reserved channels of distribution, at no compensation to you. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Under your Franchise Agreement, you do not receive any options for additional franchises, any rights of first refusal to acquire additional franchises, or any similar rights to buy additional franchises.

To maintain your Territory, you must meet the Annual Agent Quota requirement (Section 5.4 of the Franchise Agreement) which establishes the number of Agents that must be employed by or associated with your HomeSmart Real Estate Brokerage Business. The Annual Agent Quota will be negotiated at the time that you execute the Franchise Agreement and will be based upon the size of your Territory and other factors including population, activity, and local and national economic conditions. During 2023, the agreed upon Annual Agent Quota with new franchisees ranged from approximately 25 to 125 agents per year.

You must also open the negotiated number of Branch Offices in your Territory, which will reflect, as mutually agreed by us, a fair and accurate number of the Branch Offices that you have the resources and capability of opening during the term of the Franchise Agreement. For each Branch Office you want to open, you must propose a location, which is subject to our approval. Your failure to satisfy the Annual Agent Quota or to open the number of agreed upon Branch Offices may result in the reduction or elimination of your Territory or the termination of your Franchise Agreement.

We reserve the right, among others: (i) to own, franchise, or operate HomeSmart Real Estate Brokerage Businesses at any location outside of the Territory, regardless of the proximity to your HomeSmart Real Estate Brokerage Business; (ii) to use the Marks and the System to sell any Products or services, similar to those which you will sell, through any alternate channels of distribution within or outside of the Territory at no compensation to you. This includes but is not limited to other channels of distribution such as television, mail order, catalog sales, or the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce; (iii) to use and license the use of other proprietary and non-proprietary Marks or methods which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a real estate brokerage business, at any location, including within the Territory, which may be the same as, similar to or different from the HomeSmart Real Estate Brokerage Business operated by you; (iv) to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your HomeSmart Real Estate Brokerage Business, wherever located; (v) to acquire and convert to the System operated by us any businesses offering real estate brokerage services including those businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located inside or outside of the Territory; and (vi) to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere at no compensation to you. We also reserve the right to issue mandatory policies to coordinate these multi-area marketing programs.

ITEM 13: TRADEMARKS

The Franchise Agreement grants you the nonexclusive right to use our Marks, including the service mark “HOMESMART®”, and various designs and logo marks associated with our services. You may also use our other current or future Marks as we may designate to operate your HomeSmart Real Estate Brokerage Business.

We have the following registered trademarks and pending trademark applications before the United States Patent and Trademark Office (“USPTO”):

Mark	Filing or Registration Date	Serial No. or Registration No.	Status
HomeSmart	May 30, 2006	3,097,434	U.S. Federal Registration on Principal Register
	June 1, 2010	3,797,647	U.S. Federal Registration on Principal Register
	February 9, 2010	3,746,858	U.S. Federal Registration on Principal Register
HomeSmart	January 5, 2010	3,734,317	U.S. Federal Registration on Principal Register
	August 26, 2025	99358563	U.S. Federal Registration on Principal Register (Pending)
HOMESMART	August 26, 2025	99358273	U.S. Federal Registration on Principal Register (Pending)

We may also use a number of unregistered, common law trademarks. You must follow our rules when you use our Marks. You may not use any of the Marks alone or with modifying words, designs, or symbols as part of a corporate or business name or in any form on the Internet, including but not limited to URLs, domain names, e-mail addresses, locators, links, metatags, or search techniques. You must get our prior written approval of your company name before you file any registration documents. You must indicate, as required in the Franchise Agreement, and specified in the Operations Manual, that you are an independent real estate broker. Guidelines regarding proper trademark use and notices are in the Operations Manual and will be updated periodically. You may not use our Marks with an unauthorized product or service, or in a manner not authorized in writing by us.

All required renewals and affidavits have been filed and accepted by the USPTO.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or any pending material litigation involving any of our Marks that are relevant to the use of these Marks. No currently effective litigation affects our use or ownership rights in any Mark. No currently effective agreement limits our right to use or license the use of our Marks.

You must notify us immediately when you learn about an infringement of or challenge to your use of our Marks. We may take the action necessary to protect the unauthorized use of our Marks. We are not obligated to defend you against a claim involving your use of or right to use the Marks, nor to take affirmative action against any infringement. We have the right to control any administrative or legal proceedings concerning the Marks.

The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you, or if the proceeding is resolved unfavorably to you.

You must modify or discontinue the use of a trademark if we modify or discontinue the Mark. You must not directly or indirectly contest our right to our Marks, Trade Secrets or business techniques that are

part of our business. The Franchise Agreement does not provide you with any specific rights if we require you to modify or discontinue the use of any Marks.

From time to time in the ordinary course of business, we encounter third parties that are using and/or promoting confusingly similar brands. You should understand that there could be businesses using trademarks, trade names, or other commercial symbols similar to our Marks with superior rights to our rights. Before opening your HomeSmart Real Estate Brokerage Business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise to avoid the possibility of having to change your HomeSmart Real Estate Brokerage Business name.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

The information contained in the Operations Manual is proprietary and is protected by copyright and other laws. The Operations Manual and the limitations of the use of it by you and your employees are described in this Disclosure Document and the Franchise Agreement. The designs contained in the Marks, the layout of our advertising materials, the content and format of any other writings or copyright and other laws also protect recordings in print or electronic form. Although we have not filed an application for copyright registration for the Operations Manual, the advertising materials, the content and format of any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“**Copyrighted Works**”) in connection with your operation of your HomeSmart Real Estate Brokerage Business, but these copyrights remain our sole property.

There are currently no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are any proceedings pending, nor are there any currently effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit your use of our Copyrighted Works.

Our Operations Manual, electronic information and communications, sales and promotional materials, certain Software used in the HomeSmart Real Estate Brokerage Business, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems, knowledge, and experience in the development, operation and franchising of HomeSmart Real Estate Brokerage Businesses and Services sold at HomeSmart Real Estate Brokerage Businesses, information concerning Service sales, operating results, financial performance and other financial data of HomeSmart Real Estate Brokerage Businesses and other related materials are proprietary and confidential (“**Confidential Information**”) and are considered to be our property to be used by you only as described in the Franchise Agreement or the Operations Manual. Where appropriate, certain information has also been identified as trade secrets (“**Trade Secrets**”). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for the development of your HomeSmart Real Estate Brokerage Business during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners, if you are a business entity, and employees

agree to maintain the information in confidence by entering into a confidentiality agreement that we can enforce. Nothing contained in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of your HomeSmart Real Estate Brokerage Business during the term of the Franchise Agreement.

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

No patents are material to us at this time.

We have the right to inspect, copy and use all records with respect to the customers, suppliers, and other services providers of, and related in any way to, your HomeSmart Real Estate Brokerage Business. This includes all databases (whether in print, electronic, or other form), including all names, addresses, phone numbers, e-mail addresses, and customer purchase records. We may use or transfer the records in any way we wish, both before and after any termination, expiration, repurchase, transfer or otherwise. We may contact any or all of your customers, suppliers, and other service providers for quality control, market research, and any other purposes, as we deem appropriate.

You must disclose to us all ideas, techniques, and products concerning the development and operation of the HomeSmart Real Estate Brokerage Business you or your employees conceive or develop during the term of the Franchise Agreement. You must grant to us and agree to obtain from your owners or employees a perpetual, non-exclusive, and worldwide right to use these ideas, techniques and products concerning the development and operation of HomeSmart Real Estate Brokerage Business that you or your employees conceive or develop during the term of the Franchise Agreement in all real estate sales-related product and service businesses that you operate. We will have no obligation to make any lump sum or on-going payments to you with respect to any idea, concept, method, technique, or product. You must agree that you will not use, nor will you allow any other person or entity to use any of these ideas, techniques, or products without obtaining our prior written approval.

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

If you are an individual, you must directly supervise the HomeSmart Real Estate Brokerage Business at your initial and primary franchised location (“**Central Office**”). If you are a business entity, the direct, on-site supervision of your Central Office must be done by a Designated Business Manager. Each Branch Office must also be managed by a Designated Business Manager.

If we believe you lack sufficient business experience, you must designate a Designated Business Manager to act as the operating manager for your HomeSmart Real Estate Brokerage Business. The Designated Business Manager must attend and successfully complete the initial training program and must abide by the obligations in the Franchise Agreement and the Operations Manual. The Designated Business Manager must agree to assume and guarantee performance of all of your obligations, including, among others, confidentiality, and non-competition.

If you are a legal or business entity, each individual who owns, directly or indirectly, a 5% or greater interest in you (and, if you are an individual, your immediate family defined as your spouse and adult children) must sign the Guaranty and Assumption of Franchisee’s Obligations assuming and agreeing to discharge all of your obligations and comply with all restrictions under the Franchise Agreement and our Nondisclosure and Noncompetition Agreement attached to this Franchise Disclosure Document as Exhibit G.

Your spouse must sign a Guaranty Agreement and Consent of Spouse Agreement making your spouse individually liable for your financial obligations under the agreement. The guaranty and consent will place your spouse’s marital and personal assets at risk if your franchise fails.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must provide specified services. The services include offering residential and commercial real estate brokerage services to real property purchasers and sellers (“**Services**”). We reserve the right to require that you sell additional Services in your HomeSmart Real Estate Brokerage Business on 30 days’ prior written notice to you. You must provide the Services per our specifications and standards. We reserve the right to change standards and specifications on 30 days’ prior written notice to you.

You must refrain from using or permitting the use of your HomeSmart Real Estate Brokerage Business for any other purpose or activity at any time without first obtaining our written consent.

You must sell or offer for sale only those Services which are authorized by us, and which meet our standards and specifications. You must follow our policies, procedures, methods of doing business, and techniques. We may change or add to our required Services with prior notice to you. You must discontinue selling and offering for sale any Services, which we may disapprove in writing at any time.

ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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.

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 4	10 years
b. Renewal or extension of the term	Section 4	If you are in good standing you can add additional terms of 10 years each.
c. Requirements for you to renew or extend	Section 4	You may renew the Franchise Agreement if you: are not in default of any terms of the Franchise Agreement; have given notice of renewal to us; sign a new Franchise Agreement (which may contain materially different terms and conditions than your original Franchise Agreement); are current in payments due and owing to us and your trade creditors; sign a release; and pay to us a Successor Franchise Fee. “Renew” or “renewal” means the continuation of your franchise relationship.
d. Termination by you	Not Applicable	Franchisee may terminate the franchise agreement under any grounds permitted by law
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	Section 18	We can terminate upon certain violations of the Franchise Agreement by you subject to applicable state law
g. “Cause” defined - defaults which can be cured	Section 18	You have 30 days to cure the defaults listed in Section 18.2
h. “Cause” defined - defaults which cannot be cured	Section 18	Non-curable defaults: the defaults listed in Section 18.1
i. Your obligations on termination/non-renewal	Sections 11, 13, 15 & 18	Obligations include complete de-identification, payment of amounts due and return of Operations Manual, all Confidential Information, Trade Secrets, and records
j. Assignment of contract by us	Section 16.1	No restriction on our right to assign
k. “Transfer” by you – definition	Section 16	Includes transfer of contract or assets or ownership change
l. Our approval of transfer by franchisee	Section 16	We have the right to approve all transfers
m. Conditions for our approval of transfer	Section 16	New franchisee qualifies, Transfer Fee paid, purchase agreement approved, training arranged, release signed by you and current agreement signed by new franchisee
n. Our right of first refusal to acquire your business	Section 17	We can match any offer for your business

Provision	Section in Franchise Agreement	Summary
o. Our option to purchase your business	Section 17	We may, but are not required to, purchase your inventory and equipment at fair market value if your franchise is terminated for any reason
p. Your death or disability	Section 16.10	Your estate or legal representative must apply to us for the right to transfer to the next of kin within 120 days
q. Non-competition covenants during the term of franchise	Section 15	No involvement in competing business anywhere in US subject to applicable state law
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s. Modification of Franchise Agreement	Sections 3.3, 4.5 & 21.9	No modifications of Franchise Agreement during term generally, but Operations Manual subject to change. Modifications permitted on renewal
t. Integration/merger clause	Section 21.5	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Franchise Disclosure Document and Franchise Agreement including addenda or exhibits may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 20	Except for certain claims and subject to applicable state law, all disputes must be arbitrated in Arizona
v. Choice of forum	Sections 20.1 & 21.1	Arbitration or litigation must be conducted in Arizona, subject to applicable state law
w. Choice of law	Sections 20.1 & 21.1	Arizona law applies, subject to applicable state law

ITEM 18: PUBLIC FIGURES

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

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees

or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Bryan Brooks, Senior Vice President of Franchise Sales, HomeSmart International, LLC, Franchise Services, at 8388 East Hartford Dr., Suite 100, Scottsdale, AZ 85255, and (602) 889-2100, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide HomeSmart Real Estate Brokerage Business Summary
For Years 2023 to 2025

Business Type	Year	Businesses at Start of the Year	Businesses at End of the Year	Net Change
Franchised HomeSmart Real Estate Brokerage Businesses	2023	171	180	+9
	2024	180	205	+25
	2025	205	201	-4
Company Owned* HomeSmart Real Estate Brokerage Businesses	2023	68	65	-3
	2024	65	57	-8
	2025	57	57	0
Total Outlets	2023	239	245	+6
	2024	245	262	+17
	2025	262	258	-4

* The company-owned locations disclosed in this ITEM 14 are owned and operated by our Affiliates.

Table No. 2
Transfers of HomeSmart Real Estate Brokerage Businesses
from Franchisees to New Owners
(Other than to HomeSmart or its Affiliates)
For Years 2023 to 2025

State	Year	Number of Transfers
Arizona	2023	1
	2024	1
	2025	0
California	2023	0
	2024	1
	2025	0
Idaho	2023	0
	2024	1
	2025	0

State	Year	Number of Transfers
Illinois	2023	2
	2024	0
	2025	0
Massachusetts	2023	1
	2024	0
	2025	0
New Hampshire	2023	1
	2024	0
	2025	0
Pennsylvania	2023	0
	2024	0
	2025	2
Washington	2023	0
	2024	1
	2025	0
Wisconsin	2023	1
	2024	0
	2025	0
Total	2023	6
	2024	4
	2025	2

Table No. 3
Status of Franchised Outlets
For years 2023 to 2025

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Outlets Reacquired From Franchisee	Ceased Operations	Outlets at End of the Year
Alabama	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Arkansas	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Arizona	2023	12	2	2	0	0	0	12
	2024	12	0	0	0	0	0	12
	2025	12	1	1	0	0	0	12
California	2023	31	3	1	0	0	0	33
	2024	33	3	0	0	0	0	36

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Outlets Reacquired From Franchisee	Ceased Operations	Outlets at End of the Year
	2025	36	0	4	0	0	0	32
Colorado	2023	7	0	0	0	0	0	7
	2024	7	0	0	0	0	0	7
	2025	7	0	0	0	0	0	7
Connecticut	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Florida	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
	2025	3	1	0	0	0	0	4
Georgia	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Hawaii	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Idaho	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	1	4	0	0	0	1
Illinois	2023	14	2	1	0	0	0	15
	2024	15	4	0	0	0	0	19
	2025	19	0	1	0	0	0	18
Indiana	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Iowa	2023	1	3	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Kansas	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Louisiana	2023	3	1	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Massachusetts	2023	8	2	2	0	0	0	8
	2024	8	0	0	0	0	0	8
	2025	8	0	0	0	0	0	8
Minnesota	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Outlets Reacquired From Franchisee	Ceased Operations	Outlets at End of the Year
Mississippi	2025	2	0	0	0	0	0	2
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Missouri	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Montana	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Nebraska	2023	1	0	1	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Nevada	2023	3	1	1	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
New Hampshire	2023	3	1	1	0	0	0	3
	2024	3	0	1	0	0	0	2
	2025	2	0	0	0	0	0	2
New Jersey	2023	11	1	0	0	0	0	12
	2024	12	4	0	0	0	0	16
	2025	16	0	0	0	0	0	16
New Mexico	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
New York	2023	13	1	0	0	0	0	14
	2024	14	0	0	0	0	0	14
	2025	14	0	0	0	0	0	14
North Carolina	2023	4	1	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	0	0	0	0	0	5
North Dakota	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Ohio	2023	4	0	0	0	0	0	4
	2024	4	2	0	0	0	0	6
	2025	6	0	0	0	0	0	6

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Outlets Reacquired From Franchisee	Ceased Operations	Outlets at End of the Year
Oklahoma	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Oregon	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
	2025	5	5	0	0	0	0	10
Pennsylvania	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Rhode Island	2023	4	0	0	0	0	0	4
	2024	4	1	0	0	0	0	5
	2025	5	0	0	0	0	0	5
South Carolina	2023	1	1	1	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	1	0	0	0	0
South Dakota	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Tennessee	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Texas	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Utah	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	1	0	0	0	0
Washington	2023	15	1	0	0	0	0	16
	2024	16	1	0	0	0	0	17
	2025	17	0	0	0	0	0	17
Wisconsin	2023	1	0	1	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Wyoming	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
TOTAL	2023	171	20	11	0	0	0	180
	2024	180	26	1	0	0	0	205
	2025	205	8	12	0	0	0	201

Table No. 4
Status of Company-Owned* Outlets
For years 2023 to 2025

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Alabama	2023	0	1	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Alaska	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0
Arizona	2023	19	0	0	0	0	19
	2024	19	0	0	1	0	18
	2025	18	2	0	0	0	20
California	2023	4	0	0	0	0	4
	2024	4	0	0	0	0	4
	2025	4	0	0	0	0	4
Colorado	2023	10	0	0	2	0	8
	2024	8	0	0	3	0	5
	2025	5	0	0	0	0	5
Delaware	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Florida	2023	3	0	0	1	0	2
	2024	2	0	0	0	0	2
	2025	2	1	0	0	0	3
Georgia	2023	11	1	0	1	0	11
	2024	11	0	0	3	0	8
	2025	8	0	0	4	0	4
Kentucky	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Maryland	2023	4	1	0	0	0	5
	2024	5	0	0	1	0	4
	2025	4	0	0	0	0	4
Maine	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Michigan	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Missouri	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0
North Carolina	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Tennessee	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Texas	2023	9	0	0	2	0	7
	2024	7	0	0	0	0	7
	2025	7	1	0	0	0	8
Vermont	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
West Virginia	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	0	0	1
Total	2023	68	3	0	6	0	65
	2024	65	0	0	8	0	57
	2025	57	4	0	4	0	57

* The company-owned location disclosed in this ITEM 20 is the HomeSmart Real Estate Brokerage Business owned and operated by HomeSmart, LLC.

Table No. 5
Projected Openings as of December 31, 2025

Outlet Type	Franchise Agreements Signed in 2025 but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alaska	0	0	0
Arizona	0	0	2
California	0	2	0

Outlet Type	Franchise Agreements Signed in 2025 but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Florida	1	1	1
Georgia	0	0	1
Idaho	0	1	0
Illinois	0	1	0
Massachusetts	0	1	1
North Carolina	0	0	1
Oregon	5	0	0
South Carolina	0	0	0
Tennessee	0	1	1
Texas	0	0	2
TOTAL	6	7	9

The increase in Franchised Outlets in Table 3 from 2023 to 2024 includes 17 Branch Offices that were not included in 2023 Franchised Outlets calculation and 10 Branch Offices that were opened in 2024.

The names, addresses, and telephone numbers of all current franchisees are listed in Exhibit C, representing 58 franchisees operating 201 Central Offices and Branch Offices as of December 31, 2025.

Exhibit C also lists the names, city and state and business (or, if unknown, home) telephone numbers of every franchisee who ceased to do business under the franchise agreement or had an outlet terminated, canceled, not renewed, transferred within the last fiscal year, or who has not communicated with the franchisor within 10 weeks of the issuance date of this Franchise Disclosure Document.

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

Certain HomeSmart International franchisees have signed confidentiality clauses with the Franchisor during the last three years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees but be aware not all such franchisees will be able to communicate with you.

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

ITEM 21: FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit A are the audited, fiscal year end financials of our parent, HomeSmart Holdings, Inc. for fiscal years ending December 31, 2023, 2024 and 2025. Our parent, HomeSmart Holdings, Inc. has guaranteed our performance with you. A copy of the Guaranty of Performance from HomeSmart Holdings, Inc. is included with Exhibit A.

ITEM 22: CONTRACTS

Attached are the following agreements proposed for use in connection with our offering of franchises:

Exhibits:

- B. Franchise Agreement
- E. State-Specific Addenda
- G. Non-Disclosure and Non-Competition Agreement
- H. Statement of Franchisee
- I. General Release

ITEM 23: RECEIPTS

The last two pages of the Franchise Disclosure Document (Exhibit K) are receipt pages acknowledging your receipt of the Franchise Disclosure Document. One copy is for your records, and one copy must be signed and dated by you and returned to us. If you are missing these Receipts, please contact us at this address or telephone number:

HomeSmart International Franchise Service
8388 East Hartford Dr., Suite 100
Scottsdale, Arizona 85255
(602) 230-7600
Bryan Brooks, Senior Vice President of Franchise Sales
Email: bbrooks@hsmove.com

**Exhibit A to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
FINANCIAL STATEMENTS**



To the Stockholders
HomeSmart Holdings, Inc. and Subsidiaries
Scottsdale, Arizona

We agree to the inclusion of the Franchise Disclosure Document dated April 10, 2026 issued by HomeSmart International LLC (the Franchisor) of our report, dated March 30, 2026, relating to the consolidated financial statements of its parent, HomeSmart Holdings, Inc. and Subsidiaries as of December 31, 2025, and for the year then ended.

Richey, May & Co., LLP

Englewood, Colorado
April 10, 2026

HomeSmart Holdings, Inc. and Subsidiaries
Consolidated Financial Statements
For the years ended December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Stockholders
HomeSmart Holdings, Inc. and Subsidiaries
Scottsdale, Arizona

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of HomeSmart Holdings, Inc. and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of HomeSmart Holdings, Inc. and Subsidiaries as of December 31, 2025 and 2024, 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 audit 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 Consolidated Financial Statements section of our report. We are required to be independent of HomeSmart Holdings, Inc. and Subsidiaries 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HomeSmart Holdings, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HomeSmart Holdings, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HomeSmart Holdings, Inc. and Subsidiaries' 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.

Richey, May & Co., LLP

Englewood, Colorado
March 30, 2026

This Audit Opinion is provided under Richey, May & Co., LLP which is a licensed independent CPA firm that provides attest services to its clients.

HomeSmart Holdings, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(In thousands)

	Years Ended December 31,	
	2025	2024
Revenue		
Real estate brokerage	\$ 420,345	\$ 448,636
Franchise	5,416	5,488
Affiliated business services	4,844	4,842
Total revenue	430,605	458,966
Operating expenses		
Commission and other direct costs	393,428	423,477
General and administrative	24,371	21,282
Sales, marketing, and advertising	3,422	3,787
Depreciation and amortization	2,516	2,767
Total operating expenses	423,737	451,313
Income from operations	6,868	7,653
Interest expense	(1,683)	(2,448)
Other income, net	1,151	987
Income before income taxes	6,336	6,192
Income tax benefit (expense)	356	(1,516)
Net income	\$ 6,692	\$ 4,676
Comprehensive income		
Net income	\$ 6,692	\$ 4,676
Other comprehensive (loss) income:		
Unrealized (loss) gain on interest rate swap agreements	(133)	213
Comprehensive income	\$ 6,559	\$ 4,889

See accompanying notes to the consolidated financial statements.

HomeSmart Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands)

	December 31, 2025	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,016	\$ 4,949
Accounts receivable, net of allowance for credit losses of \$871 and \$639, respectively	2,234	2,333
Commission receivable, net of allowance for credit losses of \$107 and \$84, respectively	667	571
Prepaid expenses	314	335
Due from related parties	21	45
Other current assets	65	311
Total current assets	6,317	8,544
Property and equipment, net	405	420
Goodwill	21,783	21,783
Intangibles, net	1,390	3,724
Operating lease assets	7,347	9,110
Other non-current assets	7,362	6,492
Total assets	\$ 44,604	\$ 50,073
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 886	\$ 2,465
Accrued expenses and other current liabilities	2,283	4,076
Commissions payable	850	1,139
Current portion of notes payable	4,153	5,471
Current portion of operating lease liabilities	1,730	2,386
Due to related parties	8	28
Total current liabilities	9,910	15,565
Long-term notes payable, net	12,906	17,537
Long-term related party notes payable	6,560	7,247
Other non-current liabilities	626	584
Long-term operating lease liabilities	5,823	6,924
Total liabilities	35,825	47,857
Stockholders' equity:		
Common stock, \$0.01 par value, 100,000,000 shares authorized; 54,478,907 shares issued and outstanding	545	545
Additional paid-in-capital	25,437	25,438
Accumulated deficit	(17,026)	(23,723)
Accumulated other comprehensive loss	(177)	(44)
Total stockholders' equity	8,779	2,216
Total liabilities and stockholders' equity	\$ 44,604	\$ 50,073

See accompanying notes to the consolidated financial statements.

HomeSmart Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	Years Ended December 31,	
	2025	2024
Operating activities		
Net income	\$ 6,692	\$ 4,676
Adjustments to net income:		
Depreciation and amortization	2,516	2,767
Gain on sale of property and equipment	-	(168)
Amortization of deferred financing costs and debt discount	172	173
Non-cash lease expense	3,153	3,507
Stock-based compensation	(1)	69
Deferred income taxes	(836)	-
Other, net	(459)	(55)
Changes in assets and liabilities:		
Accounts receivable	99	(1,040)
Commission receivable	(96)	(164)
Prepaid expenses	21	180
Due from related parties, net	4	(1,014)
Other current assets	246	(161)
Other non-current assets	(17)	23
Accounts payable	(1,579)	2,077
Accrued expenses and other current liabilities	(1,751)	1,181
Commissions payable	(289)	508
Operating lease liabilities	(3,147)	(3,489)
Other non-current liabilities	(91)	(83)
Net cash provided by operating activities	4,637	8,987
Investing activities		
Purchases of property and equipment	(167)	(90)
Proceeds from sale of property and equipment	-	500
Proceeds from investments in unconsolidated entities	760	806
Net cash provided by investing activities	593	1,216
Financing activities		
Repayments of notes payable	(6,121)	(4,456)
Net payments on related party promissory notes	(1,000)	(2,000)
Debt issuance costs	-	(9)
Payments under finance lease obligations	(42)	(63)
Net cash used in financing activities	(7,163)	(6,528)
Net (decrease) increase in cash and cash equivalents	(1,933)	3,675
Cash and cash equivalents, beginning of year	4,949	1,274
Cash and cash equivalents, end of year	\$ 3,016	\$ 4,949
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,197	\$ 1,746
Cash paid for taxes	\$ 1,836	\$ -
Supplemental disclosure of non-cash investing and financing activities:		
Note receivable from sale of property and equipment	\$ -	\$ 1,000
Conversion of secured credit facilities to long-term note payable	\$ -	\$ 5,694

See accompanying notes to the consolidated financial statements.

HomeSmart Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(In thousands)

	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	paid-in-	deficit	other	stockholders'
			capital		comprehensive	equity
					loss	(deficit)
Balances as of December 31, 2023	54,478,907	\$ 545	\$ 25,370	\$ (28,357)	\$ (257)	\$ (2,699)
Net income	-	-	-	4,676	-	4,676
Stock-based compensation expense	-	-	69	-	-	69
Gain on interest rate swap	-	-	-	-	213	213
Other, net	-	-	(1)	(42)	-	(43)
Balances as of December 31, 2024	54,478,907	545	25,438	(23,723)	(44)	2,216
Net income	-	-	-	6,692	-	6,692
Stock-based compensation expense	-	-	(1)	-	-	(1)
Loss on interest rate swap	-	-	-	-	(133)	(133)
Other, net	-	-	-	5	-	5
Balances as of December 31, 2025	54,478,907	\$ 545	\$ 25,437	\$ (17,026)	\$ (177)	\$ 8,779

See accompanying notes to the consolidated financial statements.

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Description of Business

HomeSmart Holdings, Inc. (“Holdings” or “the Company”), collectively with its subsidiaries, is a real estate enterprise powered by its proprietary end-to-end technology platform. The Company provides integrated real estate solutions to agents, Company-owned brokerages, franchisees and ultimately the buyers and sellers (“the consumer”) with operations across the United States.

Holdings has organized its operations into three operating segments: real estate brokerage, franchise, and affiliated business services. The real estate brokerage operating segment is engaged by its customers to assist with the buying, selling, or leasing of property. In exchange for its services, the Company is compensated in the form of commission income earned upon closing of the sale of a property or execution of a lease. The franchise operating segment franchises its real estate brand to real estate brokerage businesses that are independently owned and operated. Franchise revenue principally consists of royalty and marketing fees from the Company’s franchisees. Royalties received by the Company are primarily derived from the number of agents affiliated with each franchisee and the number of closed transactions by each franchisee each month. The affiliated business services operating segment provides title and escrow services. The Company receives fees for the title and escrow services it provides its customers.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

HomeSmart Holdings, Inc. was formed on October 22, 2020 with the objective of consolidating 100% of the Founder and Chief Executive Officer’s (the “Founder”) equity interests held in multiple individual legal entities into one legal business entity (“the Reorganization”). Before and after the Reorganization, the Founder had 100% ownership in HomeSmart Holdings, Inc. and the legal entities included in the Reorganization, with the exception of four immaterial joint venture legal entities in which the Founder had both a 51% ownership and voting interest.

The Reorganization, which occurred in the second quarter of 2021, ultimately consolidated each of the individual legal entities under common control which required the legal entities to be combined at their historical cost. Prior to the Reorganization, there were no subsidiaries consolidating into Holdings and the Company had no operations, assets or liabilities.

The Consolidated Financial Statements include the accounts of HomeSmart Holdings, Inc. and its Subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company’s Consolidated Financial Statements include the assets, liabilities, revenues and expenses of all controlled subsidiaries. The Company’s fiscal year end is December 31.

The Consolidated Financial Statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The following critical accounting policies represent the areas where more significant judgments and estimates are used in the preparation of the Consolidated Financial Statements.

Use of Estimates

In preparation of the Consolidated Financial Statements, U.S. GAAP requires management to make judgments, estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. The Company regularly evaluates estimates and assumptions related to the fair value of acquired intangible assets and goodwill, allowance for credit losses, legal contingencies, impairment of intangible assets and goodwill, and income taxes. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances. Actual results realized by the Company could differ materially and adversely from the Company’s estimates.

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Revenue Recognition

The Company generates its revenue from real estate brokerage services, franchise royalties and other affiliated business services.

The Company's revenue recognition policies are discussed further below by business segment:

Real Estate Brokerage

As an owner-operator of real estate brokerages, the Company assists home buyers and sellers in listing, marketing, selling and finding homes. Real estate commissions earned by the Company's real estate brokerage business are recorded as revenue at the closing of a real estate transaction (i.e., purchase or sale of a home, execution of a lease). These revenues are referred to as real estate brokerage revenue. The commissions the Company pays to real estate agents are recognized concurrently with the associated brokerage revenues and included as a cost of sale within the commission and other direct costs line item on the accompanying Consolidated Statements of Comprehensive Income.

In such real estate transactions, the Company holds the real estate brokerage license that is necessary under relevant state laws and regulations to provide brokerage services and therefore controls those services that are being rendered for home buyers and sellers and lessees/lessors of real estate. Although the Company's agents are independent contractors, they cannot execute a real estate transaction without a brokerage license, which the Company possesses. The Company has the only contractual relationship for the sale or exchange of real estate with its customer (i.e., the home buyer or seller). Accordingly, the Company is the principal in its transactions with both home buyers and sellers, or lessees and lessors in the case of an execution of a lease.

As principal, the Company recognizes revenue in the gross amount of consideration it expects to receive in exchange for its services which is determined based on the sales price multiplied by the commission rate as agreed upon in the listing agreement with a seller or between co-brokered transactions with other third-party brokers.

Franchise

The Company franchises its real estate brands to real estate brokerage businesses that are independently owned and operated. Franchise revenue principally consists of upfront, royalty, and marketing fees earned from the Company's franchisees.

The franchise arrangement requires the Company to perform various upfront activities to support the brand such as training, pre-opening assistance, and access to the Company's technology platform. These upfront services are highly interrelated with the franchise right as they do not provide a substantive service to the customer on their own. Together, the upfront services and franchise right represent a series of distinct daily services rendered over time. Consistent with the transfer of control for distinct, daily services to the customer, franchise fee revenue from the sale of individual franchises and fees for new branch locations are deferred and recognized over the term of the individual franchise agreement, 5 or 10 years, on a straight-line basis. The franchise deferred revenues are presented in accrued expenses and other current liabilities and other non-current liabilities.

The royalty received is primarily based on the franchisee's agent count and the number of real estate transactions closed in a month. Royalty fees are accrued as the underlying franchisee revenue is earned (typically upon close of the real estate transaction).

The Company also earns monthly marketing fees from its franchisees. Such fees are utilized to fund ongoing marketing campaigns on behalf of its franchisees and are recognized as franchise revenue in the month earned. In addition, the Company recognizes a deferred asset for commissions paid for the sale of a new franchise as these are considered costs of obtaining a contract with a customer that are expected to provide benefits to the Company for longer than one year. The Company classifies capitalized commissions as current or non-current assets in the Consolidated Balance Sheets based on the expected timing of recognition of the expense.

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Affiliated Business Services

The Company provides title and escrow services to the consumer. Title and escrow revenues within the Company's affiliated business services are recorded as earned, generally at the time a real estate transaction is closed. For title services, the Company acts as an agent for insurance policy underwriters by performing title related services on their behalf. The insurance policy underwriter is the primary obligor for the policy. Accordingly, the Company recognizes revenue solely based on the net amount the Company earns for its performance of the title related services, as opposed to the gross amount of the title insurance transaction. For escrow services, the Company's primary responsibilities are to administer funds and enforce the terms of the escrow agreement. In this capacity, the Company is an agent in its promise to perform the services for the real estate broker, who is the principal and primary obligor. Accordingly, the Company recognizes escrow services revenue upon performance of the services in the amount contractually agreed upon with the broker.

Commission and Other Direct Costs

The Company pays commissions to its agents for which the associated costs are recognized concurrently with the associated revenue and are recorded within the commission and other direct costs line item on the Consolidated Statements of Comprehensive Income. Additionally, the Company pays fees to external brokerages for client referrals, which are recognized and paid upon the closing of a real estate transaction, and the Company charges its agents various fees for the services it provides. These fees are either transaction based, where amounts are collected at the closing of a brokerage transaction, or in the form of periodic fixed fees over a defined period of time. Fees charged to affiliated agents are recognized as a reduction to commission and other direct costs as the reimbursements do not constitute a form of revenue nor do they constitute a reimbursement for a specific, incremental, identifiable cost for the Company.

The Company also incurs costs related to the sale of new franchises which are included in the commission and other direct costs on the Consolidated Statements of Comprehensive Income.

The title and escrow affiliated business services operating segment incurs personnel-related costs, including salaries, benefits and bonuses, incurred in connection with either funding new loans or closing transactions within title and escrow. Other direct costs include title policies issued as well as other notary and recording fees. The amount of these costs are also included in commission and other costs on the Consolidated Statements of Comprehensive Income.

Contract Costs

The Company capitalizes commissions paid for its franchise arrangements as an incremental cost to acquire the contract. Capitalized commissions are amortized over the period of expected benefit, which management estimates to be five years. The Company classifies capitalized commissions as other current assets or other non-current assets in the Consolidated Balance Sheets, based on the expected timing of expense recognition. The amount of commissions is a flat rate for each location. The amount of capitalized commissions was \$0.2 million and \$0.3 million as of December 31, 2025 and 2024, respectively.

Contract Liabilities

The following table shows the change in the Company's contract liabilities related to revenue contracts for the periods (in thousands):

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Year Ended December 31, 2025				
	Beginning Balance at January 1, 2025	Additions During the Year	Recognized as Revenue During the Year	Ending Balance at December 31, 2025
Franchise revenue contracts	\$ 678	\$ 74	\$ (165)	\$ 587

Year Ended December 31, 2024				
	Beginning Balance at January 1, 2024	Additions During the Year	Recognized as Revenue During the Year	Ending Balance at December 31, 2024
Franchise revenue contracts	\$ 769	\$ 120	\$ (211)	\$ 678

Short-term franchise contract liabilities are included in accrued expenses and other current liabilities on the Consolidated Balance Sheets and long-term franchise contract liabilities are presented in other non-current liabilities on the Consolidated Balance Sheets.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities when purchased of three months or less to be cash equivalents.

Financial instruments are potentially subject to concentrations of credit risk including cash and cash equivalents. Cash and cash equivalents are placed with major financial institutions deemed to be of high-credit quality in order to limit credit exposure. The Company regularly holds cash in excess of Federal Deposit Insurance Corporation ("FDIC") federally insured limits at the financial institutions. Management believes that the Company is not exposed to any significant credit risk related to cash and cash equivalents balances. As of December 31, 2025, the Company had \$2.9 million in excess of the FDIC insured limit of \$250 thousand per bank account held in various bank accounts.

Stock-based Compensation

The Company measures compensation expense for all stock-based awards based on the estimated fair value of the awards on the date of grant. Compensation expense is generally recognized as expense on a straight-line basis over the service period based on the vesting requirements. The Company recognizes forfeitures as they occur.

The fair values of the stock appreciation rights ("SARs") are estimated on the date of grant using the Black-Scholes option valuation model. As there is no public market for its common stock, the Company determines the volatility for awards granted based on an analysis of reported equity data for a group of guideline companies. The expected volatility has been determined using the leverage adjusted weighted-average of the historical equity volatility of this group of guideline companies. The expected term of the Company's SARs has been determined utilizing the SEC "simplified" method for awards that qualify as "plain-vanilla". The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. The Company has not paid, and does not anticipate paying, cash dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. The fair values of the Company's restricted stock units ("RSUs") are estimated based on the fair value of its common stock on the date of grant.

SARs and RSUs awards are both subject to service-based and performance-based vesting conditions. See Note 11, "Stock-based Compensation", for discussion.

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company's policy is to classify interest and penalties on uncertain tax positions as a component of income tax expense.

The Company recognizes the U.S. tax effects of global intangible low-taxed income ("GILTI") as a component of income tax expense in the period the tax arises (the "period cost method").

Variable Interest Entities

The Company has elected the "Private Company Alternative" for Variable Interest Entities ("VIE"), pursuant to ASC 810-10-15-17AD *Accounting Alternative for Entities under Common Control*; therefore, the assets, liabilities, and operating results of these potential VIEs have not been included in the Company's Consolidated Financial Statements. The Company has involvement with several potential VIEs under common control. These VIEs are separate legal entities owned by the Company's founder and stockholder.

The Company makes electronic payments to HomeSmart agents utilizing the services of, has office space leases with, and has a consulting services agreement with, related companies that could be considered VIEs. The Company may at times have related party balances with these entities. See Note 13, "Related Party Transactions", for additional discussion on related party transactions.

The Company believes that its exposure to loss related to these entities is insignificant and there is evidence which indicates the Company would not be under obligation for losses nor have the right to benefits which may be incurred by the other entities.

Equity Method Investments

Investments in entities for which the Company has the ability to exercise significant influence over, but does not have financial or operating control, are accounted for using the equity method of accounting. Accordingly, the Company's share of the net income (loss) of equity method investments are included in the Company's net income (loss), and the proceeds received are reflected on the Consolidated Statements of Cash Flows within net cash provided by investing activities.

In connection with the PalmerHouse acquisition in 2021, the Company acquired a minority interest in Independence Title & Escrow, LLC. The investment balance as of both December 31, 2025 and 2024 was \$1.8 million and is presented in other non-current assets on the Consolidated Balance Sheets.

In connection with the Solid Source acquisition in 2023, the Company acquired a minority interest in Solid Source Companies, LLC. The investment balance as of both December 31, 2025 and 2024 was \$3.3 million and is presented in other non-current assets on the Consolidated Balance Sheets.

Fair Value Measurements

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company categorizes each of its fair value measurements in one of the following three levels based on the lowest level of input that is

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Notes to Consolidated Financial Statements

significant to the fair value measurement. The fair value hierarchy prioritizes the quality and reliability of the information used to determine fair values. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each period. There were no transfers between levels during the periods presented.

Input Level	Definitions
Level 1	Inputs are quoted market prices in active markets for identical assets or liabilities (these are observable market inputs). Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability (includes quoted market prices for similar assets or identical or similar assets in markets in which there are few transactions, prices that are not current or prices that vary substantially).
Level 2	Inputs are unobservable inputs that reflect the entity's own assumptions in pricing the asset or liability (used when little or no market data is available).
Level 3	

The fair value of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate their carrying value due to their short-term maturities. Notes payable are presented at their carrying value. See Note 12, "Fair Value Measurements", for further discussion of the Company's fair value measurements.

Derivative Financial Instruments

The Company has two pay-fixed, receive-variable, interest rate swap contracts ("Swaps") to manage its exposure to changes in interest rates. The Swaps are recognized in the Consolidated Balance Sheets at fair value. The Swaps are cash flow hedges and are recorded using hedge accounting; as such, changes in the fair value of the Swaps are recorded in other comprehensive income (loss) until the hedged items are recognized in earnings. Amounts reported in other comprehensive income (loss) related to the Swaps are reclassified to interest expense as interest payments are made on the Company's variable-rate debt.

The Company assesses, both at the inception of the hedge and on an ongoing basis, whether the derivative used as a hedging instrument is highly effective in offsetting the changes in the cash flow of the hedged item. If it is determined that the derivative is not highly effective as a hedge or ceases to be highly effective, the Company will discontinue hedge accounting prospectively. See Note 12, "Fair Value Measurements", and Note 7, "Debt", for additional information.

Accounts Receivable, Net and Allowance for Credit Losses

Accounts receivable primarily consist of amounts owed from escrow companies upon the close of real estate transactions, amounts owed from franchisees, and amounts owed from agents. The Company uses the aging schedule method to estimate current expected credit losses ("CECL") based on the age and nature of the past due accounts. Significant judgment is used in estimating the timing, frequency, and severity of losses. The Company adjusts the allowance periodically based on historical experience, combined with a review of current developments and forecasts of future collectability. The allowance calculation also includes specific accounts for which collectability is considered to be remote (i.e., bankruptcy, lack of contact, age of account balance, etc.). The Company is subject to credit risk associated with accounts receivable.

Property and Equipment, net

Property and equipment (including leasehold improvements) are recorded at historical cost, net of accumulated depreciation and amortization. Depreciation, recorded as a component of depreciation and amortization on the

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Consolidated Statements of Comprehensive Income, is computed utilizing the straight-line method over the estimated useful lives of the related assets and assuming no salvage value, as follows:

Type	Estimated Useful Life
Furniture	10 years
Office and computer equipment	3 - 7 years
Vehicles	5 years
Leasehold improvements (a)	2 - 7 years
Internally-developed software	5 years

(a) Leasehold improvements are depreciated over the lesser of the lease term or the useful life of the improvement.

As it pertains to internally developed software, costs incurred in the preliminary stages of software development are expensed as incurred. Once an application has reached the development stage, direct internal and external costs relating to upgrades or enhancements that meet the capitalization criteria are capitalized and amortized on a straight-line basis over their estimated useful lives. Maintenance and enhancement costs (including those costs in the post-implementation stages) are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the software that result in added functionality, in which case the costs are capitalized as well.

Internally developed software costs are amortized over the expected useful lives of the releases, which have been estimated to have a useful life of five years. Estimated useful lives of capitalized internal-use software are reviewed annually or whenever events or changes in circumstances indicate a release may be impaired.

Leases

The Company determines if a contract contains a lease at inception and recognizes operating lease right-of-use assets and operating lease liabilities based on the present value of future minimum lease payments at the lease commencement date. When a lease does not provide the implicit rate, the Company's incremental borrowing rate commensurate with the underlying lease terms is used. Lease expense is recognized on a straight-line basis over the lease term.

Business Combinations

Business combinations are accounted for under the acquisition method of accounting. This method requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, not to exceed one year from the date of acquisition, the Company may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill if new information is obtained related to facts and circumstances that existed as of the acquisition date. After the measurement period, any subsequent adjustments are reflected in the Consolidated Statements of Comprehensive Income.

Goodwill, Intangible Assets and Other Long-Lived Assets

Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Goodwill is not amortized but is subject to impairment testing. The aggregate carrying amount of the Company's goodwill as of both December 31, 2025 and 2024 was \$21.8 million and is subject to an impairment assessment annually as of October 1, or whenever events or changes in circumstances occur that indicate fair value may be below the carrying amount. As part of the annual goodwill impairment test, the Company first performs a qualitative assessment to determine whether further impairment testing is necessary. If, as a result of the qualitative assessment, it is more likely than not that the fair value of the reporting unit is less than its carrying amount, a quantitative impairment test will be required. If the Company has determined it necessary to

HomeSmart Holdings, Inc. and Subsidiaries
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perform a quantitative impairment assessment, the Company will compare the fair value of the reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, limited to the total amount of goodwill of the reporting unit. The results of the Company's annual assessment did not identify any goodwill impairment.

The Company's finite-lived intangible assets are carried at cost, net of accumulated amortization. Intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company estimates the useful life by estimating the expected period of economic benefit. Intangible assets consist of agent relationships, pendings (i.e., real estate transactions in-process) and listings, and trade names acquired through historical acquisitions. The estimated useful lives of the Company's intangible assets range from one to five years. For the years ended December 31, 2025 and 2024 there were no impairments of finite-lived intangible assets.

The Company evaluates other non-current assets, which include depreciable intangible and tangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of other non-current assets exceeds its fair value. This includes but is not limited to significant adverse changes in business climate, market conditions or other events that indicate an asset groups' carrying amount may not be recoverable. Recoverability of asset groups to be held and used is measured first by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset group. If such asset groups were considered to be impaired, an impairment loss in the amount of the excess of the carrying amount over the fair value of the asset group would be recognized. Based on management's assessment, other non-current assets were not impaired as of December 31, 2025 or 2024.

Sales, Marketing, and Advertising

Sales, marketing, and advertising expenses consist primarily of public relations, communications and events expenses, personnel-related costs, including salaries, benefits and bonuses, for employees supporting franchise sales, marketing, agent recruiting and retention costs, acquisition and new office expansions, ancillary services, and costs related to national referral, relocation, lead generation and call center activities. Sales, marketing, and advertising expenses also include advertising expenses such as print advertising, content marketing, online and social media advertising, event marketing and promotional items, which are expensed as incurred.

General and Administrative

General and administrative expenses consist primarily of personnel-related costs, including salaries, benefits, and bonuses for executive management and administrative employees, including finance and accounting, legal, human resources and communications, the occupancy costs for the corporate headquarters, and other office-related expenses for supporting agents, administrative functions, professional service fees for legal and finance, insurance expenses and talent acquisition expenses. General and administrative costs are expensed as incurred.

Defined Contribution Plan

The Company has a 401(k) defined contribution plan covering substantially all employees. For the years ended December 31, 2025 and 2024, the Company made discretionary employer matching contributions of \$171 thousand and \$152 thousand, respectively, which are included in operating expenses on the Consolidated Statements of Comprehensive Income.

Recently Issued Accounting Standards

The following provides a brief description of recent accounting pronouncements that could have a material effect on the Company's financial statements:

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This guidance provides amendments to the FASB Accounting Standards Codification to enhance the transparency and decision usefulness of income tax disclosures. The amendments in this ASU are effective for annual periods beginning after December 15, 2025. Early

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

adoption is permitted. Management of the Company does not expect the implementation of this ASU to have a material impact on the Company's income tax disclosures.

3. Goodwill and Intangible Assets

Goodwill is attributable to the real estate brokerage operating segment, as follows (in thousands):

	<u>Amount</u>
Balance at December 31, 2023	\$ 21,783
Goodwill acquired	-
Balance at December 31, 2024	21,783
Goodwill acquired	-
Balance at December 31, 2025	<u>\$ 21,783</u>

Intangible assets, net, are as follows (in thousands):

<u>December 31, 2025</u>				
	<u>Estimated Useful Life</u>	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Finite-lived intangible assets:				
Agent relationships	5 years	\$ 10,490	\$ (9,108)	\$ 1,382
Trade name	5 years	2,140	(2,132)	8
Pendings and listings	1 year	255	(255)	-
Total		<u>\$ 12,885</u>	<u>\$ (11,495)</u>	<u>\$ 1,390</u>

<u>December 31, 2024</u>				
	<u>Estimated Useful Life</u>	<u>Gross Carrying Value</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Finite-lived intangible assets:				
Agent relationships	5 years	\$ 10,490	\$ (7,202)	\$ 3,288
Trade name	5 years	2,140	(1,704)	436
Pendings and listings	1 year	255	(255)	-
Total		<u>\$ 12,885</u>	<u>\$ (9,161)</u>	<u>\$ 3,724</u>

Amortization expense for intangible assets for the years ended December 31, 2025 and 2024 was \$2.3 million and \$2.4 million, respectively, and is included in depreciation and amortization expense on the Consolidated Statements of Comprehensive Income.

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The estimated aggregate amortization expense for each of the succeeding fiscal years is shown in the table below at (in thousands):

	<u>Amount</u>
2026	\$ 954
2027	436
Total amortization expense	<u>\$ 1,390</u>

4. Property and equipment, net

As of December 31, 2025 and 2024, property and equipment, net consisted of (in thousands):

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
Internally developed software	\$ 370	\$ 370
Furniture	563	506
Office and computer equipment	959	990
Vehicles	133	94
Equipment under finance lease (see Note 5)	158	239
Leasehold improvements	126	107
Total property and equipment	<u>2,309</u>	<u>2,306</u>
Less: Accumulated depreciation and amortization	(1,904)	(1,886)
Property and equipment, net	<u>\$ 405</u>	<u>\$ 420</u>

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2025 and 2024 was \$0.2 million and \$0.4 million, respectively, and is included in the depreciation and amortization expense on the Consolidated Statements of Comprehensive Income.

5. Leases

The Company's lease portfolio consists of leases for office space and equipment. At inception, the Company reviews and determines if an arrangement meets the definition of a lease. Material lease contracts are generally for buildings and the determination of whether such contracts contain leases generally does not require significant estimates or judgments. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the Consolidated Statements of Comprehensive Income. Management elected the short-term lease recognition exemption for all of the Company's leases that qualify, in addition to the practical expedient to not separate lease and non-lease components.

Buildings

HomeSmart leases corporate offices in Scottsdale, Arizona and maintains office locations throughout the United States. As of December 31, 2025 and 2024, respectively, the Company has 32 and 36 building leases with lease terms ranging from less than 1 year to 10 years. Many real estate leases include one or more options to renew or terminate a lease. The exercise of a lease renewal or termination option is assessed on an ongoing basis and only reflected in the lease term if the Company is reasonably certain to exercise the option. None of the building leases contain residual value guarantees or purchase options and all building leases as of December 31, 2025 and 2024 are operating leases. Building leases comprise more than 99% of the total operating lease liability as of December 31, 2025 and 2024. Leased office space is available for use by real estate agents contracted with the Company. Should an agent or group of agents desire a designated space for exclusive use, such space may be sub-leased from HomeSmart.

Equipment Leases

HomeSmart also engages in leases related to office equipment to support field operations, some of which include an option to purchase the equipment at the end of the lease. Equipment leases include both financing and operating leases.

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Lease Assets and Liabilities

Operating lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. For leases with an initial term greater than twelve months, HomeSmart recognizes a lease asset and liability at the commencement date. Lease assets are initially measured at cost, which includes the initial amount of the lease liability, plus any initial direct costs incurred, less lease incentives received.

For both operating and finance leases, the liabilities are initially and subsequently measured based on the present value of the unpaid lease payments over the lease term calculated using the Company's incremental borrowing rate, unless the implicit rate is readily determinable. Management is required to use estimates and judgments in the determination of lease assets and liabilities. Key estimates and judgments include the following:

Lease Discount Rate – The Company is required to discount unpaid fixed lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the implicit rate for operating leases cannot be determined and the Company's incremental borrowing rate is used. Some finance leases may have an interest rate implicit in the lease. The incremental borrowing rate is determined at the commencement of each lease and is updated only if there is subsequent modification to the lease.

The Company's incremental borrowing rate represents the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term in a similar economic environment.

Lease Term – Lease terms include the non-cancellable period of the lease plus any additional periods covered by an option to extend or terminate the lease that the Company is reasonably certain to exercise.

Fixed Payments – Lease payments in the measurement of the lease liability include the following: fixed payments owed over the lease term, termination penalties if HomeSmart expects to exercise a termination option and the price to purchase the underlying asset if the Company is reasonably certain to exercise the purchase option.

Supplemental balance sheet information related to leases as of December 31, 2025 is as follows:

Weighted average remaining lease terms and discount rates:

Weighted average remaining lease term - finance leases (in years)	1.5
Weighted average remaining lease term - operating leases (in years)	4.7
Weighted average discount rate - finance leases	15.15%
Weighted average discount rate - operating leases	5.55%

As of December 31, 2025, the undiscounted future lease payments for operating and finance lease liabilities were as follows (in thousands):

	<u>Operating</u>	<u>Finance</u>
2026	\$ 2,059	\$ 18
2027	1,701	8
2028	1,501	1
2029	1,375	-
2030	1,288	-
Thereafter	669	-
Total lease payments	8,593	27
Less: Interest	(1,040)	(3)
Present value of lease liabilities	<u>\$ 7,553</u>	<u>\$ 24</u>

The Company has several leases with related parties, values of which are included in consolidated total operating lease information above. All leases with related parties are operating leases for office space.

HomeSmart Holdings, Inc. and Subsidiaries
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The table below shows the related party lease undiscounted future lease payments for operating lease liabilities as of December 31, 2025 (in thousands). See Note 12, "Related Party Transactions", for additional discussion.

	Related Party Operating Leases
2026	\$ 244
2027	245
2028	231
2029	209
2030	209
Thereafter	122
Total lease payments	1,260
Less: Interest	(228)
Present value of lease liabilities	\$ 1,032

Leases on Consolidated Balance Sheets:

As of December 31, 2025 and 2024, the Consolidated Balance Sheets, as presented, have the following lease related balances (in thousands):

	2025	2024
Operating Leases:		
Operating leases right-of-use assets	\$ 7,347	\$ 9,110
Current portion of operating lease liabilities	\$ 1,730	\$ 2,386
Long-term operating lease liabilities	5,823	6,924
Total operating lease liabilities	\$ 7,553	\$ 9,310
Finance Leases:		
<i>Assets:</i>		
Property and equipment	\$ 158	\$ 239
Accumulated depreciation	(136)	(171)
Property and equipment, net	\$ 22	\$ 68
<i>Liabilities:</i>		
Accrued expenses and other current liabilities	\$ 16	\$ 38
Other non-current liabilities	8	23
Total finance lease liabilities	\$ 24	\$ 61

Lease Expense and Activity

Payments due under lease contracts include fixed payments plus, for many leases, variable payments. Fixed payments are recognized on a straight-line basis over the term of the lease, including any periods of free rent. Variable expenses associated with leases are recognized when they are incurred. For building leases, variable payments include such items as allocable property taxes, local sales and business taxes, and common area maintenance charges. Variable payments associated with equipment leases include such items as local sales and business taxes and certain non-lease components, such as maintenance and other services provided by the lessor. In the Company's Consolidated Statements of Comprehensive Income, expenses for operating leases are recognized within general and administrative expenses, amortization of assets held under finance leases is included in depreciation and amortization expense and interest associated with finance leases is included in interest expense.

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Supplemental income statement information related to leases for the twelve months ended December 31, 2025 and 2024 is as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Finance lease expense:		
Amortization of finance lease right-of-use assets	\$ 35	\$ 54
Interest on finance lease obligations	6	15
Total finance lease expense	<u>\$ 41</u>	<u>\$ 69</u>
Operating lease expense:		
Short-term lease expense	\$ 93	\$ 83
Fixed lease expense	3,153	3,507
Variable lease expense	380	423
Less: Sublease income	(254)	(293)
Total operating lease expense	<u>\$ 3,372</u>	<u>\$ 3,720</u>

Supplemental cash flow information related to leases for the twelve months ended December 31, 2025 and 2024 is as follows (in thousands):

Cash paid for amounts included in the measurement of lease liabilities:

	<u>2025</u>	<u>2024</u>
Operating cash flows from finance leases	\$ 7	\$ 15
Operating cash flows from operating leases, fixed payments	3,153	3,507
Financing cash flows from finance leases	42	63

Supplemental non-cash flow information for the twelve months ended December 31, 2025 and 2024 is as follows (in thousands):

Right-of-use assets obtained in exchange for new or modified lease obligations:

	<u>2025</u>	<u>2024</u>
Finance leases	\$ 6	\$ 23
Operating leases	1,362	347
Total right-of-use assets obtained	<u>\$ 1,368</u>	<u>\$ 370</u>

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities as of December 31, 2025 and 2024 consisted of the following (in thousands):

	<u>2025</u>	<u>2024</u>
Accrued expenses	\$ 1,496	\$ 1,859
Income taxes payable	312	1,677
Current portion of contract liabilities	216	286
Short-term finance lease liability	16	38
Other	243	216
Total accrued expenses and other current liabilities	<u>\$ 2,283</u>	<u>\$ 4,076</u>

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7. Debt

Secured Promissory Notes Payable

In September 2022, the Company entered into secured promissory notes, consisting of a \$16.3 million Term Loan (“Initial Term Loan”) and an \$18.8 million revolving line of credit (“Revolver”), secured by all the assets of the Company. The Initial Term Loan has a maturity of September 2027, while the Revolver matured in September 2024.

The Initial Term Loan has an interest rate of thirty-day SOFR plus 2.5% and a corresponding interest rate swap agreement entered into as of October 2022. See Interest Rate Swaps below. At December 31, 2025 and 2024, the Company had approximately \$9.8 million and \$12.0 million of borrowings outstanding at interest rates of 6.37272% and 7.0527%, respectively.

The Revolver had an interest rate of thirty-day SOFR plus 2.5% with a floor of 4%. In September 2024, the revolver was converted to a \$5.7 million Term Loan (“Converted Term Loan”).

The Converted Term Loan has an interest rate of thirty-day SOFR plus 2.5% and a corresponding interest rate swap agreement entered into as of September 2024. See Interest Rate Swaps below. At December 31, 2025 and 2024, the Company had approximately \$4.7 million and \$5.6 million of borrowings outstanding at interest rates of 6.37272% and 7.0527%, respectively.

Related Party Notes Payable

On March 31, 2021, in conjunction with the Reorganization, the Company entered into a \$7.0 million unsecured promissory note payable with legal entities in which the Founder holds a 100% ownership interest. The note payable, effectively due to the Founder, bears interest at a rate of 3.0% per annum and matures in March 2029. The note payable may be prepaid by Holdings in whole or in part at any time, without premium or penalty. As of December 31, 2025 and 2024, \$4.0 million was outstanding on the note payable.

In December 2022, the Company issued a \$2.0 million promissory note to the Founder, bearing interest at a rate of 12% per annum, and maturing in December 2027. The promissory note was amended in April 2023 to increase the principal amount to \$4.5 million. As of December 31, 2025 and 2024, the outstanding balance was \$0.9 million and \$1.9 million, respectively.

As of December 31, 2025 and 2024, \$1.6 million and \$1.3 million, respectively, of accrued interest for related party notes payable is included in long-term related party notes payable on the Consolidated Balance Sheets.

Acquisition Related Notes Payable

On January 1, 2021, the Company issued a five year, \$6.3 million note with a non-compounded interest rate of LIBOR plus 3.0% per annum in connection with the PalmerHouse acquisition, maturing in March 2026. The note was amended in January 2023 to adjust the interest rate to 8.48214%. As of December 31, 2024, the outstanding balance was \$1.8 million. The note was paid in full in January 2025.

In January 2023, the Company issued a five-year \$6.3 million note with a non-compounded interest rate of 3% per annum in connection with the Solid Source acquisition, maturing in March 2028. As of December 31, 2025 and 2024, the outstanding balance was \$2.9 million and \$4.2 million, respectively.

Interest Rate Swaps

In October 2022, the Company entered into a pay-fixed, receive-floating interest rate swap (the “Initial Swap”) to mitigate variability in forecasted interest payments on an amortizing original notional amount of \$14.5 million of the Company’s variable-rate Initial Term Loan. The Company designated the swap as a cash flow hedge.

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In September 2024, the Company entered into a pay-fixed, receive-floating interest rate swap (the “Converted Swap”) to mitigate variability in forecasted interest payments on an amortizing original notional amount of \$5.7 million of the Company’s variable-rate Converted Term Loan. The Company designated the swap as a cash flow hedge.

As of December 31, 2025, information pertaining to the swaps was as follows:

	<u>Initial Swap</u>	<u>Converted Swap</u>
Notional amount (in thousands)	\$ 8,859	\$ 4,745
Fair value	\$ 158	\$ 19
Pay-fixed	4.58%	3.50%
Receive-floating	30-day SOFR	30-day SOFR
Maturity date	September 29, 2027	September 27, 2029

As of December 31, 2025 and 2024, the fair value of the swaps totaled \$177 thousand and \$44 thousand, respectively, and is included in other non-current liabilities in the accompanying Consolidated Balance Sheets.

For the years ended December 31, 2025 and 2024, amounts reported in other comprehensive income in the accompanying Consolidated Statements of Comprehensive Income are a loss of (\$133) thousand and a gain of \$213 thousand, respectively. During the years ended December 31, 2025 and 2024, \$6 thousand and \$88 thousand, respectively, was reclassified out of other comprehensive income and charged to interest expense, net in the accompanying Consolidated Statements of Comprehensive Income related to the settlement of monthly interest payments.

Future Debt Obligations

The combined aggregate maturities for debt as of December 31, 2025 are as follows (in thousands):

	<u>Unrelated (a)</u>	<u>Related Party (b)</u>	<u>Total</u>
2026	\$ 4,326	\$ -	\$ 4,326
2027	9,658	924	10,582
2028	1,151	-	1,151
2029	2,305	4,000	6,305
Total	<u>\$ 17,440</u>	<u>\$ 4,924</u>	<u>\$ 22,364</u>

- (a) Included with current portion of notes payable, net and long-term notes payable, net on the Consolidated Balance Sheet is \$173 thousand and \$208 thousand, respectively, of deferred financing fees.
- (b) Included with long-term related party notes payable on the Consolidated Balance Sheet is \$1.6 million in accrued interest.

8. Income Taxes

The Company’s provision for income taxes for the years ended December 31, 2025 and 2024 is based on its financial results through the end of the periods.

The U.S. and non-U.S. components of income before income taxes for the years ended December 31, 2025 and 2024 are as follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
United States	\$ 6,337	\$ 6,207
Foreign	(1)	(15)
Income before income taxes	<u>\$ 6,336</u>	<u>\$ 6,192</u>

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The components of income tax benefit (expense) for the years ended December 31, 2025 and 2024 are as follows (in thousands):

	Year Ended December 31,	
	2025	2024
<i>Current:</i>		
Federal	\$ (244)	\$ (1,385)
State	(236)	(131)
Total current	<u>(480)</u>	<u>(1,516)</u>
<i>Deferred:</i>		
Federal	687	-
State	149	-
Total deferred	<u>836</u>	<u>-</u>
<i>Total:</i>		
Federal	443	(1,385)
State	(87)	(131)
Income tax benefit (expense)	<u>\$ 356</u>	<u>\$ (1,516)</u>

The Company's income tax results differed from the amount computed by applying the relevant U.S. statutory federal income tax rate to income before income taxes. A reconciliation of the federal statutory tax rate to the effective tax rate for the years ended December 31, 2025 and 2024 are as follows (in thousands):

	December 31, 2025		December 31, 2024	
	Tax	Percent	Tax	Percent
Federal at statutory tax rate	\$ (1,331)	(21.0)	\$ (1,288)	(21.0)
State taxes, net	(291)	(4.6)	(620)	(10.1)
State net operating loss write-off	(1,103)	(17.4)	-	-
Other	(312)	(4.9)	508	8.3
Valuation allowance	3,393	53.5	(116)	(1.9)
Total	<u>\$ 356</u>	<u>5.6</u>	<u>\$ (1,516)</u>	<u>(24.7)</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities calculated under U.S. GAAP and the amounts calculated for preparing income tax returns. The net deferred tax assets balance was \$836 million as of December 31, 2025 and is included in other non-current assets in the accompanying Consolidated Balance Sheets. There was no net deferred tax assets balance as of December 31, 2024.

Components of net deferred tax assets as of December 31, 2025 and 2024 are as follows (in thousands):

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	December 31,	
	2025	2024
<i>Deferred tax assets:</i>		
Allowance for credit losses	\$ 213	\$ 159
Intangibles	302	1,402
Deferred revenue	53	213
Accrued compensation	52	43
Operating lease liabilities	1,904	2,616
Net operating loss	139	1,243
Interest carryforward	70	572
Other	205	204
Total deferred tax assets	2,938	6,452
Less: valuation allowance	(139)	(3,532)
Total deferred tax assets after valuation allowance	2,799	2,920
<i>Deferred tax liabilities:</i>		
Prepaid expenses	(21)	(18)
Property and equipment	(72)	(5)
Operating lease assets	(1,796)	(2,271)
Equity investments	-	(5)
Investment in foreign entities	-	(125)
Other	(74)	(496)
Total deferred tax liabilities	(1,963)	(2,920)
Net deferred tax assets	\$ 836	\$ -

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. In considering the need for a valuation allowance, the Company considers historical, as well as future, projected taxable income along with other objectively verifiable evidence. As such, Management has determined a valuation allowance of \$139 thousand and \$3.532 million is required as of December 31, 2025 and 2024, respectively.

As a result of the pass-through structure, the members are responsible for any tax matters arising from an examination. Subsequent to the April 1, 2021 Reorganization, HomeSmart Subsidiaries and HomeSmart Holdings, Inc. are responsible for any tax matters arising from an examination. Years in which an audit remains open for the corporate entity within the organization are 2022, 2023 and 2024. The Company is subject to audit by federal, state, local, and foreign tax authorities and the Company is not currently under examination. As of December 31, 2025, the Company has no uncertain tax positions.

The Company reflects changes in its liability for unrecognized tax benefits as income tax expense in the Consolidated Statements of Comprehensive Income. As of December 31, 2025 and 2024, the Company did not have any unrecognized tax benefits. As of December 31, 2025, the corporate tax years 2021, 2022, 2023 and 2024 are subject to examination by federal and state tax authorities.

9. Commitments and Contingencies

Litigation

From time to time, the Company may be involved in disputes or regulatory inquiries that arise in the ordinary course of business. When the Company determines an adverse outcome that could result in a loss to the Company, is both probable and reasonably estimable, a liability is recorded and disclosed. If an adverse outcome is probable, but not reasonably estimable, the Company discloses the nature of the claim and the fact that the amount of a contingent loss is not reasonably estimable. When a loss contingency is only reasonably possible, the Company does not record a

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liability but instead discloses the nature and the amount of the claim and an estimate of the loss or range of loss, if such contingent loss is reasonably estimable. Legal costs related to the defense of loss contingencies are expensed as incurred.

In 2023 the National Association of Realtors (NAR), along with several major real estate brokerages, became the subject of a high-profile antitrust lawsuit related to commission practices in residential real estate transactions. The lawsuit alleged that certain industry practices, including the mandatory offer of buyer broker compensation through Multiple Listing Services (MLS), violated federal antitrust laws. The Company has entered into a settlement agreement of \$4.3 million of which the Company is only responsible for \$1.0 million with insurance covering the remainder. The \$1.0 million settlement was paid in 2025. As of December 31, 2024, the \$1.0 million settlement was included in accrued expenses and other current liabilities on the accompanying Consolidated Balance Sheets.

The settlement includes significant proposed changes to industry rules and practices, which may impact how commissions are negotiated and disclosed. Management is currently evaluating the potential implications of the settlement on future revenue recognition, commission structures, and business practices. However, due to the ongoing nature of the proceedings and evolving regulatory responses, the full financial impact cannot be reasonably estimated at this time.

Tax Matters

The Company may be subject to sales and use tax in various jurisdictions within the United States. The Company is subject to regulatory audits by tax authorities whereby the outcome of the audits is uncertain. The Company believes there is appropriate support for its sales and use tax filings.

Escrow and Trust Deposits

As a service to its customers, the Company administers escrow and trust deposits which represent undisbursed amounts for the settlement of real estate transactions. Deposits at FDIC-insured institutions are insured up to \$250 thousand. As of December 31, 2025 and 2024, these deposits totaled \$3.5 million and \$5.7 million, respectively. These escrow and trust deposits are not assets of the Company and, therefore, are excluded from the accompanying Consolidated Balance Sheets. However, the Company remains contingently liable for the disposition of these deposits.

Standard Guarantees/Indemnifications

In the ordinary course of business, the Company enters into numerous agreements that contain standard guarantees and indemnities whereby the Company indemnifies another party for breaches of representations and warranties. In addition, many of these parties are also indemnified against any third-party claim resulting from the transaction that is contemplated in the underlying agreement. Such guarantees or indemnifications are granted under various agreements, including those governing: (i) purchases, sales or outsourcing of assets or businesses, (ii) leases and sales of real estate, (iii) licensing of trademarks, (iv) use of derivatives, and (v) issuances of debt securities. The guarantees or indemnifications issued are for the benefit of the: (i) buyers in sale agreements and sellers in purchase agreements, (ii) landlords in lease contracts, (iii) franchisees in licensing agreements, (iv) financial institutions in derivative contracts, and (v) underwriters in issuances of securities. While some of these guarantees extend only for the duration of the underlying agreement, many survive the expiration of the term of the agreement or extend into perpetuity (unless subject to a legal statute of limitations). There are no specific limitations on the maximum potential amount of future payments that the Company could be required to make under these guarantees, nor is the Company able to develop an estimate of the maximum potential amount of future payments to be made under these guarantees as the triggering events are not subject to predictability.

10. Equity

The Company has one class of shares designated as common stock. Each share of common stock has a par value of \$0.01. On October 22, 2020, the Founder formed Holdings, a wholly owned Delaware corporation. In connection with the Reorganization the Company issued 54,477,907 shares of common stock with par value of \$0.01 to the Company's Founder.

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As of December 31, 2025 and 2024, the Company had 100,000,000 shares of common stock authorized, with 54,478,907 issued and outstanding. 100% of the shares are owned by the Founder.

The holders of the common stock are entitled to one vote per share and each share has equal participation in earnings and dividends. Dividends may be paid in cash, in property or in shares of the Company's common stock. All shares of common stock are "Restricted Shares", as defined by the Company's by-laws to mean that any transfer of ownership of common stock must be approved by the Founder or a duly authorized committee.

11. Stock-based Compensation

2021 Equity Incentive Plan

In June 2021, the Company adopted the 2021 Equity Incentive Plan (the "Plan"). The Plan is a broad-based retention program and is intended to attract and retain talented employees, directors, and non-employee consultants. Under the Plan, employees and non-employees can be granted options on common stock, restricted stock, restricted stock units ("RSUs"), and stock appreciation rights ("SARs"). Incentive stock options may be granted to employees. All other awards, including non-statutory stock options, under the Plan may be granted to employees, directors, and consultants. The exercise price shall be no less than 100% of the fair market value of such shares on the date of grant. In addition, in cases where an incentive stock option is granted to an employee who owns stock representing more than 10% of the voting power of all classes of stock of the Company or parent or subsidiary, the per share exercise price will be no less than 110% of the fair market value of such shares on the date of grant. Generally, these awards are based on stock agreements with ten-year contractual terms subject to board approval. As of December 31, 2025 and 2024, there were 2,374,321 shares of common stock authorized for issuance under the Plan. As of December 31, 2025, there are 700,066 shares available for future grant.

Stock Appreciation Rights

SARs vest ratably over a prescribed service period lasting typically four years. SARs are either settled in cash or shares of the Company's common stock at the discretion of the Board of Directors. Upon the exercise of any stock-settled SARs, the Company issues shares to the award holder from the pool of authorized but unissued common stock.

Under the Plan, at exercise, stock-settled SARs entitle the holder to receive one share of common stock. The Company accounts for forfeitures of awards when they occur. SARs have a service-based vesting condition recognized on a straight-line basis, by vesting tranche, over the requisite service period of the awards, which is typically four years with 25% of the award's shares vesting annually during that period. In addition, the awards have a performance vesting condition. The performance vesting condition occurs at the discretion of the Board of Directors or on the earlier of (i) the consummation of an initial public offering of any class of the Company's securities on an internationally recognized stock exchange, or (ii) a change of control. From an equity-based accounting perspective, a change of control event and initial public offering are not probable until consummated. Thus, as of December 31, 2025, the Company had not achieved the performance condition.

Stock-based compensation expense for SARs granted is estimated based on the award's fair value as calculated by the Black-Scholes option pricing model. The Black-Scholes model requires various assumptions, including the fair value of the underlying common stock, expected term, expected dividend yield, expected volatility of the common stock, and a risk-free interest rate. If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. The absence of a public market for the Company's common stock requires the Company's board of directors to estimate the fair value of its common stock for purposes of granting awards and for determining stock-based compensation expense by considering several objective and subjective factors, including contemporaneous third-party valuations, actual and forecasted operating and financial results, market conditions and performance of comparable publicly traded companies, developments and milestones in the Company, the rights and preferences of common and preferred stock, and transactions involving preferred stock. The fair value of the Company's common stock has been determined in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants, *Valuation of Privately Held Company Equity Securities Issued as Compensation*. As the Company has no active trading history, expected volatility was derived from historical volatilities of selected public companies

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deemed to be comparable to the Company's business. The expected term represents the period that the Company's stock-based awards are expected to be outstanding. As the Company does not have sufficient historical experience for determining the expected term of the stock option awards granted, it has based its expected term on the simplified method available under U.S. GAAP. The risk-free interest rate is based on the implied yield currently available on U.S. treasury notes with terms approximately equal to the expected term of the option. The expected dividend rate is zero as the Company currently has no history or expectation of declaring dividends on the common stock.

The weighted-average assumptions used to determine the fair value of SARs granted during the year ended December 31, 2022 was as follows. There were no grants during the years subsequent to 2022.

	December 31, 2022
Expected term	6.25 years
Risk-free interest rate	2.61%
Expected volatility	72.57%
Dividend rate	0.00%
Fair value of common stock	\$ 2.69
Weighted average grant date fair value of SARs granted	\$ 6.01

A summary of SAR activity under the Plan is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (in years)
Unvested balance as of December 31, 2023	196,273	\$ 9.41	7.53
Granted	-	-	-
Vested	(147,364)	10.05	6.92
Forfeited	(4,175)	11.40	-
Unvested balance as of December 31, 2024	44,734	7.15	7.32
Granted	-	-	-
Vested	(31,964)	8.03	6.24
Forfeited	(2,295)	9.08	-
Unvested balance as of December 31, 2025	10,475	4.05	6.59

The weighted average exercise price and the weighted average remaining contract term in the summary of SAR activity above have been updated to correct the amounts previously reported relating to the unvested balance as of December 31, 2024 and 2023.

There was no stock-based compensation recognized during the years ended December 31, 2025 or 2024. As of December 31, 2025, there were unrecognized compensation costs of \$1.1 million related to these SARs, which are expected to be recognized over a weighted-average period of 0.09 years dependent on the performance vesting condition being met.

Restricted Stock and Restricted Stock Units

RSUs granted under the Plan have a service-based vesting condition that is typically satisfied over a four-year period, with 25% of the shares vesting on each of the one-, two-, three-, and four-year anniversaries of the vesting commencement date. In addition, the awards have a performance vesting condition. The performance vesting condition occurs at the discretion of the Board of Directors or on the earlier of (i) the consummation of an initial public

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offering of any class of the Company's securities on an internationally recognized stock exchange, or (ii) a change of control. From an equity-based accounting perspective, a change of control event and initial public offering are not probable until consummated. Thus, as of December 31, 2025, the Company had not achieved the performance condition.

A summary of RSU activity under the Plan is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested balance as of December 31, 2023	922,523	\$ 1.68
Granted	83,850	1.03
Vested	(295,999)	1.03
Forfeited	(2,326)	3.65
Unvested balance as of December 31, 2024	708,048	1.87
Granted	-	-
Vested	(309,445)	1.03
Forfeited	(15,930)	1.08
Unvested balance as of December 31, 2025	<u>382,673</u>	<u>2.59</u>

Effective October 1, 2023, in consideration for the cancellation of RSU shares, the Company granted 789,336 RSU shares under a replacement RSU Exchange Agreement. The number of shares and the weighted average grant date fair value in the summary of RSU activity above have been updated to include these replacement RSU shares in the unvested balance as of December 31, 2023 and the shares vested in 2024.

Stock-based compensation recognized during the years ended December 31, 2025 and 2024 associated with RSUs was (\$1) thousand and \$69 thousand, respectively, which is included in general and administrative expense in the Consolidated Statements of Comprehensive Income. As of December 31, 2025, there were unrecognized compensation costs of \$0.6 million related to these RSUs, which are expected to be recognized over a weighted-average period of 0.17 years dependent on the performance vesting condition being met.

12. Fair Value Measurements

There were no material transfers of assets or liabilities recorded at fair value on a recurring basis between Levels 1, 2 or 3 during the years ended December 31, 2025 or 2024.

The following table presents liabilities which are measured at fair value on a recurring basis as of December 31, 2025 and 2024 (in thousands):

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
Liabilities				
Interest rate swap	\$ -	\$ 177	\$ -	\$ 177
Total liabilities	<u>\$ -</u>	<u>\$ 177</u>	<u>\$ -</u>	<u>\$ 177</u>
	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Liabilities				
Interest rate swap	\$ -	\$ 44	\$ -	\$ 44
Total liabilities	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 44</u>

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The Company measures the fair value of its financial assets and liabilities using the highest level of inputs that are available as of the measurement date. The carrying amounts of cash, accounts receivable, and accounts payable approximate their fair value due to the immediate or short-term maturity of these financial instruments. See Note 7, "Debt", for additional information on the interest rate swaps.

As of December 31, 2025 and 2024, the estimated fair values of financial liabilities that are not recorded at fair value on a recurring or non-recurring basis were not materially different from their carrying values.

13. Related Party Transactions

The following table summarizes the composition and amounts of transactions with the Company's affiliates reflected in operating expenses in the Consolidated Statements of Comprehensive Income for the years ended December 31, 2025 and 2024 (in thousands):

	Year Ended December 31,	
	2025	2024
General and administrative expenses	\$ (5,796)	\$ (3,305)
Interest expense	(312)	(530)
Other income, net	77	88
Total related party expenses, net	<u>\$ (6,031)</u>	<u>\$ (3,747)</u>

Amounts included within general and administrative expense for 2025 are \$0.4 million for office space leased from a related party, \$0.8 million of consulting fees paid to a related party, and \$4.5 million for software licensing fees paid to a related party. Amounts included within general and administrative expense for 2024 are \$0.5 million for office space leased from a related party, \$0.6 million of consulting fees paid to a related party, and \$2.2 million for software licensing fees paid to a related party. Interest expense is from related party notes payable. See Note 7, "Debt" for discussion.

The following table summarizes affiliate amounts included in the asset and liability balances on the Company's Consolidated Balance Sheets as of December 31, 2025 and 2024 (in thousands).

	December 31,	
	2025	2024
Assets		
Accounts receivable, net	\$ 161	\$ 627
Due from related parties	21	45
Operating lease assets	1,031	1,454
Other non-current assets	1,070	1,030
Total assets	<u>\$ 2,283</u>	<u>\$ 3,156</u>
Liabilities		
Accounts payable	\$ 6	\$ 750
Accrued expenses and other current liabilities	50	40
Current portion of operating lease liabilities	170	267
Due to related parties	8	28
Long-term related party note payable	6,560	7,247
Long-term operating lease liabilities	861	1,189
Total liabilities	<u>\$ 7,655</u>	<u>\$ 9,521</u>

During 2024, the Company sold property and equipment to an affiliate for \$.5 million cash and a \$1.0 million note receivable bearing interest at 4%. The note receivable and accrued interest are included in other non-current assets as of December 31, 2025 and 2024. For discussion on related party operating leases see Note 5, "Leases". For discussion on related party notes payable see Note 7, "Debt".

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

14. Subsequent events

The Company has evaluated subsequent events through March 30, 2026, the date at which the Consolidated Financial Statements were available for issuance, and has not identified any events requiring disclosure.

To the Stockholders
HomeSmart Holdings, Inc. and Subsidiaries
Scottsdale, Arizona

We agree to the inclusion of the Franchise Disclosure Document dated April 18, 2025 issued by HomeSmart International LLC (the Franchisor) of our report, dated April 18, 2025, relating to the consolidated financial statements of its parent, HomeSmart Holdings, Inc. and Subsidiaries as of December 31, 2024, and for the year then ended.

Richey May & Co.

Englewood, Colorado
April 18, 2025

HomeSmart Holdings, Inc. and Subsidiaries
Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Stockholders
HomeSmart Holdings, Inc. and Subsidiaries
Scottsdale, Arizona

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of HomeSmart Holdings, Inc. and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2024, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of HomeSmart Holdings, Inc. and Subsidiaries as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of HomeSmart Holdings, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Company for the year ended December 31, 2023, were audited by another auditor, whose report expressed an unmodified opinion on April 30, 2024.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HomeSmart Holdings, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HomeSmart Holdings, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HomeSmart Holdings, Inc. and Subsidiaries' 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.

Richey May & Co.

Englewood, Colorado
April 18, 2025

This Audit Opinion is provided under Richey May & Co., LLP which is a licensed independent CPA firm that provides attest services to its clients.

HomeSmart Holdings, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)

	Years Ended December 31,	
	2024	2023
Revenue		
Real estate brokerage	\$ 448,636	\$ 460,014
Franchise	5,488	5,566
Affiliated business services	4,842	4,785
Total revenue	458,966	470,365
Operating expenses		
Commission and other agent-related costs	423,477	433,602
General and administrative	21,282	28,133
Sales, marketing, and advertising	3,787	6,150
Depreciation and amortization	2,767	3,290
Total operating expenses	451,313	471,175
Income (loss) from operations	7,653	(810)
Interest expense	(2,448)	(2,757)
Other income, net	987	1,066
Income (loss) before income taxes	6,192	(2,501)
Income tax expense	1,516	419
Net income (loss)	\$ 4,676	\$ (2,920)
Comprehensive income (loss)		
Net income (loss)	\$ 4,676	\$ (2,920)
Other comprehensive income:		
Unrealized gain on interest rate swap agreements	213	54
Comprehensive income (loss)	\$ 4,889	\$ (2,866)

See accompanying notes to the consolidated financial statements.

HomeSmart Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands)

	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,949	\$ 1,274
Accounts receivable, net of allowance for credit losses of \$639 and \$365, respectively	2,333	1,567
Commission receivable, net of allowance for credit losses of \$84 and \$118, respectively	571	373
Prepaid expenses	335	515
Due from related parties	45	33
Other current assets	311	150
Total current assets	8,544	3,912
Property and equipment, net	420	2,067
Goodwill	21,783	21,783
Intangibles, net	3,724	6,086
Operating lease assets	9,110	11,846
Other non-current assets	6,492	5,539
Total assets	\$ 50,073	\$ 51,233
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$ 2,465	\$ 388
Accrued expenses and other current liabilities	4,076	2,958
Commissions payable	1,139	631
Current portion of notes payable	5,471	4,364
Current portion of operating lease liabilities	2,386	2,671
Current portion of secured credit facilities	-	5,694
Due to related parties	28	1,030
Total current liabilities	15,565	17,736
Long-term notes payable, net	17,537	17,242
Long-term related party notes payable	7,247	8,717
Other non-current liabilities	584	880
Long-term operating lease liabilities	6,924	9,357
Total liabilities	47,857	53,932
Stockholders' equity (deficit):		
Common stock, \$0.01 par value, 100,000,000 shares authorized; 54,478,907 shares issued and outstanding	545	545
Additional paid-in-capital	25,438	25,370
Accumulated deficit	(23,723)	(28,357)
Accumulated other comprehensive loss	(44)	(257)
Total stockholders' equity (deficit)	2,216	(2,699)
Total liabilities and stockholders' equity (deficit)	\$ 50,073	\$ 51,233

See accompanying notes to the consolidated financial statements.

HomeSmart Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	Years Ended December 31,	
	2024	2023
Operating activities		
Net income (loss)	\$ 4,676	\$ (2,920)
Adjustments to net income (loss):		
Depreciation and amortization	2,767	3,290
Gain on sale of property and equipment	(168)	-
Amortization of deferred financing costs and debt discount	173	134
Non-cash lease expense	3,507	3,771
Stock-based compensation	69	2,116
Other, net	(55)	(495)
Mortgage loans held for sale:		
Proceeds from sale of mortgage loans held for sale	-	12,144
Disbursements of mortgage loans held for sale	-	(12,144)
Changes in assets and liabilities:		
Accounts receivable	(1,040)	1,396
Commission receivable	(164)	1,146
Prepaid expenses	180	271
Due from related parties, net	(1,014)	1,117
Other current assets	(161)	840
Other non-current assets	23	248
Accounts payable	2,077	(520)
Accrued expenses and other current liabilities	1,181	(1,310)
Commissions payable	508	(1,493)
Operating lease liabilities	(3,489)	(3,639)
Other non-current liabilities	(83)	(285)
Net cash provided by operating activities	<u>8,987</u>	<u>3,667</u>
Investing activities		
Purchases of property and equipment	(90)	(252)
Proceeds from sale of property and equipment	500	-
Payments for acquisitions, net of cash acquired and issuance of note	-	(5,923)
Proceeds from investments in unconsolidated entities	806	1,028
Net cash provided by (used in) investing activities	<u>1,216</u>	<u>(5,147)</u>
Financing activities		
Repayments of notes payable	(4,456)	(5,637)
Net payments on related party promissory notes	(2,000)	(576)
Repayments under secured credit facilities and warehouse line of credit	-	(12,485)
Borrowings under secured credit facilities and warehouse line of credit	-	18,173
Debt issuance costs	(9)	(15)
Borrowings under related party notes payable	-	2,500
Payments under finance lease obligations	(63)	(59)
Issuance/repurchase of common shares, net	-	(844)
Settlement of vested restricted stock units	-	(1,088)
Net cash used in financing activities	<u>(6,528)</u>	<u>(31)</u>
Net increase (decrease) in cash and cash equivalents	3,675	(1,511)
Cash and cash equivalents, beginning of year	1,274	2,785
Cash and cash equivalents, end of year	<u>\$ 4,949</u>	<u>\$ 1,274</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,746	\$ 2,033
Cash paid for taxes	\$ -	\$ 144
Supplemental disclosure of non-cash investing and financing activities:		
Note receivable from sale of property and equipment	\$ 1,000	\$ -
Conversion of secured credit facilities to long-term note payable	\$ 5,694	\$ -
Issuance of unsecured note payable related to acquisition, net of debt discount	\$ -	\$ 5,549

See accompanying notes to the consolidated financial statements.

HomeSmart Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity (Deficit)
(In thousands)

	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	paid-in- capital	deficit	other comprehensive loss	stockholders' equity (deficit)
Balances as of December 31, 2022	54,478,907	\$ 545	\$ 25,185	\$ (25,430)	\$ (311)	\$ (11)
Net loss	-	-	-	(2,920)	-	(2,920)
Settlement of RSUs	-	-	(1,088)	-	-	(1,088)
Stock-based compensation expense	-	-	2,116	-	-	2,116
Gain on interest rate swap	-	-	-	-	54	54
Issuance/repurchase of common shares, net	-	-	(844)	-	-	(844)
Other, net	-	-	1	(7)	-	(6)
Balances as of December 31, 2023	54,478,907	545	25,370	(28,357)	(257)	(2,699)
Net income	-	-	-	4,676	-	4,676
Stock-based compensation expense	-	-	69	-	-	69
Gain on interest rate swap	-	-	-	-	213	213
Other, net	-	-	(1)	(42)	-	(43)
Balances as of December 31, 2024	54,478,907	\$ 545	\$ 25,438	\$ (23,723)	\$ (44)	\$ 2,216

See accompanying notes to the consolidated financial statements.

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Description of Business

HomeSmart Holdings, Inc. (“Holdings” or “the Company”), collectively with its subsidiaries, is a real estate enterprise powered by its proprietary end-to-end technology platform. The Company provides integrated real estate solutions to agents, Company-owned brokerages, franchisees and ultimately the buyers and sellers (“the consumer”) with operations across the United States.

Holdings has organized its operations into three operating segments: Real estate brokerage, Franchise, and Affiliated business services. The Real estate brokerage operating segment is engaged by its customers to assist with the buying, selling, or leasing of property. In exchange for its services, the Company is compensated in the form of commission income earned upon closing of the sale of a property or execution of a lease. The Franchise operating segment franchises its real estate brand to real estate brokerage businesses that are independently owned and operated. Franchise revenue principally consists of royalty and marketing fees from the Company’s franchisees. Royalties received by the Company are primarily derived from the number of agents affiliated with each franchisee and the number of closed transactions by each franchisee each month. The Affiliated business services operating segment provides mortgage, title and escrow services. The Company receives fees for the mortgage, title and escrow services it provides its customers, as well as proceeds from the sale of mortgage loans originated by the Company through August 2023 when these services were discontinued.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

HomeSmart Holdings, Inc. was formed on October 22, 2020, with the objective of consolidating 100% of the Founder and Chief Executive Officer’s (the “Founder”) equity interests held in multiple individual legal entities, into one legal business entity (“the Reorganization”). Before and after the Reorganization the Founder had 100% ownership in HomeSmart Holdings, Inc. and the legal entities included in the Reorganization, with the exception of four immaterial joint venture legal entities in which the Founder had both a 51% ownership and voting interest.

The Reorganization, which occurred in the second quarter of 2021, ultimately consolidated each of the individual legal entities under common control which requires the legal entities to be combined at their historical cost. Prior to the Reorganization, there were no subsidiaries consolidating into Holdings and the Company had no operations, assets or liabilities.

In conjunction with the Reorganization, Holdings entered into three unsecured promissory notes with legal entities in which the Founder holds a 100% ownership interest. One of the promissory notes was a note receivable effectively from the Founder and two of the promissory notes are notes payable effectively to the Founder. The note receivable was issued in exchange for 337,743 shares of Holdings’ common stock, had an initial principal balance of \$2.0 million with interest at 0.52% per annum, and was repaid in full on April 15, 2021. The two promissory notes payable to the Founder are discussed in Note 8, “Debt”, of these notes to the Consolidated Financial Statements. The promissory notes were treated as a dividend to the Founder and recorded as a net reduction to retained earnings. As part of the Reorganization, on April 1, 2021, the Company also issued 54,140,164 shares of its common stock to the Founder in exchange for the shares of the HomeSmart Subsidiaries. All share amounts presented herein have been retroactively adjusted to reflect the impact of this issuance of the 54,140,164 shares.

The Consolidated Financial Statements include the accounts of HomeSmart Holdings, Inc. and its Subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company’s Consolidated Financial Statements include the assets, liabilities, revenues and expenses of all controlled subsidiaries. The Consolidated Statements of Comprehensive Income (Loss) include the results of entities acquired from the date of the acquisition. The Company’s fiscal year end is December 31.

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

The Consolidated Financial Statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The following critical accounting policies represent the areas where more significant judgments and estimates are used in the preparation of the Consolidated Financial Statements.

Use of Estimates

In preparation of the Consolidated Financial Statements, U.S. GAAP requires management to make judgements, estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. The Company regularly evaluates estimates and assumptions related to the fair value of acquired intangible assets and goodwill, allowance for credit losses, legal contingencies, impairment of intangible assets and goodwill, and income taxes. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances. Actual results realized by the Company could differ materially and adversely from the Company's estimates.

Revenue Recognition

The Company generates its revenue from real estate brokerage services, franchise royalties and other affiliated business services.

The Company's revenue recognition policies are discussed further below by business segment:

Real Estate Brokerage

As an owner-operator of real estate brokerages, the Company assists home buyers and sellers in listing, marketing, selling and finding homes. Real estate commissions earned by the Company's real estate brokerage business are recorded as revenue at the closing of a real estate transaction (i.e., purchase or sale of a home, execution of a lease). These revenues are referred to as Real estate brokerage revenue. The commissions the Company pays to real estate agents are recognized concurrently with the associated brokerage revenues and included as a cost of sale within the Commission and other agent-related costs line item on the accompanying Consolidated Statements of Comprehensive Income (Loss).

In such real estate transactions, the Company holds the real estate brokerage license that is necessary under relevant state laws and regulations to provide brokerage services and therefore controls those services that are being rendered for home buyers and sellers and lessees/lessors of real estate. Although the Company's agents are independent contractors, they cannot execute a real estate transaction without a brokerage license, which the Company possesses. The Company has the only contractual relationship for the sale or exchange of real estate with its customer (i.e., the home buyer or seller). Accordingly, the Company is the principal in its transactions with both home buyers and sellers; or lessees and lessors in the case of an execution of a lease.

As principal, the Company recognizes revenue in the gross amount of consideration it expects to receive in exchange for those services which is determined based on the sales price multiplied by the commission rate as agreed upon in the listing agreement with a seller or between co-brokered transactions with other third-party brokers.

Franchise

The Company franchises its real estate brands to real estate brokerage businesses that are independently owned and operated. Franchise revenue principally consists of upfront, royalty, and marketing fees earned from the Company's franchisees.

The franchise arrangement requires the Company to perform various upfront activities to support the brand such as training, pre-opening assistance, and access to the Company's technology platform. These upfront services are highly interrelated with the franchise right as they do not provide a substantive service to the customer on their own. Together, the upfront services and franchise right represent a series of distinct daily services rendered over time. Consistent with the transfer of control for distinct, daily services to the customer, franchise fee revenue from the sale of individual

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

franchises and fees for new branch locations are deferred and recognized over the term of the individual franchise agreement, 5 or 10 years, on a straight-line basis. The franchise deferred revenues are presented in Accrued expenses and other current liabilities and Non-current liabilities.

The royalty received is primarily based on the franchisee's agent count and the number of real estate transactions closed in a month. Royalty fees are accrued as the underlying franchisee revenue is earned (typically upon close of the real estate transaction).

The Company also earns monthly marketing fees from its franchisees. Such fees are utilized to fund ongoing marketing campaigns on behalf of its franchisees and are recognized as franchise revenue in the month earned. In addition, the Company recognizes a deferred asset for commissions paid for the sale of a new franchise as these are considered costs of obtaining a contract with a customer that are expected to provide benefits to the Company for longer than one year. The Company classifies capitalized commissions as current or non-current assets in the Consolidated Balance Sheets based on the expected timing of recognition of the expense.

Affiliated Business Services

The Company provides mortgage, title, and escrow services to the consumer. Revenues for mortgage services are recorded as earned, generally at the time a real estate transaction is closed. The Company also originated mortgage loans from April 2020 to August 2023, with the intent to sell in a short period of time after issuance. Upon sale of a mortgage loan into the secondary mortgage market, any difference between the proceeds received and the current fair value of the loan was recognized in the Affiliated business services revenue line item on the Consolidated Statements of Comprehensive Income (Loss). Mortgage loans held-for-sale were typically sold within 30 days after loan issuance. The Company also entered into interest rate lock commitments ("IRLCs") with customers at the beginning of the lending process. Any gain or loss on IRLCs was recognized in current period earnings.

Title and escrow revenues within the Company's affiliated business services are recorded as earned, generally at the time a real estate transaction is closed. For title services, the Company acts as an agent for insurance policy underwriters by performing title related services on their behalf. The insurance policy underwriter is the primary obligor for the policy. Accordingly, the Company recognizes revenue solely based on the net amount the Company earns for its performance of the title related services, as opposed to the gross amount of the title insurance transaction. For escrow services, the Company's primary responsibilities are to administer funds and enforce the terms of the escrow agreement. In this capacity, the Company is an agent in its promise to perform the services for the real estate broker, who is the principal and primary obligor. Accordingly, the Company recognizes escrow services revenue upon performance of the services, in the amount contractually agreed upon with the broker.

Commission and Other Related Costs

The Company pays commissions to its agents for which the associated costs are recognized concurrently with the associated revenue and are recorded within the Commission and other agent-related costs line item on the Consolidated Statements of Comprehensive Income (Loss). Additionally, the Company pays fees to external brokerages for client referrals, which are recognized and paid upon the closing of a real estate transaction, and the Company charges its agents various fees for the services it provides. These fees are either transaction based, where amounts are collected at the closing of a brokerage transaction, or in the form of periodic fixed fees over a defined period of time. Fees charged to affiliated agents are recognized as a reduction to Commission and other agent-related costs as the reimbursements do not constitute a form of revenue nor do they constitute a reimbursement for a specific, incremental, identifiable cost for the Company.

The Company also incurs costs related to the sale of new franchises which are included in the Commission and other agent-related costs on the Consolidated Statements of Comprehensive Income (Loss).

The mortgage, title and escrow Affiliated business services operating segment incurs personnel-related costs, including salaries, benefits and bonuses, incurred in connection with either funding new loans or closing transactions within title and escrow. Other direct costs include title policies issued as well as other notary and recording fees. The

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

net amount of these costs are also included in Commission and other agent-related costs on the Consolidated Statements of Comprehensive Income (Loss).

Contract Costs

The Company capitalizes commissions paid for its franchise arrangements, as an incremental cost to acquire the contract. Capitalized commissions are amortized over the period of expected benefit, which management estimates to be five years. The Company classifies capitalized commissions as Other current or non-current assets in the Consolidated Balance Sheets, based on the expected timing of expense recognition. The amount of commissions is a flat rate for each location. The amount of capitalized commissions was \$0.3 million as of December 31, 2024 and 2023.

Contract Liabilities

The following table shows the change in the Company's contract liabilities related to revenue contracts for the periods (in thousands):

		Year Ended December 31, 2024			
		Beginning Balance at January 1, 2023	Additions During the Period	Recognized as Revenue During the Period	Ending Balance at December 31, 2024
Franchise		\$ 769	\$ 120	\$ (211)	\$ 678
Balance as of December 31, 2024		<u>\$ 769</u>	<u>\$ 120</u>	<u>\$ (211)</u>	<u>\$ 678</u>

		Year Ended December 31, 2023			
		Beginning Balance at January 1, 2023	Additions During the Period	Recognized as Revenue During the Period	Ending Balance at December 31, 2023
Franchise		\$ 942	\$ 88	\$ (261)	\$ 769
Balance as of December 31, 2023		<u>\$ 942</u>	<u>\$ 88</u>	<u>\$ (261)</u>	<u>\$ 769</u>

Short-term franchise contract liabilities are included in Accrued expenses and other current liabilities on the Consolidated Balance Sheets and long-term franchise contract liabilities are presented in Other non-current liabilities on the Consolidated Balance Sheets.

Remaining Performance Obligations

Remaining performance obligations represent the aggregate transaction prices for contracts where performance obligations have not yet been satisfied. The majority of the Company's contracts are transactional in nature or have a duration of one year or less. The Company applies the practical expedient related to remaining performance obligations that are part of a contract that has an original expected duration of one year or less and the practical expedient related to variable consideration from remaining performance obligations pursuant to the series guidance in the relevant accounting literature. All remaining performance obligations apply to one of these practical expedients; therefore, the Company does not disclose the value of unsatisfied performance obligations for contracts.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities when purchased of three months or less to be cash equivalents.

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Financial instruments are potentially subject to concentrations of credit risk including cash and cash equivalents. Cash and cash equivalents are placed with major financial institutions deemed to be of high-credit quality in order to limit credit exposure. The Company regularly holds cash in excess of Federal Deposit Insurance Corporation ("FDIC") federally insured limits at the financial institutions. Management believes that the Company is not exposed to any significant credit risk related to cash and cash equivalents balances. As of December 31, 2024, the Company had \$4.9 million in excess of the FDIC insured limit of \$250 thousand per bank account held in various bank accounts.

Stock-based Compensation

The Company measures compensation expense for all stock-based awards based on the estimated fair value of the awards on the date of grant. Compensation expense is generally recognized as expense on a straight-line basis over the service period based on the vesting requirements. The Company recognizes forfeitures as they occur.

The fair values of the stock appreciation rights ("SARs") are estimated on the date of grant using the Black-Scholes option valuation model. As there is no public market for its common stock, the Company determines the volatility for awards granted based on an analysis of reported equity data for a group of guideline companies. The expected volatility has been determined using the leverage adjusted weighted-average of the historical equity volatility of this group of guideline companies. The expected term of the Company's SARs has been determined utilizing the SEC "simplified" method for awards that qualify as "plain-vanilla". The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. The Company has not paid, and does not anticipate paying, cash dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. The fair values of the Company's restricted stock units ("RSUs") are estimated based on the fair value of its common stock on the date of grant.

SARs and RSUs awards are both subject to service-based and performance-based vesting conditions. See Note 12, "Stock-based Compensation", for discussion.

Income Taxes

Beginning on April 1, 2021, immediately after the Reorganization, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company's policy is to classify interest and penalties on uncertain tax positions as a component of income tax expense.

The Company recognizes the US tax effects of global intangible low-taxed income ("GILTI") as a component of income tax expense in the period the tax arises (the "period cost method").

Variable Interest Entities

The Company has elected the "Private Company Alternative" for Variable Interest Entities ("VIE"), pursuant to ASC 810-10-15-17AD *Accounting Alternative for Entities under Common Control*; therefore, the assets, liabilities, and operating results of these potential VIEs have not been included in the Company's Consolidated Financial Statements. The Company has involvement with several potential VIEs under common control. These VIEs are separate legal entities owned by the Company's founder and stockholder.

HomeSmart Holdings, Inc. and Subsidiaries
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The Company makes electronic payments to HomeSmart agents utilizing the services of, has office space leases with, and has a consulting services agreement with, related companies that could be considered VIEs. The Company may at times have related party balances with these entities. See Note 14, “Related Party Transactions”, for additional discussion on related party transactions.

The Company believes that its exposure to loss related to these entities is insignificant and there is evidence which indicates the Company would not be under obligation for losses nor have the right to benefits which may be incurred by the other entities.

Equity Method Investments

Investments in entities for which the Company has the ability to exercise significant influence over, but does not have financial or operating control, are accounted for using the equity method of accounting. Accordingly, the Company’s share of the net income (loss) of equity method investments are included in the Company’s net income (loss), and the proceeds received are reflected on the Consolidated Statements of Cash Flows within net cash provided by investing activities.

In connection with the PalmerHouse acquisition in 2021, the Company acquired a minority interest in Independence Title & Escrow, LLC. The investment balance as of both December 31, 2024 and 2023 was \$1.8 million and is presented in other non-current assets on the Consolidated Balance Sheets.

In connection with the Solid Source acquisition in 2023, the Company acquired a minority interest in Solid Source Companies, LLC. The investment balance as of both December 31, 2024 and 2023 was \$3.3 million and is presented in other non-current assets on the Consolidated Balance Sheets.

Fair Value Measurements

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company categorizes each of its fair value measurements in one of the following three levels based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy prioritizes the quality and reliability of the information used to determine fair values. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each period. There were no transfers between levels during the periods presented.

Input Level	Definitions
Level 1	Inputs are quoted market prices in active markets for identical assets or liabilities (these are observable market inputs).
Level 2	Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability (includes quoted market prices for similar assets or identical or similar assets in markets in which there are few transactions, prices that are not current or prices that vary substantially).
Level 3	Inputs are unobservable inputs that reflect the entity’s own assumptions in pricing the asset or liability (used when little or no market data is available).

The fair value of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate their carrying value due to their short-term maturities. The carrying amount of the Company’s secured credit facilities approximate their fair value as the stated interest rate approximates market rates currently available to the Company. Notes payable are presented at their carrying value. See Note 13, “Fair Value Measurements”, for further discussion of the Company’s fair value measurements.

Derivative Financial Instruments

The Company has two pay-fixed, receive-variable, interest rate swap contracts (“Swaps”) to manage its exposure to changes in interest rates. The Swaps are recognized in the Consolidated Balance Sheets at fair value. The Swaps are cash flow hedges and are recorded using hedge accounting; as such, changes in the fair value of the Swaps are recorded in Other comprehensive income (loss) until the hedged items are recognized in earnings. Amounts reported in Other

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comprehensive income (loss) related to the Swaps are reclassified to interest expense as interest payments are made on the Company's variable-rate debt.

The Company assesses, both at the inception of the hedge and on an ongoing basis, whether the derivative used as a hedging instrument is highly effective in offsetting the changes in the cash flow of the hedged item. If it is determined that the derivative is not highly effective as a hedge or ceases to be highly effective, the Company will discontinue hedge accounting prospectively. See Note 13, "Fair Value Measurements", and Note 8, "Debt", for additional information.

Accounts Receivable, Net and Allowance for Credit Losses

Accounts receivable primarily consist of amounts owed from escrow companies upon the close of real estate transactions, amounts owed from franchisees, and amounts owed from agents. The Company uses the aging schedule method to estimate current expected credit losses ("CECL") based on the age and nature of the past due accounts. Significant judgment is used in estimating the timing, frequency, and severity of losses. The Company adjusts the allowance periodically based on historical experience, combined with a review of current developments and forecasts of future collectability. The allowance calculation also includes specific accounts for which collectability is considered to be remote (i.e., bankruptcy, lack of contact, age of account balance, etc.). The Company is subject to credit risk associated with accounts receivable.

Property and Equipment, net

Property and equipment (including leasehold improvements) are recorded at historical cost, net of accumulated depreciation and amortization. Depreciation, recorded as a component of Depreciation and amortization on the Consolidated Statements of Comprehensive Income (Loss), is computed utilizing the straight-line method over the estimated useful lives of the related assets and assuming no salvage value, as follows:

Type	Estimated Useful Life
Furniture	10 years
Office and computer equipment	3 - 7 years
Vehicles	5 years
Leasehold improvements (a)	2 - 7 years
Internally-developed software	5 years

(a) Leasehold improvements are depreciated over the lesser of the lease term or the useful life of the improvement.

As it pertains to internally developed software, costs incurred in the preliminary stages of software development are expensed as incurred. Once an application has reached the development stage, direct internal and external costs relating to upgrades or enhancements that meet the capitalization criteria are capitalized and amortized on a straight-line basis over their estimated useful lives. Maintenance and enhancement costs (including those costs in the post-implementation stages) are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the software that result in added functionality, in which case the costs are capitalized as well.

Internally developed software costs are amortized over the expected useful lives of the releases, which have been estimated to have a useful life of five years. Estimated useful lives of capitalized internal-use software are reviewed annually or whenever events or changes in circumstances indicate a release may be impaired.

Leases

The Company determines if a contract contains a lease at inception and recognizes operating lease right-of-use assets and operating lease liabilities based on the present value of future minimum lease payments at the lease commencement date. When a lease does not provide the implicit rate, the Company's incremental borrowing rate commensurate with the underlying lease terms is used. Lease expense is recognized on a straight-line basis over the lease term.

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Business Combinations

Business combinations are accounted for under the acquisition method of accounting. This method requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, not to exceed one year from the date of acquisition, the Company may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill if new information is obtained related to facts and circumstances that existed as of the acquisition date. After the measurement period, any subsequent adjustments are reflected in the Consolidated Statements of Comprehensive Income (Loss).

Goodwill, Intangible Assets and Other Long-Lived Assets

Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Goodwill is not amortized but is subject to impairment testing. The aggregate carrying amount of the Company's goodwill as of both December 31, 2024 and 2023 was \$21.8 million and is subject to an impairment assessment annually as of October 1, or whenever events or changes in circumstances occur that indicate fair value may be below the carrying amount. As part of the annual goodwill impairment test, the Company first performs a qualitative assessment to determine whether further impairment testing is necessary. If, as a result of the qualitative assessment, it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the quantitative impairment test will be required. If the Company has determined it necessary to perform a quantitative impairment assessment, the Company will compare the fair value of the reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, limited to the total amount of goodwill of the reporting unit. The results of the Company's annual assessment did not identify any goodwill impairment.

The Company's finite-lived intangible assets are carried at cost, net of accumulated amortization. Intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company estimates the useful life by estimating the expected period of economic benefit. Intangible assets consist of agent relationships, pendings (i.e., real estate transactions in-process) and listings, and trade names acquired through historical acquisitions. The estimated useful lives of the Company's intangible assets range from one to five years. For the years ended December 31, 2024 and 2023 there were no impairments of finite-lived intangible assets.

The Company evaluates other non-current assets, which include depreciable intangible and tangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of other non-current assets exceeds its fair value. This includes but is not limited to significant adverse changes in business climate, market conditions or other events that indicate an asset groups' carrying amount may not be recoverable. Recoverability of asset groups to be held and used is measured first by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset group. If such asset groups were considered to be impaired, an impairment loss in the amount of the excess of the carrying amount over the fair value of the asset group, would be recognized. Based on management's assessment, other non-current assets were not impaired as of December 31, 2024 or 2023.

Sales, Marketing and Advertising

Sales, marketing, and advertising expenses consist primarily of public relations, communications and events expenses, personnel-related costs, including salaries, benefits and bonuses, for employees supporting franchise sales, marketing, agent recruiting and retention costs, acquisition and new office expansions, ancillary services, and costs related to national referral, relocation, lead generation and call center activities. Sales, marketing, and advertising expenses also include advertising expenses such as print advertising, content marketing, online and social media advertising, event marketing and promotional items, which are expensed as incurred.

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General and Administrative

General and administrative expenses consist primarily of personnel-related costs, including salaries, benefits, and bonuses for executive management and administrative employees, including finance and accounting, legal, human resources and communications, the occupancy costs for the corporate headquarters, and other office-related expenses for supporting agents, administrative functions, professional service fees for legal and finance, insurance expenses and talent acquisition expenses. General and administrative costs are expensed as incurred.

Defined Contribution Plan

The Company has a 401(k) defined contribution plan covering substantially all employees. For the years ended December 31, 2024 and 2023, the Company made discretionary employer matching contributions of \$152 thousand and \$262 thousand, respectively, which are included in operating expenses on the Consolidated Statements of Comprehensive Income (Loss).

Recently Issued Accounting Standards

The following provides a brief description of recent accounting pronouncements that could have a material effect on the Company's financial statements:

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. An update was also issued expanding the scope of this guidance. The guidance provides optional expedients and exceptions for applying GAAP to contracts or other transactions affected by reference rate reform if certain criteria are met. The guidance was issued on March 12, 2020, and may be applied prospectively through December 31, 2022. However, ASU 2022-06 was issued in December 2022 deferring the implementation of the Reference Rate Reform, extending the implementation date to December 31, 2024. The Company has not elected the optional guidance.

3. Business Combinations

Assets acquired and liabilities assumed in business combinations are recognized at their acquisition date fair values. Determination of the fair values of assets and liabilities acquired requires estimates and the use of valuation techniques when market values are not readily available. The results of operations of businesses acquired by the Company have been included in the Consolidated Statements of Comprehensive Income (Loss) since their respective dates of acquisition. Goodwill generated from all business combinations completed was primarily attributable to expected synergies from future growth and potential monetization opportunities.

Solid Source Acquisition

On January 3, 2023, the Company completed the acquisition of 100% of the equity interests in Solid Source Realty, Inc., Solid Source Realty GA, LLC, Office Billing Services, LLC, Solid Source Commissions, LLC, Genesis Referrals, LLC, Clarity School of Real Estate, LLC, Solid Source Vision, LLC, ("Solid Source"). The total purchase price for the acquisition was \$11.6 million, comprising \$6.3 million in cash and \$6.3 million unsecured note payable, less working capital adjustments of \$1.0 million. The unsecured note payable bears interest at a non-compounded rate equal to 3.0% per annum, and is payable in 60 monthly installments due on or before the tenth day of each month. The acquisition is part of the Company's strategic expansion plan.

The Solid Source acquisition was accounted for using the acquisition method of accounting under which the Company allocated the total purchase price to the tangible and identifiable intangible assets acquired based on their estimated fair values as of the acquisition date, as determined by management and the use of third-party valuation experts. The excess of the purchase price over the aggregate fair values of the identifiable assets was recorded as goodwill.

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The following table shows the allocation of the final purchase price of Solid Source to the acquired identifiable assets, and goodwill (in thousands):

	<u>Amount</u>
Cash	\$ 427
Accounts receivable, net	186
Other current and non-current assets	3,277
Intangible assets, net	2,210
Accrued expenses and other current liabilities	(350)
Commissions payable	(404)
Other non-current liabilities	(123)
Fair value of net assets acquired (excluding goodwill)	5,223
Goodwill	6,401
Total purchase consideration	<u>\$ 11,624</u>

The values allocated to identifiable intangible assets (in thousands) and their estimated useful lives are as follows:

	<u>Preliminary Fair Value</u>	<u>Estimated Useful Life</u>
Fair value of intangible assets acquired:		
Agent relationships	\$ 2,180	5 years
Pendings and listings	30	1 year
Total intangible assets acquired	<u>\$ 2,210</u>	

Goodwill represents the excess of the purchase price over the estimated fair value assigned to tangible and identifiable intangible assets acquired and liabilities assumed and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and expected future market opportunities.

4. Goodwill and Intangible Assets

Goodwill is attributable to the Real Estate Brokerage operating segment, as follows (in thousands):

	<u>Amount</u>
Balance at December 31, 2022	\$ 15,382
Goodwill acquired (a)	6,401
Balance at December 31, 2023	21,783
Goodwill acquired	-
Balance at December 31, 2024	<u>\$ 21,783</u>

(a) Goodwill acquired during the period ended December 31, 2023 relates to the acquisition of Solid Source. See Note 3, "Business Combinations" for discussion.

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Intangible assets, net, are as follows (in thousands):

December 31, 2024				
	Estimated Useful Life	Gross Carrying Value	Accumulated Amortization	Net
Finite-lived intangible assets:				
Agent relationships	5 years	\$ 10,490	\$ (7,202)	\$ 3,288
Trade name	5 years	2,140	(1,704)	436
Pendings and listings	1 year	255	(255)	-
Total		<u>\$ 12,885</u>	<u>\$ (9,161)</u>	<u>\$ 3,724</u>

December 31, 2023				
	Estimated Useful Life	Gross Carrying Value	Accumulated Amortization	Net
Finite-lived intangible assets:				
Agent relationships	5 years	\$ 10,490	\$ (5,279)	\$ 5,211
Trade name	5 years	2,140	(1,276)	864
Pendings and listings	1 year	255	(244)	11
Total		<u>\$ 12,885</u>	<u>\$ (6,799)</u>	<u>\$ 6,086</u>

Amortization expense for intangible assets for the years ended December 31, 2024 and 2023 was \$2.4 million and \$2.3 million, respectively, and is included in Depreciation and amortization expense on the Consolidated Statements of Comprehensive Income (Loss).

The estimated aggregate amortization expense for each of the four succeeding fiscal years is shown in the table below at (in thousands):

	Amount
2025	\$ 2,334
2026	954
2027	436
Total amortization expense	<u>\$ 3,724</u>

HomeSmart Holdings, Inc. and Subsidiaries
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5. Property and Equipment, net

As of December 31, 2024 and 2023, Property and equipment, net consisted of (in thousands):

	December 31,	
	2024	2023
Internally developed software	\$ 370	\$ 4,986
Furniture	506	501
Office and computer equipment	990	985
Vehicles	94	94
Equipment under finance lease (see Note 6)	239	297
Leasehold improvements	107	115
Total property and equipment	2,306	6,978
Less: Accumulated depreciation and amortization	(1,886)	(4,911)
Property and equipment, net	\$ 420	\$ 2,067

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2024 and 2023 was \$0.4 million and \$0.9 million, respectively, and is included in the Depreciation and amortization expense on the Consolidated Statements of Comprehensive Income (Loss).

6. Leases

The Company's lease portfolio consists of leases for office space and equipment. At inception, the Company reviews and determines if an arrangement meets the definition of a lease. Material lease contracts are generally for buildings and the determination of whether such contracts contain leases generally does not require significant estimates or judgments. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the Consolidated Statements of Comprehensive Income (Loss). Management elected the short-term lease recognition exemption for all of the Company's leases that qualify, in addition to the practical expedient to not separate lease and non-lease components.

Buildings

HomeSmart leases corporate offices in Scottsdale, Arizona and maintains office locations throughout the United States. As of December 31, 2024 and 2023, respectively, the Company has 36 and 44 building leases with lease terms ranging from less than 1 year to 10 years. Many real estate leases include one or more options to renew or terminate a lease. The exercise of a lease renewal or termination option is assessed on an ongoing basis and only reflected in the lease term if the Company is reasonably certain to exercise the option. None of the building leases contain residual value guarantees or purchase options and all building leases as of December 31, 2024 and 2023 are operating leases. Building leases comprise more than 99% of the total operating lease liability as of December 31, 2024 and 2023. Leased office space is available for use by real estate agents contracted with the Company. Should an agent or group of agents desire a designated space for exclusive use, such space may be sub-leased from HomeSmart.

Equipment Leases

HomeSmart also engages in leases related to office equipment to support field operations, some of which include an option to purchase the equipment at the end of the lease. Equipment leases include both financing and operating leases.

Lease Assets and Liabilities

Operating lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. For leases with an initial term greater than twelve months, HomeSmart recognizes a lease asset and liability at the commencement date. Lease assets are initially measured at cost, which includes the initial amount of the lease liability, plus any initial direct costs incurred, less lease incentives received.

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For both operating and finance leases, the liabilities are initially and subsequently measured based on the present value of the unpaid lease payments over the lease term calculated using the Company's incremental borrowing rate, unless the implicit rate is readily determinable. Management is required to use estimates and judgments in the determination of lease assets and liabilities. Key estimates and judgments include the following:

Lease Discount Rate – The Company is required to discount unpaid fixed lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the implicit rate for operating leases cannot be determined and the Company's incremental borrowing rate is used. Some finance leases may have an interest rate implicit in the lease. The incremental borrowing rate is determined at the commencement of each lease and is updated only if there is subsequent modification to the lease.

The Company's incremental borrowing rate represents the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term in a similar economic environment.

Lease Term – Lease terms include the non-cancellable period of the lease plus any additional periods covered by an option to extend or terminate the lease that the Company is reasonably certain to exercise.

Fixed Payments – Lease payments included in the measurement of the lease liability include the following: fixed payments owed over the lease term, termination penalties if HomeSmart expects to exercise a termination option and the price to purchase the underlying asset if the Company is reasonably certain to exercise the purchase option.

Supplemental balance sheet information related to leases as of December 31, 2024 is as follows:

Weighted average remaining lease terms and discount rates:	
Weighted average remaining lease term - finance leases (in years)	1.7
Weighted average remaining lease term - operating leases (in years)	5.3
Weighted average discount rate - finance leases	15.46%
Weighted average discount rate - operating leases	4.95%

As of December 31, 2024, the undiscounted future lease payments for operating and finance lease liabilities were as follows (in thousands):

	<u>Operating</u>	<u>Finance</u>
2025	\$ 2,746	\$ 44
2026	1,822	16
2027	1,378	8
2028	1,343	1
2029	1,289	-
Thereafter	2,010	-
Total lease payments	10,588	69
Less: Interest	(1,278)	(8)
Present value of lease liabilities	\$ 9,310	\$ 61

The Company has several leases with related parties, values of which are included in consolidated total operating lease information above. All leases with related parties are operating leases for office space.

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The table below shows the related party lease undiscounted future lease payments for operating lease liabilities as of December 31, 2024 (in thousands). See Note 13, "Related Party Transactions", for additional discussion.

	Related Party Operating Leases
2025	\$ 328
2026	242
2027	242
2028	242
2029	242
Thereafter	381
Total lease payments	1,677
Less: Interest	(221)
Present value of lease liabilities	\$ 1,456

Leases on Consolidated Balance Sheets:

As of December 31, 2024 and 2023, the Consolidated Balance Sheets, as presented, have the following lease related balances (in thousands):

	2024	2023
Operating Leases:		
Operating leases right-of-use assets	\$ 9,110	\$ 11,846
Current portion of operating lease liabilities	\$ 2,386	\$ 2,671
Long-term operating lease liabilities	6,924	9,357
Total operating lease liabilities	\$ 9,310	\$ 12,028
Finance Leases:		
<i>Assets:</i>		
Property and equipment	\$ 239	\$ 297
Accumulated depreciation	(171)	(183)
Property and equipment, net	\$ 68	\$ 114
<i>Liabilities:</i>		
Accrued expenses and other current liabilities	\$ 39	\$ 53
Other non-current liabilities	22	48
Total finance lease liabilities	\$ 61	\$ 101

Lease Expense and Activity

Payments due under lease contracts include fixed payments plus, for many leases, variable payments. Fixed payments are recognized on a straight-line basis over the term of the lease, including any periods of free rent. Variable expenses associated with leases are recognized when they are incurred. For building leases, variable payments include such items as allocable property taxes, local sales and business taxes, and common area maintenance charges. Variable payments associated with equipment leases include such items as local sales and business taxes and certain non-lease components, such as maintenance and other services provided by the lessor. In the Company's Consolidated Statements of Comprehensive Income (Loss), expenses for operating leases are recognized within general and administrative expenses, amortization of assets held under finance leases is included in depreciation and amortization expense and interest associated with finance leases is included in interest expense.

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Supplemental income statement information related to leases for the twelve months ended December 31, 2024 and 2023 is as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Finance lease expense:		
Amortization of finance lease right-of-use assets	\$ 54	\$ 54
Interest on finance lease obligations	15	19
Total finance lease expense	<u>\$ 69</u>	<u>\$ 73</u>
Operating lease expense:		
Short-term lease expense	\$ 83	\$ 121
Fixed lease expense	3,507	3,771
Variable lease expense	423	469
Less: Sublease income	(293)	(360)
Total operating lease expense	<u>\$ 3,720</u>	<u>\$ 4,001</u>

Supplemental cash flow information related to leases for the twelve months ended December 31, 2024 and 2023 is as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 15	\$ 19
Operating cash flows from operating leases, fixed payments	3,520	3,647
Financing cash flows from finance leases	63	59

Supplemental non-cash flow information for the twelve months ended December 31, 2024 and 2023 is as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Right-of-use assets obtained in exchange for new or modified lease obligations:		
Finance leases	\$ 23	\$ 23
Operating leases	347	1,858
Total right-of-use assets obtained	<u>\$ 370</u>	<u>\$ 1,881</u>

7. Accrued Expenses and Other Current Liabilities

Accrued expenses as of December 31, 2024 and 2023 consisted of the following (in thousands):

	<u>2024</u>	<u>2023</u>
Accrued expenses	\$ 1,859	\$ 1,808
Income taxes payable	1,677	-
Current portion of contract liabilities	286	677
Short-term finance lease liability	38	53
Other	216	420
Total accrued expenses and other current liabilities	<u>\$ 4,076</u>	<u>\$ 2,958</u>

8. Debt

Secured Promissory Notes – Term Loans and Revolver

In September 2022, the Company entered into secured promissory notes, consisting of a \$16.3 million Term Loan (“Initial Term Loan”) and an \$18.8 million revolving line of credit (“Revolver”), secured by all the assets of the Company. The Initial Term Loan has a maturity of September 2027, while the Revolver matured in September 2024.

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The Initial Term Loan has an interest rate of thirty-day SOFR plus 2.5% and a corresponding interest rate swap agreement entered into as of October 2022. See Interest Rate Swaps below. At December 31, 2024 and 2023, the Company had approximately \$12.0 million and \$14.0 million of borrowings outstanding at interest rates of 7.0527% and 7.8428%, respectively.

The Revolver had an interest rate of thirty-day SOFR plus 2.5% with a floor of 4%. At December 31, 2023, the Company had \$5.7 million of draws outstanding at an interest rate of 7.856%. In September 2024, the revolver was converted to a \$5.7 million Term Loan ("Converted Term Loan").

The Converted Term Loan has an interest rate of thirty-day SOFR plus 2.5% and a corresponding interest rate swap agreement entered into as of September 2024. See Interest Rate Swaps below. At December 31, 2024, the Company had approximately \$5.6 million of borrowings outstanding at an interest rate of 7.0527%.

Warehouse Line of Credit

In December 2019, the Company entered into a secured credit facility agreement ("Warehouse Line of Credit") with a bank which was used exclusively to fund originated mortgages which were subsequently resold to designated investors. The Warehouse Line of Credit was secured by the properties by which proceeds from the originated mortgages were used to purchase. All mortgage borrowings were subjected to a minimum interest rate of 4.5%. All borrowings outstanding for 31 days or greater had interest at a rate equal to SOFR plus an applicable escalating margin ranging from 0% to 10.0%, or 11.5%, whichever was greater, depending on the length outstanding of the respective borrowing. The terms of the Warehouse Line of Credit required the borrowings associated with each mortgage to be repaid upon the sale of the mortgage to a third party. The Warehouse Line of Credit agreement was terminated in August 2023.

Related Party Notes Payable

On March 31, 2021, in conjunction with the Reorganization, the Company entered into two unsecured promissory notes payable with legal entities in which the Founder holds a 100% ownership interest. The two notes payable, effectively due to the Founder, were issued with initial principal balances of \$7.0 million and \$3.0 million, respectively. Both bear interest at a rate of 3.0% per annum and mature in March 2029. The two notes payable may be prepaid by Holdings in whole or in part at any time, without premium or penalty. As of December 31, 2024 and 2023, \$4.0 million was outstanding on the note payable with initial principal balance of \$7.0 million. The \$3.0 million note payable was paid in full in May 2022. The promissory notes were treated as a dividend to the Founder and recorded as a reduction to retained earnings.

In December 2022, the Company issued a \$2.0 million promissory note to the Founder, maturing in December 2027. The promissory note was amended in April 2023 to increase the principal amount to \$4.5 million. The note bears a rate of interest of 12% per annum. As of December 31, 2024 and 2023, the outstanding balance was \$1.9 million and \$3.9 million, respectively.

As of December 31, 2024 and 2023, there is \$1.3 million and \$0.8 million, respectively, in accrued interest for related party notes payable included in Long-term related party notes payable on the Consolidated Balance Sheets.

Acquisition Related Notes Payable

On January 1, 2021, the Company issued a five year, \$6.3 million note with a non-compounded interest rate of LIBOR plus 3.0% per annum in connection with the PalmerHouse acquisition, maturing in March 2026. The note was amended in January 2023 to adjust the interest rate to 8.48214%. As of December 31, 2024 and 2023, the outstanding balance was \$1.8 million and \$2.9 million, respectively. The note was paid in full in January 2025.

In January 2023, the Company issued a five-year \$6.3 million note with a non-compounded interest rate of 3% per annum in connection with the Solid Source acquisition, maturing in March 2028. As of December 31, 2024 and 2023, the outstanding balance was \$4.2 million and \$5.3 million, respectively. See Note 3, Business Combinations.

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Interest Rate Swaps

In October 2022, the Company entered into a pay-fixed, receive-floating interest rate swap (the “Initial Swap”) to mitigate variability in forecasted interest payments on an amortizing original notional amount of \$14.5 million of the Company’s variable-rate Initial Term Loan. The Company designated the swap as a cash flow hedge.

In September 2024, the Company entered into a pay-fixed, receive-floating interest rate swap (the “Converted Swap”) to mitigate variability in forecasted interest payments on an amortizing original notional amount of \$5.7 million of the Company’s variable-rate Converted Term Loan. The Company designated the swap as a cash flow hedge.

As of December 31, 2024, information pertaining to the swaps was as follows:

	<u>Initial Swap</u>	<u>Converted Swap</u>
Notional amount (in thousands)	\$ 10,816	\$ 5,558
Fair value	\$ 121	\$ (77)
Pay-fixed	4.58%	3.50%
Receive-floating	30-day SOFR	30-day SOFR
Maturity date	September 29, 2027	September 27, 2029

As of December 31, 2024 and 2023, the fair value of the swaps totaled \$44 thousand and \$257 thousand, respectively, and is included in other non-current liabilities in the accompanying Consolidated Balance Sheets.

For the years ended December 31, 2024 and 2023, amounts reported in other comprehensive income (loss) in the accompanying Consolidated Statements of Comprehensive Income (Loss) are gains of \$213 thousand and \$54 thousand, respectively. During the years ended December 31, 2023, and 2022, \$60 thousand and \$10 thousand, respectively, was reclassified out of other comprehensive income (loss) and charged to interest expense, net in the accompanying Consolidated Statements of Comprehensive Income (Loss) related to the settlement of monthly interest payments.

Future Debt Obligations

The combined aggregate maturities for debt as of December 31, 2024 are as follows (in thousands):

	<u>Unrelated (a)</u>	<u>Related Party (b)</u>	<u>Total</u>
2025	\$ 5,644	\$ -	\$ 5,644
2026	4,803	-	4,803
2027	9,658	1,924	11,582
2028	1,151	-	1,151
2029	2,305	4,000	6,305
Total	<u>\$ 23,561</u>	<u>\$ 5,924</u>	<u>\$ 29,485</u>

- (a) Included with current portion of notes payable, net and long-term notes payable, net on the balance sheet is \$173 thousand and \$381 thousand, respectively, of deferred financing fees.
- (b) Included with long-term related party notes payable on the balance sheet is \$1.3 million in accrued interest.

9. Income Taxes

The Company’s provision for income taxes for the years ended December 31, 2024 and 2023 is based on its financial results through the end of the periods.

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

The U.S. and non-U.S. components of income (loss) before income taxes for the years ended December 31, 2024 and 2023 are as follows (in thousands):

	Year Ended December 31,	
	2024	2023
United States	\$ 6,207	\$ (2,516)
Foreign	(15)	15
Income (loss) before income taxes	\$ 6,192	\$ (2,501)

The components of income tax expense for the years ended December 31, 2024 and 2023 are as follows (in thousands):

	Year Ended December 31,	
	2024	2023
<i>Current:</i>		
Federal	\$ 1,385	\$ 177
State	131	239
Foreign	-	3
Total Current	1,516	419
Income tax expense	\$ 1,516	\$ 419

The Company's income tax results differed from the amount computed by applying the relevant U.S. statutory federal income tax rate to income before income taxes. A reconciliation of the federal statutory tax rate to the effective tax rate for the years ended December 31, 2024 and 2023 are as follows (in thousands):

	December 31, 2024		December 31, 2023	
	Tax	Percent	Tax	Percent
Expense (benefit) at statutory federal rate	\$ 1,288	21.0	\$ (525)	21.0
State tax benefit, net	620	10.1	(463)	18.5
GILTI	-	-	2	(0.1)
Other	(508)	(8.3)	605	(24.2)
Valuation allowance	116	1.9	800	(32.0)
Total	\$ 1,516	24.7	\$ 419	(16.8)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities calculated under U.S. GAAP and the amounts calculated for preparing income tax returns. There is no net deferred tax asset balance as of December 31, 2024 or 2023.

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

	December 31,	
	2024	2023
<i>Deferred tax assets:</i>		
Allowance for credit losses	\$ 159	\$ 92
Intangibles	1,402	1,556
Deferred revenue	213	144
Accrued compensation	43	60
Operating lease liabilities	2,616	3,090
Net operating loss	1,243	1,647
Interest carryforward	572	595
Other	204	248
Total deferred tax assets	6,452	7,432
Less: valuation allowance	(3,532)	(3,448)
Total deferred tax assets after valuation allowance	2,920	3,984
<i>Deferred tax liabilities:</i>		
Prepaid expenses	(18)	(31)
Property and equipment	(5)	(341)
Operating lease assets	(2,271)	(2,973)
Equity investments	(5)	(5)
Investment in foreign entities	(125)	(125)
Other	(496)	(509)
Total deferred tax liabilities	(2,920)	(3,984)
Net deferred tax assets	\$ -	\$ -

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. In considering the need for a valuation allowance, the Company considers historical, as well as future, projected taxable income along with other objectively verifiable evidence. As such, Management has determined a full valuation allowance is required.

As a result of the pass-through structure, the members are responsible for any tax matters arising from an examination prior to the April 1, 2021 Reorganization. Subsequent to the April 1, 2021 Reorganization, HomeSmart Subsidiaries and HomeSmart Holdings, Inc. are responsible for any tax matters arising from an examination. Years in which an audit remains open for the corporate entity within the organization are 2020, 2021, 2022 and 2023. The Company is subject to audit by federal, state, local, and foreign tax authorities. Currently, the Company is under audit in Puerto Rico for tax years 2019 and 2020. As of December 31, 2024, the Company has no uncertain tax positions.

Due to the changes in the Tax Act, distributions of cash to the U.S. as dividends generally will not be subject to U.S. federal income tax. Foreign withholding taxes have been provided on the undistributed earnings of foreign subsidiaries, over which we have sufficient influence to control the distribution of such earnings and have determined that substantially all such earnings will not be reinvested indefinitely. We estimate that repatriation of these foreign earnings would generate withholding taxes of \$9.8 thousand for 2023.

The Company reflects changes in its liability for unrecognized tax benefits as income tax expense in the Consolidated Statements of Comprehensive Income (Loss). As of December 31, 2024 and 2023, the Company did not have any unrecognized tax benefits.

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

10. Commitments and Contingencies

Litigation

From time to time, the Company may be involved in disputes or regulatory inquiries that arise in the ordinary course of business. When the Company determines an adverse outcome that could result in a loss to the Company, is both probable and reasonably estimable, a liability is recorded and disclosed. If an adverse outcome is probable, but not reasonably estimable, the Company discloses the nature of the claim and the fact that the amount of a contingent loss is not reasonably estimable. When a loss contingency is only reasonably possible, the Company does not record a liability, but instead discloses the nature and the amount of the claim and an estimate of the loss or range of loss, if such contingent loss is reasonably estimable. Legal costs related to the defense of loss contingencies are expensed as incurred.

In 2023 the National Association of Realtors (NAR), along with several major real estate brokerages, became the subject of a high-profile antitrust lawsuit related to commission practices in residential real estate transactions. The lawsuit alleged that certain industry practices, including the mandatory offer of buyer broker compensation through Multiple Listing Services (MLS), violated federal antitrust laws. The Company has entered into a settlement agreement of \$4.3 million of which the Company is only responsible for \$1.0 million with insurance covering the remainder. As of December 31, 2024, the \$1.0 million settlement is included in accrued expenses and other current liabilities on the accompanying Consolidated Balance Sheets.

The settlement includes significant proposed changes to industry rules and practices, which may impact how commissions are negotiated and disclosed. Management is currently evaluating the potential implications of the settlement on future revenue recognition, commission structures, and business practices. However, due to the ongoing nature of the proceedings and evolving regulatory responses, the full financial impact cannot be reasonably estimated at this time.

Tax Matters

The Company may be subject to sales and use tax in various jurisdictions within the United States. The Company is subject to regulatory audits by tax authorities whereby the outcome of the audits is uncertain. The Company believes there is appropriate support for its sales and use tax filings.

Escrow and Trust Deposits

As a service to its customers, the Company administers escrow and trust deposits which represent undisbursed amounts for the settlement of real estate transactions. Deposits at FDIC-insured institutions are insured up to \$250 thousand. As of December 31, 2024 and 2023, these deposits totaled \$5.7 million and \$3.9 million, respectively. These escrow and trust deposits are not assets of the Company and, therefore, are excluded from the accompanying Consolidated Balance Sheets. However, the Company remains contingently liable for the disposition of these deposits.

Standard Guarantees/Indemnifications

In the ordinary course of business, the Company enters into numerous agreements that contain standard guarantees and indemnities whereby the Company indemnifies another party for breaches of representations and warranties. In addition, many of these parties are also indemnified against any third-party claim resulting from the transaction that is contemplated in the underlying agreement. Such guarantees or indemnifications are granted under various agreements, including those governing: (i) purchases, sales or outsourcing of assets or businesses, (ii) leases and sales of real estate, (iii) licensing of trademarks, (iv) use of derivatives, and (v) issuances of debt securities. The guarantees or indemnifications issued are for the benefit of the: (i) buyers in sale agreements and sellers in purchase agreements, (ii) landlords in lease contracts, (iii) franchisees in licensing agreements, (iv) financial institutions in derivative contracts, and (v) underwriters in issuances of securities. While some of these guarantees extend only for the duration of the underlying agreement, many survive the expiration of the term of the agreement or extend into perpetuity (unless subject to a legal statute of limitations). There are no specific limitations on the maximum potential amount of future payments that the Company could be required to make under these guarantees, nor is the Company able to develop an

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

estimate of the maximum potential amount of future payments to be made under these guarantees as the triggering events are not subject to predictability.

11. Equity

The Company has one class of shares designated as common stock. Each share of common stock has a par value of \$0.01. On October 22, 2020, the Founder formed Holdings, a wholly owned Delaware corporation. In connection with the Reorganization the Company issued 54,477,907 shares of common stock with par value of \$0.01 to the Company's Founder.

As of December 31, 2024 and 2023, the Company had 100,000,000 shares of common stock authorized, with 54,478,907 issued and outstanding. 100% of the shares are owned by the Founder.

The holders of the common stock are entitled to one vote per share and each share has equal participation in earnings and dividends. Dividends may be paid in cash, in property or in shares of the Company's common stock. All shares of common stock are "Restricted Shares", as defined by the Company's by-laws to mean that any transfer of ownership of common stock must be approved by the Founder or a duly authorized committee.

12. Stock-based Compensation

2021 Equity Incentive Plan

In June 2021, the Company adopted the 2021 Equity Incentive Plan (the "Plan"). The Plan is a broad-based retention program and is intended to attract and retain talented employees, directors, and non-employee consultants. Under the Plan, employees and non-employees can be granted options on common stock, restricted stock, restricted stock units ("RSUs"), and stock appreciation rights ("SARs"). Incentive stock options may be granted to employees. All other awards, including non-statutory stock options, under the Plan may be granted to employees, directors, and consultants. The exercise price shall be no less than 100% of the fair market value of such shares on the date of grant. In addition, in cases where an incentive stock option is granted to an employee who owns stock representing more than 10% of the voting power of all classes of stock of the Company or parent or subsidiary, the per share exercise price will be no less than 110% of the fair market value of such shares on the date of grant. Generally, these awards are based on stock agreements with ten-year contractual terms subject to board approval. As of December 31, 2024 and 2023, there were 2,374,321 shares of common stock authorized for issuance under the Plan. As of December 31, 2024, there are 695,404 shares available for future grant.

Stock Appreciation Rights

SARs vest ratably over a prescribed service period lasting typically four years. SARs are either settled in cash or shares of the Company's common stock at the discretion of the Board of Directors. Upon the exercise of any stock-settled SARs, the Company issues shares to the award holder from the pool of authorized but unissued common stock.

Under the Plan, at exercise, stock-settled SARs entitle the holder to receive one share of common stock. The Company accounts for forfeitures of awards when they occur. SARs have a service-based vesting condition recognized on a straight-line basis, by vesting tranche, over the requisite service period of the awards, which is typically four years with 25% of the award's shares vesting annually during that period. In addition, the awards have a performance vesting condition. The performance vesting condition occurs at the discretion of the Board of Directors or on the earlier of (i) the consummation of an initial public offering of any class of the Company's securities on an internationally recognized stock exchange, or (ii) a change of control. From an equity-based accounting perspective, a change of control event and initial public offering are not probable until consummated. Thus, as of December 31, 2024, the Company had not achieved the performance condition.

Stock-based compensation expense for SARs granted is estimated based on the award's fair value as calculated by the Black-Scholes option pricing model. The Black-Scholes model requires various assumptions, including the fair value of the underlying common stock, expected term, expected dividend yield, expected volatility of the common stock, and a risk-free interest rate. If any of the assumptions used in the Black-Scholes model change significantly, stock-

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

based compensation expense may differ materially in the future from that recorded in the current period. The absence of a public market for the Company's common stock requires the Company's board of directors to estimate the fair value of its common stock for purposes of granting awards and for determining stock-based compensation expense by considering several objective and subjective factors, including contemporaneous third-party valuations, actual and forecasted operating and financial results, market conditions and performance of comparable publicly traded companies, developments and milestones in the Company, the rights and preferences of common and preferred stock, and transactions involving preferred stock. The fair value of the Company's common stock has been determined in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants, *Valuation of Privately Held Company Equity Securities Issued as Compensation*. As the Company has no active trading history, expected volatility was derived from historical volatilities of selected public companies deemed to be comparable to the Company's business. The expected term represents the period that the Company's stock-based awards are expected to be outstanding. As the Company does not have sufficient historical experience for determining the expected term of the stock option awards granted, it has based its expected term on the simplified method available under U.S. GAAP. The risk-free interest rate is based on the implied yield currently available on U.S. treasury notes with terms approximately equal to the expected term of the option. The expected dividend rate is zero as the Company currently has no history or expectation of declaring dividends on the common stock.

The weighted-average assumptions used to determine the fair value of SARs granted during the year ended December 31, 2022 was as follows. There were no grants during the years ended December 31, 2024 or 2023.

	December 31, 2022
Expected term	6.25 years
Risk-free interest rate	2.61%
Expected volatility	72.57%
Dividend rate	0.00%
Fair value of common stock	\$ 2.69
Weighted average grant date fair value of SARs granted	\$ 6.01

A summary of SAR activity under the Plan is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (in years)
Unvested balance as of December 31, 2022	316,898	\$ 10.67	8.83
Granted	-	-	-
Vested	(49,129)	12.04	7.50
Forfeited	(71,496)	11.27	-
Unvested balance as of December 31, 2023	196,273	10.54	7.82
Granted	-	-	-
Vested	(147,364)	10.05	6.92
Forfeited	(4,175)	11.40	-
Unvested balance as of December 31, 2024	44,734	10.53	6.84

There was no stock-based compensation recognized during the years ended December 31, 2024 or 2023. As of December 31, 2024, there were unrecognized compensation costs of \$1.0 million related to these SARs, which are expected to be recognized over a weighted-average period of 0.55 years dependent on the performance vesting condition being met.

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Restricted Stock and Restricted Stock Units

RSUs granted under the Plan have a service-based vesting condition that is typically satisfied over a four-year period, with 25% of the shares vesting on each of the one-, two-, three-, and four-year anniversaries of the vesting commencement date. In addition, the awards have a performance vesting condition. The performance vesting condition occurs at the discretion of the Board of Directors or on the earlier of (i) the consummation of an initial public offering of any class of the Company's securities on an internationally recognized stock exchange, or (ii) a change of control. From an equity-based accounting perspective, a change of control event and initial public offering are not probable until consummated. Thus, as of December 31, 2024, the Company had not achieved the performance condition.

A summary of RSU activity under the Plan is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested balance as of December 31, 2022	1,679,536	\$ 11.38
Granted	21,446	1.03
Vested and issued (a)	(337,146)	11.86
Settlement of vested stock units (b)	(445,901)	11.91
Forfeited	(784,748)	11.87
Unvested balance as of December 31, 2023	133,187	11.03
Granted	83,850	1.03
Forfeited	(2,326)	3.65
Unvested balance as of December 31, 2024	<u>214,711</u>	10.25

(a) During 2023 there were 337,146 RSU shares that vested with 227,106 shares of common stock issued and subsequently repurchased for \$0.8 million.

(b) During 2023 certain vested restricted stock units were settled for \$1.1 million for 18 employees. The settlements eliminated any future issuances for those vested units.

During the years ended December 31, 2024 and 2023, the Company granted 83,850 and 21,446 RSUs, respectively, with a service-based vesting condition, and a performance vesting condition effective in July 2023. Stock-based compensation recognized during the years ended December 31, 2024 and 2023 associated with RSUs was \$69 thousand and \$2.1 million, respectively. As of December 31, 2024, there were unrecognized compensation costs of \$0.6 million related to these RSUs, which are expected to be recognized over a weighted-average period of 0.72 years dependent on the performance vesting condition being met.

Stock-based Compensation Expense

Total stock-based compensation expense included in the Consolidated Statements of Comprehensive Income (Loss) is as follows (in thousands):

	Year Ended December 31,	
	2024	2023
Commissions and other related costs	\$ -	\$ 58
General and administrative	69	1,596
Sales, marketing and advertising	-	462
Total stock-based compensation expense	<u>\$ 69</u>	<u>\$ 2,116</u>

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

13. Fair Value Measurements

Borrowings under the Company's Secured credit facilities are recorded at carrying value, which approximates fair value due to the frequent nature of such borrowings and repayments. The Company considers these as Level 2 inputs.

There were no material transfers of assets or liabilities recorded at fair value on a recurring basis between Levels 1, 2 or 3 during the years ended December 31, 2024 or 2023.

The following table presents liabilities which are measured at fair value on a recurring basis as of December 31, 2024 and 2023 (in thousands):

December 31, 2024				
	Level 1	Level 2	Level 3	Total
Liabilities				
Interest rate swap	\$ -	\$ 44	\$ -	\$ 44
Total liabilities	\$ -	\$ 44	\$ -	\$ 44

December 31, 2023				
	Level 1	Level 2	Level 3	Total
Liabilities				
Interest rate swap	\$ -	\$ 257	\$ -	\$ 257
Total liabilities	\$ -	\$ 257	\$ -	\$ 257

The Company measures the fair value of its financial assets and liabilities using the highest level of inputs that are available as of the measurement date. The carrying amounts of cash, accounts receivable, and accounts payable approximate their fair value due to the immediate or short-term maturity of these financial instruments. See Note 8, "Debt", for additional information on the interest rate swaps.

As of December 31, 2024 and 2023, the estimated fair values of financial liabilities that are not recorded at fair value on a recurring or non-recurring basis were not materially different from their carrying values.

14. Related Party Transactions

The following table summarizes the composition and amounts of transactions with the Company's affiliates reflected in operating expenses in the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2024 and 2023 (in thousands):

	Year Ended December 31,	
	2024	2023
General and administrative expenses	\$ (3,305)	\$ (952)
Interest expense	(530)	(575)
Other income, net	88	-
Total related party expenses, net	\$ (3,747)	\$ (1,527)

Amounts included within general and administrative expense for 2023 are \$0.4 million for office space leased from a related party and \$0.6 million of consulting fees paid to a related party. Amounts included within general and administrative expense for 2024 are \$0.5 million for office space leased from a related party, \$0.6 million of consulting fees paid to a related party, and \$2.2 million for software licensing fees paid to a related party. Interest expense is from related party notes payable. See Note 8, "Debt" for discussion.

HomeSmart Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

The following table summarizes affiliate amounts included in the asset and liability balances on the Company's Consolidated Balance Sheets as of December 31, 2024 and 2023 (in thousands).

	December 31,	
	2024	2023
Assets		
Accounts receivable, net	\$ 627	\$ 16
Due from related parties	45	33
Operating lease assets	1,454	1,759
Other non-current assets	1,030	-
Total assets	\$ 3,156	\$ 1,808
Liabilities		
Accounts payable	\$ 750	\$ (55)
Accrued expenses and other current liabilities	40	3
Current portion of operating lease liabilities	267	352
Due to related parties	28	1,030
Long-term related party note payable	7,247	8,717
Long-term operating lease liabilities	1,189	1,416
Total liabilities	\$ 9,521	\$ 11,463

During 2024, the Company sold property and equipment to an affiliate for \$.5 million cash and a \$1.0 million note receivable bearing interest at 4%. The note receivable and accrued interest are included in other non-current assets as of December 31, 2024. For discussion on related party operating leases see Note 6, "Leases". For discussion on related party notes payable see Note 8, "Debt".

15. Subsequent events

The Company has evaluated subsequent events through April 18, 2025, the date at which the Consolidated Financial Statements were available for issuance, and has not identified any events requiring disclosure.

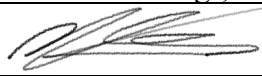
GUARANTEE OF PERFORMANCE

For value received, HomeSmart Holdings, Inc., a Delaware corporation (the "Guarantor"), located at 8388 E Hartford Dr., Suite 110, Scottsdale, Arizona 85255, absolutely and unconditionally guarantees to assume the duties and obligations of HomeSmart International, LLC, located at 8388 E Hartford Dr., Suite 110, Scottsdale, Arizona 85255 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2025 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Phoenix, Arizona on the 10 day of April, 2026.

Guarantor

HomeSmart Holdings, Inc.

By:  _____

Name: Matthew Widdows

Title: CEO

**Exhibit B to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
FRANCHISE AGREEMENT**



FRANCHISEE INFORMATION SHEET

Franchise #: _____

Effective Date: _____

Legal Entity Name: _____

Tax I.D. #: _____

Principal Contact: _____

Address: _____

City, State, Zip: _____

Primary Phone #: _____

Secondary Phone #: _____

Email Address: _____

Fax Number: _____

Territory: _____

FRANCHISE AGREEMENT
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ATTACHMENTS TO FRANCHISE AGREEMENT:

1. Royalty, Territory, Quotas, Branch Offices and Fees
2. Guaranty and Assumption of Franchisee’s Obligations
3. Consent of Spouse
4. Acknowledgement
5. Statement of Ownership
6. Authorization Agreement for Prearranged Payments
7. Collateral Assignment of Telephone Numbers, Telephone Listings, and Internet Addresses
8. Branch Office Authorization

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is made this ____ day of _____, 20__, by and between HOMESMART INTERNATIONAL, LLC, an Arizona limited liability company, located at 8388 East Hartford Dr., Suite 100, Scottsdale, Arizona 85255 (“Franchisor”), and _____ (“Franchisee”), located at _____ (“Franchisee”).

RECITALS

WHEREAS, the Franchisor has developed a comprehensive system for the operation of a business offering both residential and commercial real estate brokerage services (each a “Real Estate Brokerage Business”).

WHEREAS, the Real Estate Brokerage Businesses are operated under a business format with a unique system of high standards of service, including valuable know-how, information, Trade Secrets, Confidential Information, methods, confidential Operations Manual, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development.

WHEREAS, the distinguishing characteristics of the System include the trademark “HomeSmart®” and other trademarks and trade names, confidential operating procedures, confidential Operations Manual, standards and specifications for equipment, services and products, method of Internet usage, methods of service, management and marketing programs and sales techniques and strategies. All of these distinguishing characteristics may be changed, improved, and further developed by the Franchisor periodically. They are Franchisor’s Confidential Information and Trade Secrets and are designated by and identified with the Marks described in this Agreement.

WHEREAS, the Franchisor continues to use, develop, and control the use of the Marks to identify for the public the source of services and products marketed under the System, and which represent the System’s high standards of quality, service, and customer satisfaction.

WHEREAS, Franchisee acknowledges the benefits to be derived from being identified with the System and also recognizes the value of the Marks and the continued uniformity of image to Franchisee, the Franchisor, and other franchisees of the Franchisor.

WHEREAS, Franchisee acknowledges the importance to the System of the Franchisor’s high and uniform standards of quality, service, and customer satisfaction, and further recognizes the necessity of opening and operating a Real Estate Brokerage Business in conformity with the System.

WHEREAS, Franchisee recognizes that to enhance the value of the System and goodwill associated with it, this Agreement places detailed obligations on Franchisee, including strict adherence to the Franchisor’s reasonable present and future requirements regarding the types of

services offered, advertising used, operational techniques, marketing and sales strategies and related matters.

WHEREAS, Franchisee is aware of the foregoing and desires to obtain the right to use the System and in association with the System, the right to use the Marks, and wishes to be assisted, trained, and franchised to operate a Real Estate Brokerage Business within the Territory specified in this Agreement and subject to the terms and conditions contained in this Agreement.

The parties therefore agree as follows:

1. DEFINITIONS.For the purposes of this Agreement, the following terms are hereby defined:“**Affiliate**” - means any person or entity that controls, is controlled by, or is in common control with, the Franchisor.

1.2 “**Agent**” – means a person or group of persons licensed to sell real estate within the Territory who are affiliated with the Real Estate Brokerage Business and uses services provided by Franchisee pursuant to this Agreement. An Agent may be an employee of Franchisee or independent contractor.

1.3 “**Agreement**” - means this agreement, and all exhibits, schedules, attachments, instruments, and amendment.

1.4 “**Branch Office(s)**” - means any additional Office at an approved location or locations where Franchisee operates the Real Estate Brokerage Business that is opened by Franchisee after its initial Office.

1.5 “**Business**” or “**Real Estate Brokerage Business**” - means the business operations conducted or to be conducted by Franchisee pursuant to this Agreement and consisting of a business offering commercial and residential real estate brokerage services.

1.6 “**Confidential Information**” - means all knowledge, know-how, standards, methods and procedures related to the establishment and operation of the System and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, Franchisee’s Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, manuals, promotional and marketing materials, marketing strategies and any other data which the Franchisor designates as confidential or Franchisee reasonably should know Franchisor would consider confidential, all analyses, summaries, compilations, reports, annotations, interpretations, extracts, derivative works, improvements, adaptations, and other materials, whether prepared by Franchisee or any third party, that are based upon, incorporate, derive from, or reflect any Confidential Information, and any output, result, response, analysis, summary, compilation, or other material generated by or through the use of any artificial intelligence system, machine learning model, large language model, or similar automated or algorithmic tool to the extent such output is based upon, derived from, trained on, or generated using any Confidential Information

1.7 **“Franchise”** - means the business operations, including the Real Estate Brokerage Business, conducted or to be conducted by Franchisee using the Franchisor’s System and in association with the Marks.

1.8 **“Franchisor’s System” or “System”** - means the standards, systems, concepts, identifications, methods, and procedures developed or used by the Franchisor, or which may hereafter be developed or used by the Franchisor, including the trademark **“HomeSmart®”** and other trademarks and trade names, confidential operating procedures, confidential Operations Manual, standards and specifications for equipment, services and products, method of Internet usage, training methods, methods of service, management and marketing programs and sales techniques and strategies for the sale and marketing of the Franchisor’s Services.

1.9 **“Gross Revenue”** - Gross Revenue means the total of all commissions, transaction fees, property management fees, and monthly fees collected or receivable by Franchisee and Franchisee’s independent sales associates, Agents, representatives, contractors, employees, partners, directors, officers, Owners, or Franchisee’s Related Parties, regardless of whether or not such individuals or Related Parties are entitled to retain all or part of such Gross Revenue, directly or indirectly, in connection with the Business (earned in compliance with all applicable laws) including, but not limited to, transactions and provision of services for which a real estate or auctioneer’s license (including appraisal, title or escrow services) is required, the sale or provision of products or services that we or any of our Related Parties develop or make available to you directly or through a third party, Property Management Services, and/or any transaction, sale and/or service in which the Marks or the System is used in any manner, without deducting any of your multiple listing fees, advertising costs, commissions, overrides, bonuses, salaries, gifts, or any other costs or expenses and other receipts and fees from its Agents and from all other sources (including but not limited to referral fees and finder’s fees received from brokers or agents in other brokerage companies) which are derived from the sale, lease, transfer or other disposition (including like-kind exchanges, barter exchanges, or other exchanges of property not involving money) of Real Property, including any note, obligation, lien or other consideration given to Franchisee in lieu of a commission and insurance claims for lost profits if a claim is paid by the insurer.

(a) Gross Revenue does not include: (1) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers, provided that the amount of any tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority; (2) monthly fees or additional transaction fees charged to agent by the Franchisee; and (3) fair market rent paid by Franchisee’s Agents for the lease of office space at Franchisee’s Central Office or Branch Office locations.

(b) Gross Revenue will be deemed received at the earlier of the closing of any transaction described above or when payment for any Services is received by Franchisee or an Agent. Gross Revenue consisting of property or services will be valued at the fair market value of the property or services at the time that they are received.

1.10 **“Lease”** - means any agreement (whether oral or written) under which the right to occupy an Office has been obtained, and any amendment made to the lease periodically,

including, any offer to lease, license or lease agreement. The term “Lease” will include a sublease, and a renewal or extension of a lease or sublease.

1.11 **“Marks”** - means “HomeSmart®”, to the extent of the Franchisor’s rights to the same, together with those other trade names, trademarks, symbols, logos, distinctive names, service marks, certification marks, logo designs, insignia or otherwise which may be designated by the Franchisor periodically as part of the System for use by Franchisees and not withdrawn.

1.12 **“Office(s)”** - means the approved location or locations where Franchisee operates the Real Estate Brokerage Business.

1.13 **“Opening Date”** - means the first of the following to occur on or after the Effective Date: Franchisee begins conducts business using the Marks, offers any Services to the public, Franchisee collects any Gross Revenue, Franchisee uses any Mark, Franchisee opens any Office, one hundred twenty (120) days after the Effective Date; or, Franchisee otherwise engages in a Real Estate Brokerage Business.

1.14 **“Operations Manual”** - means, but is not limited to, collectively, all directives, books, pamphlets, bulletins, memoranda, order forms, invoices, letters, e-mail, Internet or intranet data, or other publications, documents, Software programs, video tapes, transmittances or communications, in whatever form (including electronic form) prepared by or on behalf of the Franchisor for use by the franchisees generally or for Franchisee in particular, setting forth information, advice and standards, requirements, marketing information and procedures, operating procedures, instructions or policies relating to the operation of the Business or the operation of Franchises, as same may be added to, deleted or otherwise amended by the Franchisor periodically.

1.15 **“Products”** - means all supplies and other materials used by Franchisee or provided to Franchisee’s customers in connection with the Business and associated with the Marks.

1.16 **“Real Property”**– means single and multiple unit residential housing, commercial property, farmhouses, vacant land to be used for residential, agricultural, recreation or commercial purposes; condominiums, cooperatives, townhouses, vacation houses, interests in interval-ownership and time share residential units, and mobile home when affixed to the ground.

1.17 **“RealSmart Broker™”**- means the proprietary integrated technology system that integrates data taken from the MLS together with data collected, uploaded, and entered from each agent and broker provided to each Franchisee. The RealSmart Broker comprises two integrated platforms identified as “Real Smart Agent or RSA” and “RealSmart Broker or RSB” as well as proprietary marketing, CRM, lead management, transaction management, website management, and agent and broker technology tools.

1.18 **“Services”** - means any and all assistance, guidance, recommendations, marketing and other services for the sale, transfer or other disposition of Real Property

conducted or otherwise provided by Franchisee and the Agents in connection with the Business or associated with the Marks.

1.19 **“System Instance”**- means the unique identifier or unique system identification number assigned to your HomeSmart International Brokerage Business that allows you access to information within the RealSmart Broker.

1.20 **“Trade Secret(s)”** - means information, including a formula, pattern, compilation, program, device, method, technique, or process related to the System that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. COVENANTS, REPRESENTATIONS, AND WARRANTIES OF FRANCHISEE. Franchisee covenants, represents, and warrants as follows and acknowledges that the Franchisor is relying upon these covenants, representations, and warranties in making its decision to enter into this Agreement.

2.1 Franchisee acknowledges that it has received, has had ample time to read, and has read this Agreement, the Disclosure Document, and all related agreements with the Franchisor. Franchisee acknowledges that the Franchisor has advised it to obtain independent legal and accounting advice with respect to this Agreement and the transactions arising out of this Agreement. Franchisee further acknowledges that it has had an adequate opportunity to be advised by legal, accounting, and other professional advisors of its own choosing regarding all pertinent aspects of the Business, the Franchisor, and this Agreement.

2.2 Franchisee has, or has made firm arrangements to acquire, funds to commence, open and operate the Business. Franchisee is financially and otherwise able to accept the risks attendant upon entering into this Agreement.

2.3 All statements made by Franchisee in writing in connection with its application for the Franchise were true when made and continue to be true as of the date of this Agreement.

2.4 There are no material financial obligations of Franchisee whether actual or contingent, which are outstanding as of the date of this Agreement other than those disclosed to the Franchisor by Franchisee in writing.

2.5 Franchisee is not a party to or subject to any court or administrative order or action of any governmental authority that would limit or interfere in any way with the performance by Franchisee of its obligation hereunder.

2.6 Franchisee is not a party to any litigation or legal proceedings other than those that have been disclosed to the Franchisor by Franchisee in writing.

2.7 Franchisee represents that it is not a party to or subject to agreements or arrangements that might conflict with the terms of this Agreement and agrees not to enter into any conflicting agreements or arrangements during the Initial Term or any Interim Period.

2.8 Franchisee agrees and acknowledges that it has not been induced to enter into this Agreement in reliance upon, nor as a result of, any statements, representations, warranties, conditions, covenants, promises or inducements, whatsoever, whether oral or written, and whether directly related to the contents of this Agreement or collateral thereto, made by the Franchisor, its officers, directors, agents, employees, or contractors except as provided herein. Franchisee acknowledges that the Franchise has been granted in reliance upon the information supplied to the Franchisor in Franchisee's application for a Franchise.

2.9 Franchisee represents that it or its owners are licensed real estate brokers under the laws of the state or states where each Office is located; are familiar with the real estate laws and regulations of the state or states; have previous experience in Real Property transactions; and, the Franchise is being acquired to use the System and the Marks in the operation of a real estate brokerage business and not for speculative or investment purposes.

2.10 Franchisee and its owners certify that they, their respective employees, and anyone associated with Franchisee are not listed in the Annex to Executive Order 13224 (<http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>). Franchisee agrees not to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex.

2.11 Franchisee is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities set forth in this Agreement pertain to its obligations under this Section 2.10.

2.12 Franchisee and its owners agree to comply with and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with this compliance, Franchisee and its owners certify, represent, and warrant that none of their property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, its owners, their employees, or anyone associated with Franchisee to be listed in the Annex to Executive Order 13224. Any misrepresentation under this Section or any violation of the Anti-Terrorism Laws by Franchisee, its owners, agents, or its employees constitutes grounds for immediate termination of this Agreement and any other agreement Franchisee has entered with Franchisor or any of its Affiliates. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury

Office of Foreign Assets Control and any government agency outside the U.S.) addressing or in any way relating to terrorist acts and/or acts of war.

2.13 The articles of incorporation, articles of organization, operating agreement, partnership agreement, shareholder agreement, and by-laws of the corporation, limited liability company, partnership or other business agreements (“Ownership Documents”) reflecting the ownership of the entity executing this Agreement shall: (a) provide that its objectives or business is confined exclusively to the operation of the Business as provided for in this Agreement; (b) include reasonable buy-sell and dispute resolution terms; and (c) recite that the issuance and transfer of any shares, membership interest, partnership interest or other interest is restricted by the terms of this Agreement. Copies of the relevant Ownership Documents shall be furnished to the Franchisor upon request.

3. GRANT OF LICENSE

3.1 Subject to all the terms and conditions of this Agreement, the Franchisor hereby grants to Franchisee, and Franchisee accepts, for the Initial Term of this Agreement and any Interim Period, the right and license (“**License**”) to:

(a) Operate a Real Estate Brokerage Business at one (1) approved Central Office location and additional, if any, Branch Office locations at approved locations in the geographic area set forth in **Attachment 1** to this Agreement (“**Territory**”) upon the terms and conditions of this Agreement.

(b) Use the Marks and the System; and

(c) Offer and market ONLY the Franchisor’s approved Services and Products, unless the Franchisor approves in writing Franchisee’s request to offer and market complementary and non-competing services or products.

3.2 Franchisee recognizes that variations and additions to the System may be required periodically to preserve and/or enhance the System. Therefore, Franchisor expressly reserves the right to add to, subtract from, revise, modify or change periodically the System or any part thereof, and Franchisee agrees to promptly accept and comply with any addition, subtraction, revision, modification or change and to make those reasonable expenditures as may be necessary to comply pursuant to Section 9.

3.3 Franchisee recognizes that the rights granted to Franchisee hereunder are for the specific Territory defined in Section 3.1 above and **Attachment 1** and no other and cannot be transferred to an alternate Territory without the prior written approval of Franchisor, which approval may be granted or withheld by Franchisor.

4. TERM OF THE AGREEMENT AND LICENSE

4.1 This Agreement and the License granted hereunder will continue for a period of ten (10) years (“**Initial Term**”). This Initial Term begins on the date this Agreement is signed by the Franchisor, subject, however, to termination in accordance with the provisions of this

Agreement. When the Initial Term and any Interim Period expires, Franchisee will have the option, as determined by Franchisor, to extend its rights to operate the Business for one additional term (“**Successor Term**”) of ten (10) years. If Franchisee’s rights to operate the Business are extended, Franchisee must pay the Franchisor the Successor Franchise Fee set forth in Section 4.4(b).

4.2 The Franchisor may refuse to extend Franchisee’s rights to operate the Business if Franchisee has:

(a) Failed to remedy any breach of this Agreement by Franchisee specified by the Franchisor in a written notice to Franchisee as per Sections 18.1 or 18.2; or

(b) Committed and received notice of two (2) or more breaches of this Agreement in the twenty-four (24) months before the end of the Initial Term, even if those breaches were timely remedied; or

(c) Failed to meet the Annual Agent Quota as set forth in Section 5.4 for any year during the Initial Term or any Interim Period; or

(d) Failed to open the number of Branch Offices, as set forth in Section 5.4 for any year during the Initial Term or any Interim Period; or

(e) Franchisee has not given the Franchisor a written notice of intent to extend Franchisee’s rights to operate the Business no less than six (6) months or more than nine (9) months before the expiration of the Initial Term; or

(f) Franchisee is not current in all its payment obligations to the Franchisor or to Franchisee’s trade creditors.

4.3 If the Franchisor agrees to extend Franchisee’s rights to operate the Business at the end of the Initial Term or any Successor Term, Franchisee will sign a successor franchise agreement (“**Successor Franchise Agreement**”) and all other agreements in the form then being used by the Franchisor in granting new franchises and pay the Successor Franchise Fee set forth in Section 4.4(b). The Franchisor reserves the right to change any term(s) of the Successor Franchise Agreement form to be signed by Franchisee upon the extension of Franchisee’s rights to operate the Business (except as specified below). There will not, however, be another Initial Franchise Fee charged in connection with the extension of Franchisee’s rights to operate the Business. IN FRANCHISOR’S SOLE DETERMINATION, THE FRANCHISEE MAY BE DEEMED TO HAVE IRREVOCABLY DECLINED TO RENEW THE FRANCHISE (AND ITS OPTION WILL THEREUPON TERMINATE) IF IT FAILS TO SIGN AND RETURN TO THE FRANCHISOR THE SUCCESSOR FRANCHISE AGREEMENT AND OTHER DOCUMENTS REQUIRED BY THE FRANCHISOR WITHIN THIRTY (30) DAYS AFTER THEIR DELIVERY TO THE FRANCHISEE OR FAILS TO COMPLY IN ANY OTHER WAY WITH THE PROVISIONS OF THIS SECTION 4.

4.4 As additional conditions to the extension of Franchisee’s rights to operate the Business, the Franchisor reserves the right to require Franchisee to:

(a) Sign a general release of all claims Franchisee may have against the Franchisor, its officers, directors, members, shareholders, agents, Affiliates, and employees, whether in their corporate and/or individual capacities. This release will include all claims arising under any federal, state, or local law, rule, or ordinance arising out of or concerning this Agreement (to the fullest extent permitted by law) and will be in a form satisfactory to the Franchisor.

(b) Pay the successor franchise fee (“**Successor Franchise Fee**”) set forth in **Attachment 1**, which is due and payable to the Franchisor at the time of signing the Successor Franchise Agreement.

(c) Agree to give the Franchisor not less than six (6) months nor more than nine (9) months prior written notice of Franchisee’s election to extend (or not to extend) Franchisee’s rights to operate the Business. Failure to give timely notice of Franchisee’s intention to extend its rights to operate the Business will be deemed an election not to extend Franchisee’s rights to operate the Business.

(d) Upgrade the Computer System and any related Software used in operations of the Business to Franchisor’s then-current standards and specifications.

(e) Comply with all other provisions contained in the Operations Manual, as modified periodically by Franchisor; and

(f) Provide proof of current certificates, authorizations, licenses, insurance and permits.

4.5 If Franchisee desires to open any additional Branch Offices during the Successor Term, Franchisee will pay the Branch Office Fee for each additional Branch Office in accordance with Section 6.2.

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

5. TERRITORY

5.1 During the Initial Term and for so long as Franchisee is in compliance with all of its obligations hereunder, except as otherwise provided in this Agreement, and subject to

Franchisor's reservation of rights as set forth in Section 5.2 and as provided in Section 5.4 below, neither Franchisor nor any Affiliate of the Franchisor will open or license another person or entity to open or allow any others to open a competing HomeSmart International Real Estate Brokerage Business using the Marks licensed to Franchisee within the Territory encompassed by the boundaries set forth in **Attachment 1**, attached and incorporated by reference. The rights granted to Franchisee in this Section do not prohibit other franchisees and agents of Franchisor from listing and selling Real Property in Franchisee's Territory nor is Franchisee prohibited from listing or selling Real Property in a territory granted to another Franchisee, provided that Franchisee is licensed to sell Real Property in that area. Except as otherwise specifically provided in this Agreement, this Agreement does not restrict the Franchisor or its Affiliates and does not grant rights to Franchisee to pursue any of Franchisor's or its Affiliates other business concepts other than the Real Estate Brokerage Business.

5.2 Franchisee acknowledges that the Franchise granted hereunder is non-exclusive and that the Franchisor and its Affiliates retain the exclusive right to, among others:

(a) Use, and to license others to use, the Marks and System for the establishment of Real Estate Brokerage Businesses at any location or Office other than in the Territory, regardless of proximity to the Territory.

(b) Use, license and franchise the use of trademarks or service marks other than the Marks, whether in alternative channels of distribution or at any location including within the Territory, in association with operations that are the same as, similar to or different from the Real Estate Brokerage Business.

(c) Use the Marks and the System in connection with the provision of other services and products or in alternative channels of distribution such as those described in Section 5.2(d), at any location including within the Territory.

(d) Offer the Services or Products, or grant others the right to offer the Services or Products, whether using the Marks or other trademarks or service marks, through alternative channels of distribution, including without limitation, distribution outlets other than Real Estate Brokerage Businesses, or by Internet commerce (e-commerce), mail order or otherwise, whether inside or outside the Territory.

(e) Use any websites utilizing a domain name incorporating one or more of the words "**Home**" and/or "**Smart**" or similar derivatives. The Franchisor retains the sole and exclusive right to market on the Internet and use the Marks on the Internet, including all use of websites, domain names, URL's, directory addresses, metatags, linking, advertising, and co-branding and other arrangements. Franchisee may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique, with words or symbols similar to the Marks or otherwise establish any presence on the Internet without Franchisor's prior written approval. The Franchisor intends that any Franchisee website be accessed only through the Franchisor's home page. Franchisee will provide the Franchisor with content for the Franchisor's Internet marketing, and will sign Internet and intranet usage agreements, if any. The Franchisor retains the right to approve any linking or other use of its website; and

(f) To acquire businesses that are the same as or similar to the Real Estate Brokerage Business and operate those businesses regardless of where the businesses are located, including inside the Territory, and to be acquired by any third party which operates businesses that are the same as or similar to the Real Estate Brokerage Business regardless of where those businesses are located, including inside the Territory.

5.3 In determining the Territory, as set forth in **Attachment 1**, Franchisor will use geographic or political boundaries (including but not limited to city, county, or state boundary lines) and other characteristics including natural boundaries, and the amount and size of urban, suburban, and rural areas. In addition, Franchisor will consider the most recent data available from the National Association of Realtors to determine the number of licensed Agents within the proposed Territory. Franchisee acknowledges and agrees that once the Territory has been established, it will not be changed regardless of any increase or decrease of the number of licensed Agents within the Territory.

5.4 To maintain the Territory, Franchisee must:

(a) Secure a Central Office location with a term of no less than one (1) year in the Territory. This obligation is a continuing obligation that begins on the Effective Date of the Franchise Agreement and continues throughout the term of the Franchise Agreement provided that, as provided in Section 9.12 of the Franchise Agreement, Franchisee shall have six (6) months from the Effective Date to secure its first Central Office in the Territory.

(b) Meet the Annual Agent Quota set forth in **Attachment 1**, which has been mutually agreed upon by the parties as a fair and accurate number of Agents that must be employed by or associated with Franchisee during each year of the Initial Term and any Interim Period.

(c) Open the number of Branch Offices in the Territory set forth in **Attachment 1**, which has been mutually agreed upon by the parties as a fair and accurate number of Branch Offices that Franchisee has the resources and capability of opening during the Initial Term. For each Branch Office that Franchisee desires to open, Franchisee will propose a location for the Office, which is subject to Franchisor's approval. Franchisee will provide Franchisor with information regarding the proposed location at least ten (10) business days prior to the end of the calendar year. Franchisor will approve or disapprove the proposed location within 10 business days. If Franchisor approves the proposed location, Franchisor and Franchisee will sign a Branch Office Approval Form, in the form of **Attachment 8**, evidencing the proposed location and Franchisor's approval of the location. If Franchisor does not approve the proposed location, Franchisee will provide Franchisor with another proposed location.

Franchisee's failure to satisfy the Annual Agent Quota or open the number of Branch Offices set forth in **Attachment 1** may result in the reduction or elimination of Franchisee's Territory or the termination of this Agreement, as Franchisor determines.

6. FEES

6.1 Franchisee will pay a non-recurring initial franchise fee as set forth in **Attachment 1** (“**Initial Franchise Fee**”) to the Franchisor upon the execution of this Agreement, plus, if due and payable, all applicable federal, state, or municipal taxes. The Initial Franchise Fee will be paid by cashier’s check, money order or wire transfer. The Initial Franchise Fee is deemed fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee’s application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

6.2 In addition to the Initial Franchise Fee, Franchisee will pay a fee for each Branch Office (the “**Branch Office Fee**”) as set forth in **Attachment 1** that Franchisee opens. Branch Office Fees plus all applicable federal, state, or municipal taxes are due and payable to Franchisor immediately prior to the Opening Date. Branch Office Fees are non-refundable under any circumstances once paid.

6.3 For each month from and after the Opening Date, Franchisee will pay Franchisor a royalty fee (“**Royalty Fee**”) as set forth in **Attachment 1**.

6.4 For each month from and after the Opening Date, Franchisee will pay Franchisor a license fee for the use of all Software and other technology provided by Franchisor (“**Technology Fee**”) as set forth in **Attachment 1**. For each month, Franchisee shall also pay Franchisor a fee for the integration of MLS generated data by Franchisor into Franchisee’s RealSmart Broker (the “**MLS/RETS Fee**”) as set forth in **Attachment 1**.

6.5 Franchisor has the right to require that each of Franchisee’s agents pay Franchisor an annual membership fee (“**Annual Membership Fee**”) as set forth in **Attachment 1** for the right to participate in Franchisor’s System. When implemented, the Annual Membership Fee will be payable to Franchisor within ten (10) days after each agent commences his or her association with Franchisee and annually, thereafter, on or before the 10th day of the month during which the anniversary of the agent’s association with Franchisee occurs. Once an Annual Membership Fee is established, subsequent increases to the Annual Membership Fee will not exceed 10% of the Annual Membership Fee then being charged. If any agent fails to pay an Annual Membership Fee when due, then Franchisee must pay such fee on demand from Franchisor.

6.6 Franchisor may require Franchisee to utilize a HomeSmart specific domain name and to pay an annual (or other fiscal period required by the domain registrar) fee to Franchisor in exchange for the right to use the HomeSmart specific domain name (the “**Domain Name Fee**”) with its HomeSmart International Real Estate Brokerage Business. The Domain Name Fee is set forth in **Attachment 1**. The domain name will, at all times, be our property but we will allow Franchisee, as long as Franchisee complies with the Franchise Agreement, to utilize the domain name in the operation of the HomeSmart Real Estate Brokerage Business.

6.7 The Royalty Fee (as defined in Section 6.3 and Attachment 1), Technology Fee (as defined in Section 6.4), Marketing Fees (as defined in Section 12.1), Domain Name Fee (as defined in Section 6.6), and MLS/RETS Fee (as defined in Section 6.4) (collectively “**Fees**”) are payable to Franchisor on or before the 10th day of each month for the preceding calendar month and are payable through the entire Initial Term of this Agreement and any Interim Period. Franchisee will pay the Fees monthly or in any other frequency as the Franchisor may require upon written notice to Franchisee by the Franchisor. Franchisee will not subordinate to any other obligation its obligation to pay the Fees, or any other fee or charge hereunder. Each payment of Fees will be accompanied by a report, in a form and substance prescribed by Franchisor. **Each failure to include a fully completed statement of the previous month’s Gross Revenue with your payment of Fees payable to the Franchisor when due constitutes a material breach of this Agreement.**

6.8 The Franchisor requires Franchisee to remit all Fees and other amounts due to the Franchisor hereunder via electronic funds transfer (“**ACH**”) or other similar means utilizing a Franchisor approved Computer System or otherwise. The ACH Authorization is attached to this Agreement as **Attachment 6**. If the Franchisor directs Franchisee to use this payment method, Franchisee agrees to comply with procedures specified by the Franchisor and/or perform those acts and deliver and sign those documents, including authorization for direct debits from Franchisee’s business bank operating account, as may be necessary to accomplish payment by this method. Under this procedure Franchisee will authorize the Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of Fees and other amounts payable to the Franchisor, including any interest charged thereon. Franchisee will make funds available to the Franchisor for withdrawal by electronic transfer no later than the due date for payment. If Franchisee has not timely reported the Gross Revenue to the Franchisor for any reporting period, then the Franchisor is authorized, at the Franchisor’s option, to debit Franchisee’s account in an amount equal to (a) the Fees transferred from Franchisee’s account for the last reporting period for which a report of the Gross Revenue was provided to the Franchisor as required hereunder; (b) the minimum Royalty Fee and FMAF funds (as defined in Section 12.1(a)), or (c) the amount due based on information retrieved from the Franchisor approved Computer System.

7. ACCOUNTING, RECORDS, AUDITS AND LATE PAYMENT CHARGES

7.1 Franchisee will keep those complete records of its Business as a prudent and careful businessperson would normally keep. Franchisee must use the accounting system and the pre-formatted template required by the Franchisor, if any. Franchisee will keep its financial books and records as the Franchisor may periodically direct in the Operations Manual or otherwise, including retention of all invoices, order forms, payroll records, check records, bank deposit receipts, sales tax records, commission reports, settlement statements, refunds, cash disbursements, journals, and general ledgers. Franchisee will advise the Franchisor of the location of all original documents and will not destroy any records without the written consent of the Franchisor.

7.2 Franchisee will prepare, on a current basis, complete and accurate records concerning all financial, marketing, and other operating aspects of the Business conducted under this Agreement, as the Franchisor will prescribe periodically. Franchisee will maintain an

accounting system which accurately reflects all operational aspects of the Business including uniform reports as may be required by the Franchisor. Franchisee's records will include tax returns, daily reports, statements of Gross Revenue (to be prepared each month for the preceding month), profit and loss statements (to be prepared at least quarterly by an independent Certified Public Accountant), and balance sheets (to be prepared at least annually by an independent Certified Public Accountant).

7.3 Franchisee will also submit to the Franchisor, Franchisee's current financial statements and other reports as the Franchisor may reasonably request to evaluate or compile research and performance data on any operational aspect of the Business. Franchisee will provide the Franchisor with a copy of its federal tax return for the previous tax year (fiscal or calendar) within sixty (60) days of submitting its federal tax return. In the event that Franchisee files an extension with the Federal Government to file its federal taxes for the previous year, Franchisee must notify Franchisor within ten (10) days of filing such extension in writing.

7.4 The records required under this Section 7 pertain only to Franchisee's operation of the Business. The Franchisor has no right to inspect, audit or copy the records of any of Franchisee's unrelated business or personal activities. Franchisee will keep the books and records of the Business separate from the records of any unrelated business or personal activity.

7.5 From the date Franchisee and the Franchisor sign this Agreement until three (3) years after the end of the expiration or termination of this Agreement, the Franchisor or Franchisor's authorized agent will have the right to request, receive, inspect, and audit any of the records referred to above wherever they may be located. The Franchisor agrees to conduct its inspections and audits at reasonable times. Franchisee agrees to keep all records and reports for six (6) years from the date these records are created. Should any inspection or audit disclose a deficiency in the payment of any Royalty Fee, FMAF funds or other amounts required to be paid under this Agreement, Franchisee will immediately pay the deficiency to the Franchisor, without the need for further action or notice on the part of Franchisor and without prejudice to any other remedy of the Franchisor under this Agreement or otherwise. In addition, if the deficiency for any audit period discloses a deficiency in the amount of any Royalty Fee, FMAF funds or other amounts due by 1% or more, Franchisee will also immediately pay to the Franchisor the entire cost of the inspection or audit including travel, lodging, meals, salaries, and other expenses of the inspecting or auditing personnel. For the purposes of this Section 7.5, an audit period will be each fiscal year. Should the audit disclose an overpayment of any Royalty Fees, FMAF funds, or other amounts due, the Franchisor will credit the amount of the overpayment to Franchisee's payments of Royalty Fees and FMAF funds next falling due.

7.6 If Franchisee's records and procedures are insufficient to permit a proper determination of Gross Revenue, the Franchisor will have the right to either require Franchisee to pay the minimum Royalty Fee or deliver to Franchisee an estimate, prepared by the Franchisor, of Gross Revenue for the period under consideration and Franchisee will immediately pay to the Franchisor any amount shown thereby to be owing on account of the Royalty Fee, FMAF funds and other sums due on account of any understatement. Any estimate is final and binding upon Franchisee.

7.7 To encourage prompt payment and to cover the costs and expenses involved in handling and processing late payments, Franchisee will also pay, upon demand, a late charge equal to 5% of the amount of the late payment plus interest of 1.5% per month on the late amount on all payments due to the Franchisor during the period of time said payments are due and unpaid. Each failure to pay Royalty Fees, Annual Membership Fees, FMAF funds, and other amounts payable to the Franchisor when due constitutes a material breach of this Agreement. Franchisee acknowledges that this Section 7.7 will not constitute Franchisor's agreement to accept these payments after the same are due or a commitment by Franchisor to extend credit to or otherwise finance Franchisee's operation of the Real Estate Brokerage Business. Further, Franchisee acknowledges that failure to pay all such amounts when due will, notwithstanding the provisions of this Section 7.7, constitute grounds for termination of this Agreement.

7.8 Any report of the Franchisor's auditor rendered periodically pursuant to this Section 7 is final and binding upon all of the parties.

7.9 Franchisee hereby authorizes the Franchisor to make reasonable inquiries of Franchisee's bank, suppliers and trade creditors concerning the Business and hereby directs those persons and companies to provide to the Franchisor this information and copies of documents pertaining to the Business as the Franchisor may request.

7.10 Franchisee acknowledges and agrees that the Franchisor owns all business records ("**Business Records**") with respect to customers and other service professionals of, and/or related to, the Real Estate Brokerage Business including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, telephone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access these Business Records, and may utilize, transfer, or analyze these Business Records as Franchisor determines to be in the best interest of the System.

7.11 To encourage prompt delivery of all Business Records, Certificates of Insurance, Gross Revenue statements and any other documentation or record that may be requested by Franchisor under this Agreement, Franchisee will pay, upon demand, a late report fee in the amount of the greater of \$100 or 5% of the required amount per record or document requested if Franchisee fails to deliver this record or document when due.

7.12 If Franchisee pays the Royalty Fee or any other sums due to Franchisor under this Agreement with a check returned for non-sufficient funds more than one time in any calendar year, in addition to all other remedies which may be available, Franchisor will have the right to require that Royalty Fee payments and any other sums due to Franchisor under this Agreement be made by certified or cashier's checks. If Franchisee fails to pay the Royalty Fee or any other sums due to Franchisor under this Agreement by the due date two (2) times during the Initial Term or any Interim Period, in addition to all other remedies which may be available, the Franchisor reserves the right to require that Franchisee pay the Royalty Fee or any other sums due to Franchisor under this Agreement on a weekly basis.

7.13 Franchisee agrees that, during the Initial Term and for the three (3) years after the expiration or termination of this Agreement, Franchisee will supply to the Franchisor Franchisee's home (or Business location, if other than Franchisee's home) address and telephone number.

8. SERVICES AND ASSISTANCE

8.1 The Initial Franchise Fee, Royalty Fee, and any Annual Membership Fee are paid for the License, which includes the use of the Marks, the System and the use of the Franchisor's Trade Secrets and Confidential Information provided pursuant to this Agreement and for certain services rendered by the Franchisor.

8.2 The Franchisor will offer Franchisee initial and continuing services, as the Franchisor deems necessary or advisable in furthering Franchisee's Business and the business of the System as a whole and in connection with protecting the Marks and goodwill of the Franchisor. Failure by the Franchisor to provide any particular service, either initial or continuing, will not excuse Franchisee from any of its obligations under this Agreement.

8.3 Currently, prior to Franchisee's opening of the Business, Franchisor will:

(a) Agree upon Franchisee's Territory, which will be set forth in **Attachment 1**.

(b) Approve Franchisee's proposed Offices. The factors that Franchisor will consider for such approval are whether the Office is located in Franchisee's Territory, if it is located in a conventional office located outside of any personal residence, if it is used solely and exclusively for the operation of the Real Estate Brokerage Business, and if it is located sufficiently far enough away from any office of another HomeSmart franchisee, as determined by Franchisor. Franchisee acknowledges and agrees that Franchisor's approval of any Office in no way constitutes a warranty by Franchisor that the Office will achieve any particular level of sales or profits or that the Office satisfies any or all federal, state, or local laws, ordinances, or regulations for the operation of Franchisee's Real Estate Brokerage Business.

(c) Furnish Franchisee with specifications for the design and physical appearance of each Office and a description of the supplies required for the operation of Franchisee's Business as stipulated in Section 9.

(d) Within ninety (90) days after the execution of this Agreement and Franchisee's receipt of all required licenses and permits to operate the first Office, provide Franchisee, or if Franchisee is an entity, a person designated to manage the Business ("**Designated Business Manager**") with an initial training program. The initial training program is for between three (3) and five (5) business days at the Franchisor's facilities in Scottsdale, Arizona (or other location designated by the Franchisor). Franchisee must pay for airfare, meals, transportation costs, salaries, benefits, lodging and incidental expenses for all initial training program attendees. Training may include a discussion of the System, techniques, procedures, methods of operation, advertising, sales techniques, promotional ideas, marketing plans,

customer relations, instructions on quality standards and practical experience in the operation of the Business.

(e) Loan Franchisee, during the Initial Term (including any Interim Period), one (1) copy of the Franchisor's confidential Operations Manual containing mandatory and suggested specifications, standards, operating procedures, and rules prescribed periodically by the Franchisor as further stipulated in this Section 8 and containing information relative to other obligations of Franchisee hereunder. Specifications, standards, and operating procedures prescribed periodically by the Franchisor in the Operations Manual or otherwise communicated to Franchisee in writing constitute provisions of this Agreement as if fully set forth herein. Franchisee will operate the Business strictly in accordance with the Operations Manual. Failure to comply with the standards set forth in the Operations Manual constitutes a material breach of this Agreement. The Franchisor reserves the right to provide the Operations Manual and updates to the Operations Manual in electronic form or other form determined by the Franchisor. The Franchisor will have the right to add to, and otherwise modify, the Operations Manual periodically to reflect changes in authorized Services, business image or the operation of the Business; provided, however, none of these additions or modifications will alter Franchisee's fundamental status and rights under this Agreement. Some of the revisions to the Operations Manual may include changes with respect to: (i) sales and marketing strategies; (ii) equipment and supplies; (iii) accounting and reporting systems and forms; (iv) insurance requirements; (v) operating procedures; and (vi) Services. Franchisee agrees to accept, implement, and adopt any of these modifications at its own cost. Franchisee will keep its printed copy of the Operations Manual updated with replacement pages and insertions, as instructed by the Franchisor. Franchisee acknowledges that the Operations Manual is loaned to Franchisee and will always remain the sole and exclusive property of the Franchisor. Upon termination of this Agreement, for any reason whatsoever, Franchisee will promptly return the Operations Manual together with all copies of any portion of the Operations Manual that Franchisee may have made to the Franchisor.

8.4 Currently, after Franchisee opens the Business, Franchisor reserves the right to:

(a) Make a representative reasonably available to speak with Franchisee on the telephone during normal business hours, as Franchisor determines is necessary, to discuss Franchisee's operational issues and support needs; provided, however, that questions regarding technological support will be referred to third parties (including but not limited to Affiliates of Franchisor) who may charge a fee for providing Franchisee with these technological support services.

(b) Hold periodic conferences to discuss sales techniques, new service developments, bookkeeping, training, accounting, performance standards, advertising programs, marketing procedures and other topics. These conferences may be held at the Franchisor's Scottsdale, Arizona headquarters, Franchisee's Office or at a location chosen by the Franchisor, as determined by the Franchisor. Franchisee will be required to pay any conference fee charged by Franchisor and must pay all its travel and living expenses to attend.

(c) Hold a mandatory annual conference to discuss sales techniques, new service developments, training, bookkeeping, accounting, performance standards, advertising

programs, marketing procedures and other topics. Franchisee must pay any conference fees charged by Franchisor, and all personal travel and living expenses. In the event Franchisee does not attend the mandatory annual conference, Franchisor will charge Franchisee the conference fees. These mandatory annual conferences are held at the Franchisor's Scottsdale, Arizona headquarters or at a location chosen by the Franchisor.

(d) Inform Franchisee of mandatory specifications, standards, and procedures for the operations of the HomeSmart Real Estate Brokerage Business.

(e) Research new Services and methods of doing business, periodically, and provide Franchisee with information concerning developments of this research.

(f) Maintain the FMAF and use these funds to develop promotional, advertising, and public relations programs for Real Estate Brokerage Businesses.

(g) Provide advertising materials to Franchisee as Franchisor deems necessary.

(h) A representative of Franchisor may provide additional assistance. There may be additional charges for this additional assistance. If Franchisor provides additional assistance, the Franchisor and Franchisee must agree in advance on the charges for the visit and the length of the visit.

(i) Provide Franchisee with a monthly newsletter.

8.5 If Franchisee believes Franchisor has failed to adequately provide pre-opening services to Franchisee as provided in Section 8.3, Franchisee will notify Franchisor in writing within thirty (30) days following the opening of the Business. Absent the timely delivery of this notice to Franchisor, Franchisee is deemed to conclusively acknowledge that all pre-opening and opening services required to be provided by Franchisor were sufficient, timely, and satisfactory to Franchisee.

8.6 Franchisor is not obligated to perform services set forth in this Agreement to Franchisee's particular level of satisfaction, but as a function of Franchisor's experience, knowledge, and judgment. Franchisor does not represent or warrant that any other services will be provided to Franchisee, other than as set forth in this Agreement. If any other services, or any specific level or quality of service is expected, Franchisee must obtain a commitment to provide this service or level of service in writing signed by an authorized officer of Franchisor, otherwise Franchisor will not be obligated to provide any other services or specific level or quality of services.

9. FRANCHISEE'S DUTIES, OBLIGATIONS AND OPERATING STANDARDS

9.1 Franchisee will, consistent with the terms of this Agreement, diligently develop and operate the Business and use its best efforts to market and promote the Services and Products.

9.2 Subject to the terms of this Agreement, including Section 8.3(e), during the Initial Term and any Interim Period, Franchisee will strictly comply with all present and future standards, specifications, processes, procedures, requirements, and instructions of the Franchisor regarding the operation of the Business and must comply with the following requirements:

(a) On or before the 90-day anniversary of this Agreement, Franchisee or Franchisee's Designated Business Manager must attend and successfully complete all initial training programs. Franchisee is responsible for airfare, meals, transportation costs, salaries, benefits, lodging and incidental expenses for all initial training program attendees.

(b) Before opening the Business, Franchisee must complete the renovations to the Office necessary to comply with Franchisor's standards and specifications; comply with Franchisor's opening procedures for the Office, as set forth in the Operations Manual; and, obtain Franchisor's written approval that Franchisee has complied with the foregoing requirements.

(c) Franchisee or a Designated Business Manager must attend mandatory annual conferences at locations the Franchisor may reasonably designate, and Franchisee will pay all salary and other expenses of persons attending, including any conference fees, travel expenses, meals, living expenses and personal expenses.

(d) Any additional required Service introduced into the System by the Franchisor must be offered for sale on a continuing basis at the Business at the time and in the manner required by the Franchisor. Franchisor will provide at least thirty (30) days' prior written notice of any new required Service introduced into the System. All equipment, products, supplies, and other items necessary to add the newly required Services must be acquired, installed, and utilized at the time and in the manner required by the Franchisor. The marketing of new Services must begin at the Business as reasonably required by the Franchisor.

(e) No service, except approved Services, may be offered for sale within the Territory, unless Franchisee receives the prior written consent of the Franchisor.

(f) Only advertising and promotional materials, services, equipment, tools, inventory, products, signage, supplies, and uniforms that meet the Franchisor's standards and specifications are used at the Business. Advertising and promotional materials, services, equipment, inventory, products, signage, supplies, and uniforms produced or approved by Franchisor for use by Franchisee may be used only in the manner and during the period specified by the Franchisor.

(g) Equipment, Services, inventory, supplies, signage, uniforms, and other items must be added, eliminated, substituted, and modified at the Business as soon as possible in accordance with changes in the Franchisor's specifications and requirements.

(h) The Business and everything related to the Business must be maintained in good condition and must be kept clean, neat, and sanitary. All maintenance, repairs and replacements reasonably requested by the Franchisor or needed in connection with the Business must be promptly completed. All employees must be clean and neat in appearance.

(i) No alterations of the Business materially affecting the image of the Business may be made except at the Franchisor's request or approval, and any alterations must strictly conform to specifications and requirements established or approved by the Franchisor.

(j) The Business and the Services provided by Franchisee must comply with all applicable federal, state, and local laws, ordinances, rules, regulations, and other requirements applicable to real estate brokerage and sales laws. Franchisee must obtain all real estate, brokerage, and business licenses and permits required by federal, state, and local laws, ordinances, rules, and regulations before operating its Business. If Franchisee does not obtain all required permits and licenses necessary to operate its Business within six (6) months after the mutual execution of the Franchise Agreement, Franchisor may terminate this Franchise Agreement.

(k) The employees, Agents, equipment, supplies, products, and other items on hand at the Business, must be at all times sufficient to efficiently meet the anticipated volume of business.

(l) The payment of all debts and taxes arising in connection with the Business, except those duly contested in a bona fide dispute, must be paid when due.

(m) Franchisee will use its best efforts to ensure customer satisfaction; use good faith in all dealings with customers, other real estate agents and brokers, potential customers, referral sources, suppliers, and creditors; respond to customer complaints in a courteous, prompt, and professional manner; use its best efforts to promptly and fairly resolve customer disputes in a mutually agreeable manner; and take any actions Franchisor deems necessary or appropriate to resolve customer disputes.

(n) Franchisee will accept all major credit cards and other the forms of payment specified by Franchisor in the Operations Manual as payment.

(o) Franchisee will comply with all terms and pay all fees that may be due in connection with any Software Franchisee is required to use in the operation of its Business as prescribed by the Franchisor.

(p) Franchisee will comply with the advertising requirements set out in Section 12.

(q) Franchisee will not use any materials that are false or misleading.

(r) Franchisee will ensure that all advertising and other materials associated with the Services fully conform to all applicable laws and regulations.

(s) Franchisee will conduct its business operations in accordance with all applicable laws and regulations, including but not limited to, real estate brokerage and sales laws and regulations, and consumer protection laws and regulations. Franchisee will control the quality of the Services to avoid quality problems or liability claims that could reflect adversely on Franchisee or Franchisor in the minds of consumers.

(t) Franchise will maintain and require its Agents and employees to maintain a high ethical standard in the conduct of Franchisee's Business, and Franchisee will join and remain a member in good standing of any local board of realtors within the Territory and any applicable national association of realtors. In addition, Franchisee must enter into written agreements with all of its Agents that include a fee structure which entitles Franchisee to collect monthly fees, transaction fees, and other fees on all of the Agents' transactions. The fee structure and any changes or modifications to the fee structure must be approved by Franchisor prior to being implemented by Franchisee.

(u) Franchisee recognizes and acknowledges the importance of referrals between franchisees of Franchisor and agrees, if lawful and when reasonable and appropriate, to refer requests for real estate services to franchisees of Franchisor operating in territories in which Franchisee does not operate a Business or provide Services.

(v) Franchisee will provide each of its Agents with the supervision as a reasonable real estate broker would provide its agents in the proper conduct of its business as a real estate broker.

(w) Franchisee will not enter into any exclusive affiliated business relationships with Franchisee Affiliates or third parties to provide services related to the HomeSmart Real Estate Brokerage Business.

9.3 In prescribing standards, specifications, processes, procedures, requirements or instructions under Section 9.2 or any other provision of this Agreement, Franchisor will provide guidance to Franchisee, as required in Franchisor's sole determination, including but not limited to, determining the fees to be charged by Franchisee for Services. Franchisor will not have control over the day-to-day managerial operations of the Business, and Franchisee is free to establish its own fees and other charges for Services. Notwithstanding Franchisor's right to require Franchisee to conduct its business in accordance with the System, Franchisee and Franchisor recognize that the sale and brokerage of real estate is a profession requiring independent judgment, skill, and training and is governed in many particulars by state and federal authorities. Any inconsistency between the System or Franchisor's advice and the dictates of good real estate practice, or any legal requirement of that practice, is inadvertent and not an effort to cause Franchisee to deviate from proper practices. Therefore, Franchisee and Franchisor understand and agree that (i) in all cases, lawful, regulatory requirements take precedence over both any inconsistent advice, counsel or other guidance, whether written or oral, given by Franchisor on any topic and anything inconsistent in the System; (ii) no business advice given by Franchisor nor any part of the System is taken as advice in respect of the practice of the profession of real estate sales and brokerage, as defined by law; (iii) Franchisee's judgment, or the judgment of Franchisee's Designated Business Managers, governs in all matters pertaining to each and every aspect of the professional practice of real estate sales and brokerage; (iv) in any case in which Franchisee believes Franchisor's advice or the System contravene the practice of the profession of real estate sales and brokerage or any legal requirements of that practice, Franchisee will notify Franchisor, orally and in writing, immediately; and (v) Franchisee and Franchisee's Designated Business Managers are solely responsible for the operation of the Business and the results of that operation.

9.4 Franchisor and Franchisor's representatives will have the right during business hours to inspect the Business and all Offices. Franchisor and Franchisor's representatives will have the right to observe the manner in which Franchisee is rendering its Services and conducting its operations of the Business. Franchisor and Franchisor's representatives will have the right to discuss with Franchisee, or other personnel Franchisee may designate, all matters that may pertain to compliance with this Agreement and with the Franchisor's standards, specifications, requirements, instructions and procedures and the Franchisor may take photographs of Franchisee's completed work as it relates to the Business. Franchisor and Franchisor's representatives will have the right to have any of the Franchisor's required Services rendered by any employee at the Business. Franchisee will fully cooperate with the Franchisor's rights under this Section 9.4; provided, however, that the Franchisor's exercise of these rights will not unreasonably interfere with Franchisee's conduct of the Business.

9.5 Franchisor may require Franchisee's compliance with the provisions of this Section 9 even if it does not require this compliance by all franchisees.

9.6 If Franchisee is an individual, Franchisee must directly supervise the Business. If Franchisee is a corporation or other business entity, or if Franchisee has, in the Franchisor's sole judgment, insufficient experience in a business similar to the franchise or experience in business management in general, then Franchisee will nominate a Designated Business Manager who has required experience who will have direct responsibility for all operations of an Office.

9.7 Franchisee will at all times have sufficient computer skills to operate Franchisee's computer, understand how to utilize any Software Franchisor requires to be used in the Business, and to access email and the Internet. If Franchisor determines that Franchisee requires additional computer training, Franchisor will notify Franchisee in writing regarding the nature of the additional training required, and Franchisee will have ninety (90) days to complete this training at a local computer training school at Franchisee's sole cost and expense. Franchisor reserves the right to designate the computer training school at which Franchisee must attend (which may be an Affiliate). At the end of the training program, Franchisee will present a certificate reasonably acceptable to Franchisor establishing that Franchisee passed the training course. Franchisee's failure to seek additional training or to pass the course constitutes a default of this Agreement.

9.8 Franchisee acknowledges and understands that computer systems are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Franchisor does not guarantee that information or communication systems supplied by Franchisor, or its suppliers will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems. Franchisee must also take reasonable steps to verify that Franchisee's suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, firewalls, access code protection, anti-virus systems, and use of backup systems.

9.9 Franchisee will acquire, maintain, and upgrade Hardware, Software, information processing and communication systems, and Internet and other network access providers, as

prescribed in the Operations Manual and as modified periodically by Franchisor. Franchisee will comply with any license agreements that Franchisor or its designees use or require in connection with the System. Franchisee will utilize Franchisor's required Software, proprietary database management, equipment, and intranet system as the exclusive means for tracking and maintaining customer, vendor, and lead information, and for other uses as prescribed by Franchisor periodically in the Operations Manual. Monthly sales and Royalty Fee reporting may occur through mandatory Software including the automatic draft via electronic transfer of Royalty Fees, Required Software License and Support Fees and FMAF funds.

9.10 Franchisee will at all times maintain an active email account and will check the account several times per day. If available, Franchisee will maintain an email account on Franchisor's proprietary database management and intranet system.

9.11 Franchisee may not open an Office until: (1) Franchisor notifies Franchisee in writing that all of Franchisee's obligations have been fulfilled; (2) the initial training program has been completed to Franchisor's satisfaction; (3) the Office has been renovated in accordance with Franchisor's standards and specifications; (4) all amounts due to Franchisor have been paid; (5) Franchisor has been furnished with copies of all insurance policies and certificates required by this Agreement, or other documentation of insurance coverage and payment of premiums that Franchisor may request; (6) Franchisee notifies Franchisor that all approvals and conditions set forth in this Agreement have been met; (7) Franchisee has obtained all necessary real estate brokerage licenses and permits and other applicable permits and licenses; (8) Franchisee has provided Franchisor with a fully signed copy of the Lease for the Office; (9) Franchisee has provided satisfactory evidence to Franchisor that all of Franchisee's Agents are licensed to sell Real Property in the Territory; and (10) Franchisee has ordered, received and installed all equipment, supplies, inventory, tools, products, uniforms and computer Hardware and Software required by Franchisor. Franchisee will begin operating the Business immediately after Franchisor determines that the Business is ready for opening. Franchisee must open the Central Office within six (6) months after signing the Franchise Agreement unless Franchisor otherwise consents in writing.

9.12 Franchisee shall, prior to the opening of its Central Office and continuing throughout the Initial Term and any Interim Period, provide Franchisor with administrative log-in credentials for each MLS that Franchisee or its principals are a member of or for which they are paying Franchisor an MLS/RETS FEED Fee. Franchisee is responsible for the costs and fees associated with securing additional administrative log-in credentials on behalf of Franchisor.

10. PURCHASE OF EQUIPMENT, INVENTORY AND SUPPLIES

10.1 Franchisee must purchase all services, equipment, supplies and Hardware and Software from only those suppliers, manufacturers and distributors who have been designated or approved in advance by Franchisor. The standards and specifications for equipment, computer Hardware and Software, tools, vehicles, signage, supplies, and services required by the Franchisor are maintained in the Operations Manual. The Franchisor has the right to require Franchisee to discontinue purchasing any services, equipment, supplies, Hardware, or Software from an approved or Designated Supplier, manufacturer or distributor and may designate new suppliers, manufacturers, or distributors at any time.

10.2 Franchisee acknowledges and agrees that the Franchisor may receive from approved and Designated Suppliers of Franchisee's Services, equipment, tools, supplies and Hardware and Software, periodic volume rebates or other revenue as a result of Franchisee's purchases. Franchisee further acknowledges and agrees that the Franchisor is entitled to keep, for its own use and account, these rebates, and this revenue.

10.3 The names and addresses of the Franchisor's approved and Designated Suppliers, manufacturers and distributors are maintained in the Operations Manual. Franchisor reserves the right to approve all of the supplies, Services, equipment, Hardware, and Software used in connection with Franchisee's Business.

10.4 Franchisee acknowledges and agrees that certain approved or Designated Suppliers, distributors, and service providers may be Affiliates.

11. MARKS, COPYRIGHTED WORKS, AND OWNERSHIP OF IMPROVEMENTS

11.1 Franchisee acknowledges and agrees that:

(a) Franchisor is the sole and exclusive owner of all right, title and interest, together with all the goodwill of the Marks. Franchisee further acknowledges that the Marks designate the origin or sponsorship of the System, the Business, and the Services, and that Franchisor desires to protect the goodwill of the Marks and to preserve and enhance the value of the Marks. In the event that Franchisee acquires any rights, title or interest in the Marks, Franchisee agrees to assign and hereby assigns all rights, title, or interest to Franchisor.

(b) All right, title, and interest in and to all materials, including but not limited to, all artwork and designs, created by Franchisor, and used with the Marks or in association with the Business ("**Copyrighted Materials**") are the sole and exclusive property of the Franchisor. Additionally, all Copyrighted Materials created by Franchisee, or any other person or entity retained or employed by Franchisee are works made for hire within the meaning of the United States Copyright Act and are the sole and exclusive property of the Franchisor, who is entitled to use and license others to use the Copyrighted Materials unencumbered by moral rights. If the Copyrighted Materials are not works made for hire or rights in the Copyrighted Materials do not automatically accrue to the Franchisor, Franchisee irrevocably assigns and agrees to assign to the Franchisor, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in these Copyrighted Materials, which Franchisee and the author of these Copyrighted Materials warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Copyrighted Materials from another person or entity necessary to ensure Franchisor's right in the Copyrighted Materials as required in this Section 11.1(b).

(c) Franchisee will never dispute, contest, or challenge, directly or indirectly, the validity or enforceability of the Marks or Copyrighted Materials or Franchisor's ownership of the Marks or Copyrighted Materials, nor counsel, procure, or assist anyone else to do the same, nor will it take any action that is inconsistent with Franchisor's ownership of the Marks or

Copyrighted Materials, nor will it represent that it has any right, title, or interest in the Marks or Copyrighted Materials other than those expressly granted by this Agreement.

(d) Franchisor reserves the right to decide to apply to register or to register any trademarks or copyrights with respect to the Services, Products and any other products and services and the Copyrighted Materials. Failure of Franchisor to obtain or maintain in effect any of these applications or registrations is not a breach of this Agreement. Franchisee will not, before or after termination or expiration of the Agreement, register or apply to register any of the Marks or any trademark, service mark or logo confusingly similar or any Copyrighted Materials, anywhere in the world.

(e) Upon Franchisor's request, Franchisee will cooperate fully, both before and after termination or expiration of this Agreement, in confirming, perfecting, preserving, and enforcing Franchisor's rights in the Marks and Copyrighted Materials, including but not limited to, executing and delivering to Franchisor documents Franchisor reasonably requests for any purpose, including but not limited to, assignments, powers of attorney, and copies of commercial documents showing sale and advertising of the Services and Products and other products and services. Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact for the purpose of executing these documents.

(f) All usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks will inure to the exclusive benefit of Franchisor. This Agreement does not confer any goodwill or other interests in the Marks to Franchisee upon expiration or termination of the Agreement.

(g) FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE MARKS OR COPYRIGHTED MATERIALS.

11.2 Franchisee acknowledges and agrees that:

(a) Franchisee's right to use the Marks and Copyrighted Materials are derived solely from this Agreement. Franchisee may only use the Marks and Copyrighted Materials in its operation of the Business and only in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by Franchisor in the Operations Manual and elsewhere periodically during the Initial Term and any Interim Period. Franchisee will make every effort to protect, maintain, and promote the Marks as identifying the System and only the System.

(b) Any unauthorized use of the Marks or Copyrighted Materials by Franchisee constitutes a breach of this Agreement and an infringement of the rights of Franchisor and in and to the Marks and Copyrighted Materials.

(c) Franchisee will not use any Marks or portion of any Marks as part of a corporate or trade name, or with any prefix, suffix or other modifying words, terms, designs, or symbols, or in any modified form. Franchisee will obtain any fictitious or assumed name registrations as may be required by Franchisor or under applicable law.

(d) To preserve the validity and integrity of the Marks and Copyrighted Materials licensed herein and to assure that Franchisee is properly employing the same in the operation of its Business, Franchisor or its agents will have the right of entry and inspection of Franchisee's Business and operating procedures pursuant to Section 9.4.

(e) Franchisee will safeguard and maintain the reputation and prestige of the System, Marks and Copyrighted Materials and will not do anything that would tarnish the image of or adversely affect the value, reputation or goodwill associated with the Marks. Franchisee will not do anything that would dilute, directly or indirectly, the value of the goodwill attached to the Marks, nor counsel, procure or assist anyone else to do the same.

(f) Franchisee will use the Marks and Copyrighted Materials only in lettering, logos, print styles, forms, and formats, including but not limited to, advertising and promotional materials, invoices, signage, business checks, business cards, invoices, stationery, and promotional items such as clothing, pens, mugs, etc., which have been approved by Franchisor in accordance with this Agreement, and promptly follow instructions regarding the Marks and Copyrighted Materials as provided in the Operations Manual and otherwise given by Franchisor periodically.

(g) Franchisee will use the following copyright notice at least once on each piece of advertising, promotional, or other material used in connection with the Products and Services:

© (year of first publication). HomeSmart International, LLC. All Rights Reserved.

(h) Franchisee will use the Marks with a superscript "®" or "™", as specified by Franchisor, unless and until advised by Franchisor to use a different notice.

11.3 Franchisee acknowledges and agrees that:

(a) If, in Franchisor's reasonable determination, the use of Marks or Copyrighted Materials in connection with the Services, other products and services or the Business will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Marks or Copyrighted Materials, or it otherwise becomes advisable at any time for Franchisor to modify or discontinue of the Marks or Copyrighted Materials then, upon notice from Franchisor, Franchisee will immediately terminate or modify this use in the manner prescribed by Franchisor. Franchisor may require Franchisee to use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols or copyrighted materials. Franchisee will have no rights of damages, offset, or right to terminate this Agreement as a result thereof and Franchisor will have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of any Marks or Copyrighted Materials.

(b) Franchisee will notify Franchisor within three (3) days after receiving notice of any claim, demand or cause of action based upon or arising from any attempt by any other person, firm, or corporation to use the Marks or any colorable imitation thereof or the

Copyrighted Materials. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Marks or Copyrighted Materials, Franchisor will have the sole right, but not the duty, to defend any action. Franchisor will have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks or Copyrighted Materials. Franchisor will control all actions but not be obligated to take any action. In any defense or prosecution of any litigation relating to the Marks, Copyrighted Materials or components of the System undertaken by Franchisor, Franchisee will cooperate with Franchisor, execute any and all documents, and take all actions as may be desirable or necessary in the opinion of Franchisor's counsel, to carry out this defense or prosecution. At Franchisor's option, Franchisee will join in any action. If Franchisee joins in an action, then the recovery, if any, from this legal action is first applied to the total expenses associated therewith and the remainder going to the Franchisor.

11.4 All provisions of this Agreement applicable to the Marks and Copyrighted Materials apply to any and all additional trademarks, service marks, commercial symbols and copyrighted materials authorized for use by and licensed to Franchisee by Franchisor after the date of this Agreement.

11.5 If Franchisee, during the Initial Term of the franchise relationship, or any Interim Period, or any Successor Term, conceives or develops any improvements or additions to the System, Copyrighted Materials, website or any other documents or information pertaining to or relating to the System or the Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the Business or any advertising and promotional ideas or inventions related to the Business (collectively, the "**Improvements**") Franchisee will fully disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and will obtain Franchisor's written approval before using these Improvements. Any of these Improvements may be used by Franchisor and all other franchisees without any obligation to Franchisee for royalties or other fees. Franchisee will assign and does hereby assign to Franchisor, all right, title and interest in and to the Improvements, including the right to grant sublicenses to any of these Improvements. Franchisor reserves the right to make application for and own copyrights, patents, trade names, trademarks and service marks relating to any of these Improvements and Franchisee will cooperate with Franchisor in securing these rights. Franchisor may also consider these Improvements as the property and Trade Secrets of Franchisor. In return, Franchisor may authorize Franchisee to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other franchisees.

11.6 Neither Franchisee nor its Designated Business Managers or Agents will attempt to register a top-level or second level domain name that contains any portion of the Marks without the prior written approval of Franchisor and subject to any conditions Franchisor may request.

11.7 Franchisee acknowledges that the Confidential Information, Trade Secrets, Copyrighted Works, Marks, Software, and all other proprietary elements of the System (collectively, "**Franchisor Proprietary Materials**") constitute valuable confidential and proprietary assets of Franchisor and its Affiliates. Franchisee shall not, and shall ensure that its Owners, officers, directors, managers, employees, Agents, representatives, contractors, and any other Persons acting on Franchisee's behalf or under Franchisee's control do not, upload, input,

disclose, submit, or otherwise make available any Franchisor Proprietary Materials to any artificial intelligence system, machine learning model, large language model, data training tool, or similar automated or algorithmic system, whether publicly available or provided by a third party (each, an “**AI Tool**”), unless Franchisor has expressly authorized such use in writing. This prohibition applies regardless of whether an AI Tool is free or paid, subscription-based, or accessed through a website, mobile application, plug-in, embedded feature, or integrated software functionality. Franchisee acknowledges that disclosure of Franchisor Proprietary Materials to any AI Tool may result in loss of confidentiality, loss of trade secret protection, or unauthorized use or dissemination. Notwithstanding the foregoing, to the extent Franchisee or any Person acting on Franchisee’s behalf inputs any Franchisor Proprietary Materials into an AI Tool, all analyses, summaries, outputs, results, or other materials generated as a result of such input (the “**Derived Output**”) shall be deemed Confidential Information of Franchisor, exclusively owned by Franchisor, and subject to all confidentiality, ownership, and use restrictions set forth in this Agreement.

12. ADVERTISING AND PROMOTION

12.1 Marketing Fees and Materials.

(a) Franchisee agrees to pay Franchisor continuing marketing fees (“**Marketing Fees**”) as set forth in **Attachment 1** throughout the Initial Term and any Interim Periods of the Franchise Agreement. Franchisee shall pay Marketing Fees at the time and in the manner prescribed in Sections 6.6 and 6.7. Franchisor reserves the right to decrease the Marketing Fees and to increase the Marketing Fees to a maximum of 1.5% of Gross Revenue by sending written notice to Franchisee. Any change in the Marketing Fees will be effective as of the first day of the month that is at least ninety (90) days after delivery of the notice of change to Franchisee. The Marketing Fees will be posted to the Franchise Marketing Accrual Fund (“**FMAF**”). The FMAF is accounted for separately by Franchisor, but the FMAF funds will not be maintained in a separate or segregated account at a bank or other financial institution.

(b) Franchisor will use the FMAF fees it collects from franchisees (i) to create marketing materials relating to the System, (ii) to pay for public relations projects intended to enhance the goodwill and public image of the System, (iii) to assist franchisees in developing local marketing programs in their respective Territories; (iv) to pay for the cost of placing marketing materials in various print, broadcast and Internet media; (v) to undertake any other marketing efforts as Franchisor deems necessary or beneficial to the System as determined by Franchisor; and, (vi) to reimburse Franchisor (based on reasonable allocations calculated by Franchisor’s management) for (a) salaries and other overhead expenses that are directly related to projects of a character described in clauses (i), (ii), (iii) and (iv), including the payment of a salary to a field marketing manager, and (b) for part of the cost of maintaining Franchisor’s website, as authorized in Section 12.4. Franchisor will use the FMAF in a manner that is reasonably designed to provide some level of marketing benefits to all Franchisees. However, Franchisor reserves the right to allocate the FMAF funds to various permitted uses as it sees fit and does not guarantee that all Franchisees will receive equal benefits or identical coverage.

(c) If the FMAF operates at a deficit or requires additional funds at any time, Franchisor may loan funds to the FMAF in amounts and on the terms, including repayment terms, Franchisor deems necessary or advisable.

(d) Franchisor will furnish Franchisee upon request one slick, master or other “**suitable for reproduction**” sample of all newspaper inserts, direct mail flyers, television and radio commercials, and other marketing materials that Franchisor creates and approves for system-wide use. Franchisee must pay to reproduce and use these materials in Franchisee’s Local Advertising campaigns.

(e) Franchisor will use commercially reasonable efforts to spend FMAF contributions in a manner that provides advertising benefits to all participating Real Estate Brokerage Businesses. However, Franchisor does not guarantee that all participants will receive identical media exposure or advertising benefits in view of regional differences in media costs, varying degrees of market penetration in different DMAs, and other relevant factors.

12.2 Local Advertising.

(a) Franchisee agrees to spend money for Local Advertising and promotions in the Territory in accordance with local real estate brokerage marketing standards and practices.

(b) Franchisee will also pay its pro rata share of the cost of classified directory listings to be placed by Franchisor on behalf of all Real Estate Brokerage Businesses in Franchisee’s market. If Franchisee operates the only Real Estate Brokerage Business in the market, Franchisee is responsible for full payment of the classified directory advertisement.

(c) Franchisee agrees to participate in all system-wide promotions and advertising campaigns that Franchisor requires. Except for Franchisee’s commitments to participate in system-wide promotions and advertising campaigns and to pay its share of the cost of a classified directory advertisement, Franchisee will initially have discretion over the approach Franchisee takes to Local Advertising and promotions. Franchisor reserves the right to approve in advance the use by Franchisee of any graphic or electronic materials or commercials developed by Franchisee that feature any of the Marks.

(d) Franchisee may, at its sole expense, plan and carry out a grand opening promotion relating to the opening of the Business.

(e) All advertising and promotion by Franchisee will be conducted in a dignified manner and will conform to the standards and requirements set forth in this Agreement and the Operations Manual or otherwise for use of the Marks. Franchisee will promptly discontinue use of any advertising or promotional plans or materials that do not meet the requirements of this Agreement or the Operations Manual, whether or not previously approved, upon notice from Franchisor.

(f) Within thirty (30) days after written request from Franchisor, Franchisee will submit a report to Franchisor showing the amount Franchisee spent for Local Advertising

and promotions during the preceding year and documents substantiating that Franchisee incurred and paid particular expenditures during the year.

12.3 Website.

(a) Franchisor has established a website that provides information about the System and the services that Real Estate Brokerage Businesses offer. Franchisor will have sole control over the website's design and contents, except that the site will contain the pages that Section 12.5 describes. Franchisor may use part of the Marketing Fees it collects under Section 12.1 and part of the FMAF's revenues to pay or reimburse itself for the costs of maintaining and updating the website, except that Franchisor may not use FMAF revenues to pay for those components of the website that are devoted to publicizing the HomeSmart franchise program or the sale of HomeSmart franchises.

(b) The website will include a section that provides the address, telephone number and e-mail address of each Real Estate Brokerage Business in the HomeSmart chain, including Franchisee's Real Estate Brokerage Business. At Franchisee's request, Franchisor will also include at the website an interior page devoted to information about Franchisee's Real Estate Brokerage Business. The page must be developed by Franchisee, at Franchisee's expense, with a template that Franchisor provides and will be subject to Franchisor's approval before posting as to form, content, and programming quality. The page will also be subject to Franchisor's policies regarding linking with and framing other websites, the use of so-called metatags and ghost script, and other aspects of electronic advertising and communication.

13. INSURANCE AND INDEMNITY

13.1 Franchisee and, with respect to automobile coverage, Franchisee's Agents, will upon commencement of the Initial Term, purchase and at all times maintain in full force and effect:

(a) Insurance policies, in the amounts and on the terms prescribed by the Operations Manual, issued by an insurance company acceptable to Franchisor at all times during the Initial Term of this Agreement and any Interim Period. Insurance coverage must include, but is not limited to, comprehensive general liability, combined single limit, automobile (including automobile coverage for Franchisee and Franchisee's Agents and other sales and marketing personnel who may have customers riding in the automobiles of these persons), bodily injury and all-risk property damage insurance, errors and omissions, business interruption and all other occurrences against claims of any person, employee, customer, agent or otherwise in an amount per occurrence of not less than the amount set forth in the Operations Manual and adjusted by Franchisor periodically, unemployment and workers compensation insurance and any other additional insurance required by the terms of any Lease or lender for the Business. Insurance policies must insure Franchisee, Franchisor, Franchisor's Affiliates, and Franchisor's and Franchisor Affiliates' respective officers, directors, shareholders, members, and all other parties designated by Franchisor, as additional named insureds against any liability which may accrue against them because of the ownership, maintenance, or operation by Franchisee of the Business. The policies must also stipulate that Franchisor will receive thirty (30) day prior written notice of cancellation and must contain endorsements by the insurance companies waiving all rights of

subrogation against Franchisor. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to Franchisor, including original endorsements effecting the coverage required by this Section, is furnished to Franchisor together with proof of payment within ten (10) days of issuance thereof. Franchisee will also furnish Franchisor with certificates and endorsements evidencing this insurance coverage within 10 days after each of the following events: (i) at all policy renewal periods, no less often than annually, and (ii) at all instances of any change to, addition to, or replacement of any insurance. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are subject to approval by Franchisor. Franchisor reserves the right to require complete, certified copies of all required insurance policies at any time. In the event Franchisee fails to obtain the required insurance and to keep the same in full force and effect, Franchisor may, but is not obligated to, purchase insurance on Franchisee's behalf from an insurance carrier of Franchisor's choice, and Franchisee will reimburse Franchisor for the full cost of this insurance, along with a reasonable service charge to compensate Franchisor for the time and effort expended to secure this insurance, within five (5) days of the date Franchisor delivers an invoice detailing these costs and expenses to Franchisee. Notwithstanding the foregoing, failure of Franchisee to obtain insurance constitutes a material breach of this Agreement entitling Franchisor to terminate this Agreement or exercise any or a combination of the other default remedies set forth in Section 18 of this Agreement. Franchisee will also procure and pay for all other insurance required by state or federal law. Franchisor reserves the right to modify minimum insurance requirements at any time by updating the Operations Manual.

(b) All liability insurance policies procured and maintained by Franchisee and Agents in connection with the Business will require the insurance company to provide and pay for attorneys to defend any legal actions, lawsuits or claims brought against Franchisee, Franchisor, Franchisor's Affiliates and their respective officers, directors, agents, employees, and all other entities or individuals designated by the Franchisor as additional insureds.

13.2 Franchisee will, during the Initial Term and any Interim Period and after the termination or expiration of the Franchise Agreement, indemnify the Franchisor, its Affiliates and their respective officers, owners, directors and employees, and hold them harmless against all claims, demands, losses, damages (including punitive damages), costs, suits, judgments, penalties, expenses (including reasonable attorneys' fees and amounts paid in settlement or compromise) and liabilities of any kind, whether or not ultimately determined to be meritorious (and including damages suffered by Franchisee or any of its property) (collectively, "**Damages**") for which they are held liable, or which they incur (including travel, investigation and living expenses of employees and witness fees) in any litigation or proceeding as a result of or arising out of:

(a) a breach of this Agreement, or any other agreement between the parties, or any breach of a Lease or other instrument by which the right to occupy an Office or any other premises used by Franchisee to operate the Business is held, by Franchisee.

(b) any injury to or loss of property of any person in, or on, an Office or any other premises used by Franchisee to operate the Business, or in or on any Real Property shown to a customer by Franchisee or its Agents or employees, or in an automobile of those persons.

(c) Franchisee's taxes, liabilities, costs, or expenses of its Business.

(d) any negligent or willful act or omission of Franchisee, its employees or Agents, agents, servants, contractors, or others for whom it is, in law, responsible; and

(e) any advertising or promotional material distributed, broadcasted, or in any way disseminated by Franchisee or on its behalf unless this material has been produced, or approved in writing, by the Franchisor.

14. RELATIONSHIP

14.1 Franchisee acknowledges that it is an independent contractor and is not an agent, partner, joint venturer or employee of the Franchisor and no training or supervision given by, or assistance from, the Franchisor is deemed to negate this independence. Neither party is liable or responsible for the other's debts or obligations, nor will either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. The Franchisor and Franchisee agree that no partnership, fiduciary relationship, joint venture, or employment relationship exists between them. Franchisee will conspicuously identify itself in all dealings with the public as an entity separate from the Franchisor and state that the Franchisor has no liability for the Business being conducted from the Business location. It is expressly agreed that the parties intend by this Agreement to establish between the Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in the Franchisor's name or on behalf of the Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of the Franchisor for any purpose whatsoever. Franchisee agrees that it will not hold itself out as the agent, employee, partner, or co-venturer of the Franchisor. All Agents and employees hired by or working for Franchisee are the Agent or employee of Franchisee and will not, for any purpose, be deemed Agents or employees of the Franchisor or subject to the Franchisor control. Each of the parties agrees to file their own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party of and from any liability of any nature whatsoever by virtue thereof.

14.2 Neither party will make any agreements, representations or warranties (except by the Franchisor in advertising as provided herein) in the name of, or on behalf of, the other party; neither party is obligated by, nor have any liability for, any agreements, representations or warranties made by the other (except by the Franchisor in advertising as provided herein) nor will the Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Franchisee's Business, whether caused by Franchisee's or its Agents' negligent or willful action or failure to act.

14.3 The Franchisor will have no liability for Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any value added, sales, use, service, occupation, excise, gross revenue, Gross Revenue, income, property or other tax levied upon Franchisee, Franchisee's property, the Business or upon the Franchisor in connection with the sales made or business conducted by Franchisee (except any taxes the Franchisor is required by law to collect from Franchisee with respect to purchases from the Franchisor).

14.4 Franchisor and Franchisee agree and acknowledge that Franchisee and only Franchisee shall possess and/or exercise substantial direct and immediate control over the essential terms and conditions of employment of Franchisee's employees. Franchisee is, subject to compliance with applicable local, state, and federal laws, solely responsible for: (1) setting the wages, benefits, and related compensation of Franchisee's employees; (2) setting the work schedules and hours requirements for Franchisee's employees; (3) assigning work duties to Franchisee's employees; (4) establishing, communicating, and enforcing rules, directions, means and methods of performance, and employee discipline to Franchisee's employees; (5) hiring and firing its employees; and (6) establishing and maintaining safety standards for Franchisee's employees. Franchisee shall defend, indemnify, and hold Franchisor harmless against any and all, damages, costs, fees, expenses, settlements, payments, or liabilities incurred by Franchisor as a result of or in connection with claims, investigations, demands, suits, actions, inquiries, or allegations made by one or more of Franchisee's employees or by a governmental authority that Franchisor is, in any manner or for any purpose, a joint employer of one or more of Franchisee's employees.

15. RESTRICTIVE COVENANTS

15.1 Franchisee acknowledges and agrees that:

(a) Franchisee's knowledge of the operation of the Business, the System, and the concepts and methods of promotion of the Business hereunder that it has now or obtains in the future is derived from Franchisor's Confidential Information and Trade Secrets. Franchisee further acknowledges and agrees that all of the Confidential Information and Trade Secrets are the sole property of the Franchisor, represent valuable assets of the Franchisor and that the Franchisor has the right to use the Confidential Information and Trade Secrets in any manner it wishes at any time.

(b) During the Initial Term and any Interim Period, Franchisee, and Franchisees' owners, Designated Business Managers, Agents, and employees who have access to the Confidential Information and Trade Secrets agree that they: (1) will not use the Confidential Information or Trade Secrets in any other business or capacity or for their own benefit; (2) will maintain the absolute confidentiality of the Confidential Information and Trade Secrets; (3) will not make unauthorized copies of any portion of the Confidential Information and Trade Secrets; and (4) will adopt and implement all reasonable procedures the Franchisor periodically requires to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets including requiring employees, Designated Business Managers, training class attendees, and Franchisee owners who have access to the Confidential Information and Trade Secrets to execute nondisclosure and non-competition agreements as the Franchisor may require periodically, and provide the Franchisor, at the Franchisor's request, with signed copies of each of those agreements. Franchisor will be named as a third party beneficiary on these nondisclosure and non-competition agreements.

(c) After the Agreement expires or is terminated, Franchisee, and Franchisees' owners, Designated Business Managers, Agents, and employees who have access to the Confidential Information and Trade Secrets agree that for a period of five (5) years after the termination or expiration of the Agreement (unless this information is a Trade Secret in which

case the requirements in this Section 15.1(c) will remain in place while this information constitutes a Trade Secret) they: (1) will not use the Confidential Information or Trade Secrets in any other business or capacity or for their own benefit; (2) will maintain the absolute confidentiality of the Confidential Information and Trade Secrets; (3) will not make unauthorized copies of any portion of the Confidential Information or Trade Secrets; and (4) will adopt and implement all reasonable procedures the Franchisor periodically requires to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets including requiring written non-disclosure and non-competition agreements for those individuals as the Franchisor may require and provide the Franchisor, at the Franchisor's request, with signed copies of each of those agreements. Franchisor will be named as a third party beneficiary on these nondisclosure and non-competition agreements.

(d) Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) Confidential Information in the public domain after it was communicated to Franchisee through no fault of Franchisee, its owners, Designated Business Managers, Agents or employees; (b) Confidential Information in Franchisee's possession free of any obligation of confidence at the time it was communicated to Franchisee; or (c) the disclosure of the Confidential Information in judicial or administrative proceedings if Franchisee is legally compelled to disclose the information, if Franchisee has notified the Franchisor before disclosure and used Franchisee's best efforts, and afforded the Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be so disclosed.

15.2 Franchisee covenants and agrees that during the Initial Term of this Agreement and any Interim Period thereof, Franchisee, its owners and Designated Business Managers will not, without the prior written consent of the Franchisor, either individually or in a partnership, corporation, limited liability company, joint venture or other business entity or jointly or in conjunction with any person, firm, association, syndicate or corporation, as principal, agent, shareholder, member, partner or in any manner whatsoever, carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit its name or any part thereof to be used or employed in any business operating in competition with a residential or commercial real estate brokerage business or any business similar to the Business ("**Competitive Business**") as carried on periodically during the Initial Term of this Agreement, including any Interim Period thereof.

15.3 The parties have attempted in Section 15.2 above to limit Franchisee's right to compete only if necessary to protect the Franchisor from unfair competition. The parties hereby expressly agree that if the scope of enforceability of the provision of Section 15.2 is disputed at any time by Franchisee, a court or arbitrator, may modify Section 15.2 if it deems necessary to make the provision enforceable under applicable law. In addition, the Franchisor reserves the right to reduce the scope of said provision without Franchisee's consent, at any time or times, effective immediately upon notice to Franchisee. Franchisee expressly acknowledges that it possesses skills and abilities of a general nature and has other opportunities to exploit these skills. Consequently, enforcement of the covenants set forth above will not deprive Franchisee of the ability to earn a living.

15.4 Nothing in this Section 15 will prevent any active officer of Franchisee or member of Franchisee's family, either individually or collectively, from owning not more than a total of 5% of the stock of any company which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934, provided that Franchisee is otherwise not actively involved in the management or operation of that business and does not serve that business in any capacity other than as a shareholder.

15.5 Franchisor must be protected against the potential for unfair competition by Franchisee's use of Franchisor's training, assistance, Confidential Information and Trade Secrets in direct competition with Franchisor. Franchisee further acknowledges that Franchisor would not have entered into this Agreement or shared the Confidential Information, Trade Secrets, and other information with Franchisee absent Franchisee's agreement to strictly comply with the provisions of this Section 15. Franchisee acknowledges that as a franchisee of Franchisor, it will have access to the Franchisor's Trade Secrets and Confidential Information and therefore be in a unique position to use the special knowledge gained as a franchisee. Franchisee acknowledges that a breach of the covenants contained in this Section 15 will be deemed to threaten immediate and substantial irreparable injury to the Franchisor. Accordingly, Franchisee agrees that the Franchisor will have the right, without prior notice to Franchisee, to obtain immediate injunctive relief for breach of this Section 15 without limiting any other rights or remedies and without posting a bond.

15.6 In the event that Franchisee is not an individual, this Section 15 will also apply to the officers, directors, stockholders, partners, owners, members, trustees, beneficiaries and/or principals of Franchisee, Franchisee, and any persons controlled by, controlling or under common control with Franchisee.

16. ASSIGNMENT

16.1 Franchisee acknowledges that the Franchisor's obligations under this Agreement are not personal. Franchisor will have the absolute right to unconditionally transfer or assign this Agreement or any of its rights or obligation under this Agreement to any person, corporation, or other party.

16.2 Franchisor reserves the right to assign the System to anyone, including the operator of a competing franchise system. Franchisee acknowledges and agrees that the Franchisor may sell its assets, the Marks or the System to any third party of the Franchisor's choice; may offer its securities privately or publicly; may merge with or acquire other corporations or be acquired by another corporation; may undertake a refinancing, recapitalization, leverage buyout, or other economic or financial restructuring; or may terminate or cease to exist or dissolve, in any case without Franchisee's consent, and Franchisee will look only to the transferee to perform the Franchisor's obligations in all material respects, and Franchisor is free of any responsibility or liability whatsoever to Franchisee after the transaction occurs.

16.3 With regard to any of the above sales, assignment and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against the Franchisor

arising from or related to the transfer of the Marks, assets, or the System from the Franchisor to any other party.

16.4 Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee. Accordingly, this Agreement, Franchisee's rights and interests hereunder, the property and assets owned and used by Franchisee in connection with the Business, and any shares, stock, membership or interest in any corporation, limited liability company, or other entity having an interest in the Business, will not be voluntarily or involuntarily, directly or indirectly, sold, pledged, assigned, transferred, shared, subdivided, sub-franchised, encumbered or transferred in any way (including, without limitation, in the event of the death of Franchisee if Franchisee is an individual), in whole or in part, in any manner whatsoever without the prior written approval of the Franchisor and compliance with all terms of this Section 16. Any unauthorized sale, assignment, transfer, or other conveyance, by operation of law or otherwise, or any attempt to do so, is deemed void and grounds for termination of this Agreement by the Franchisor.

16.5 Franchisee understands and acknowledges that transferee will be required to execute Franchisor's then current franchise agreement which may contain provisions substantially different from those contained herein, including a higher royalty and greater expenditures for advertising and promotion than are provided hereunder (and any other documents then customarily used by the Franchisor to grant franchises), all other documents as may be reasonably requested by the Franchisor.

16.6 With and after each valid assignment of this Agreement pursuant to this Section 16, the assignee or assignees of Franchisee is deemed to be Franchisee under this Agreement and will be bound by and liable for all of Franchisee's existing and future obligations. No stockholder in any corporation, member in any limited liability company or partner in any partnership that becomes Franchisee will have any rights under this Agreement because of his, her, or its stock ownership, membership interest or partnership interest.

16.7 If Franchisee, at any time determines to sell, in whole or in part, the Business, Franchisee will obtain a bona fide, signed, written offer ("**Purchase Offer**") for the Business together with all real or personal property, leasehold improvements and other assets used by Franchisee in its Business from a responsible, arms' length, and fully disclosed purchaser and will submit an exact copy of this Purchase Offer to the Franchisor. Franchisor will have a right of first refusal to purchase the Business as provided in Section 17.

16.8 No transfer or assignment of this Agreement will be approved by the Franchisor or be effective unless and until all the following conditions are satisfied:

(a) Franchisee being then in full compliance herewith and having paid to the Franchisor all outstanding debts or amounts owing to the Franchisor before the transfer.

(b) The transferee executes Franchisor's then current franchise agreement, provided that the term of the transferee's franchise agreement will be the term remaining on the transferor's franchise agreement.

(c) Franchisee pays to the Franchisor a transfer fee in the amount set forth in **Attachment 1** (the “**Transfer Fee**”).

(d) Franchisee’s execution of a general release of the Franchisor, including its officers, directors, agents, employees, and Affiliates from the parties’ obligations under the Agreement.

(e) The transferee purchasing all of Franchisee’s assets used in the Business in accordance with all applicable bulk sales legislation and assuming all of the liabilities of the Business unless these liabilities have been paid before the closing of the transaction of purchase and sale or unless the sale is a sale of shares in the capital stock or membership interest of Franchisee.

(f) The transferee is an individual, corporation, limited liability company, partnership, or other business entity having adequate financial resources and who meets all criteria established by the Franchisor for franchisees. The transferee will also complete, at its expense, the Franchisor’s then current training program established by the Franchisor for franchisees before the transfer unless: (i) the transferee is a current franchisee in good standing in the System, or (ii) the transferee is or has been a Designated Business Manager for a period of one (1) year or more of a Business in good standing.

(g) The parties to the proposed transaction will have entered into a binding agreement subject only to the rights of the Franchisor set out in Section 17, Franchisor is furnished a copy of this binding agreement, and this agreement is subject to the Franchisor’s approval in writing. Franchisee must advise each prospective transferee of this provision and the other terms of this Agreement.

(h) The proposed transferee or the stockholders, partners, members, or owners of a beneficial interest in a proposed corporation, partnership, limited liability company or other entity transferee, providing jointly and severally those personal guarantees which the Franchisor may request, guaranteeing the proposed transferee’s performance of its obligations under the agreements to be entered into.

(i) The proposed transferee will have demonstrated to the Franchisor’s satisfaction that it, he or she will meet in all respects the Franchisor’s standards applicable to new franchisees regarding experience, personal and financial reputation and stability, willingness, and ability to devote its, his or her full time and best efforts to the operation of the Business, and any other conditions as the Franchisor may reasonably apply in evaluating new franchisees. Franchisor must be provided with all information about the proposed transferee as the Franchisor may reasonably require. Because of the Confidential Information and Trade Secrets available to a franchisee, no assignment to a competitor of the Franchisor will be permitted; and

(j) The transferee paying all costs of: (i) the Franchisor with respect to the granting of its approval, as hereinbefore contemplated, including but not limited to all of its legal costs with respect to the preparation and execution of the above noted Franchise Agreement, and all other documents then customarily used by the Franchisor to grant franchises; and (ii) the

transfer, including but not limited to all professional fees (attorney's fees, broker fees, and the like), leasing expenses, document preparation costs and due diligence.

16.9 Notwithstanding anything to the contrary herein contained, if Franchisee is an individual, the Franchisor will, upon Franchisee's compliance with any requirements as may periodically be prescribed by the Franchisor (including the obtaining of all necessary approvals to the assignment of leases, if any, of Franchisee's Office(s)), consent to an assignment of Franchisee's right, title and interest in and to this Agreement, and the property and assets owned and used by Franchisee in connection therewith and any other agreement then in effect between Franchisee and the Franchisor to a corporation, limited liability company or other business entity which is wholly owned and controlled by Franchisee, subject to the following (provided that this assignment will in no way release Franchisee from any liability under this Agreement):

(a) Contemporaneously with this assignment and upon the appointment or election of any person as director, officer, partner or manager of the corporation, limited liability company or other business entity, the corporation, limited liability company, partnership or other business entity will cause each shareholder, partner, member, manager, director(s) and officer(s) of the corporation, limited liability company, partnership or other business entity to execute a written agreement with the Franchisor under seal, personally guaranteeing full payment and performance of Franchisee's obligations to the Franchisor and individually undertaking to be bound, jointly and severally, by all the terms of this Agreement or any new current form of Franchise Agreement and jointly and severally liable;

(b) No shares or interest in the capital of the corporation, limited liability company, partnership or other business entity is issued nor will Franchisee directly or indirectly, voluntarily, or involuntarily, by operation of law or otherwise, sell, assign, transfer, convey, donate, pledge, mortgage or otherwise encumber any shares or interest or offer or attempt to do so or permit the same to be done without the Franchisor's prior written consent.

(c) The corporation will maintain stop transfer instructions against the transfer of shares on its records subject to the restrictions of this Section and will have all outstanding shares endorsed with the following legend printed conspicuously upon the face of each certificate:

"The transfer of this certificate is subject to the terms and conditions of a certain Franchise Agreement with HomeSmart International, LLC. Reference is made to said Franchise Agreement and to the restrictive provisions of the articles of this corporation."

(d) The articles of incorporation, articles of organization, operating agreement, partnership agreement, shareholder agreement, and by-laws of the corporation, limited liability company, partnership or other business entity will provide that its objectives or business is confined exclusively to the operation of the Business as provided for in this Agreement, include reasonable buy-sell and dispute resolution terms, and recite that the issuance and transfer of any shares, membership interest, partnership interest or other interest is restricted

by the terms of this Agreement. Copies of the relevant Ownership Documents shall be furnished to the Franchisor upon request.

(e) The Franchisor's consent to a transfer of any interest subject to the restrictions of this Section will not constitute a waiver of any claim it may have against the assignor, nor will it be deemed a waiver of the Franchisor's right to demand exact compliance with any of the terms of this Agreement by the assignee.

(f) The corporation, partnership, limited liability company or other business entity will advise the Franchisor and keep the Franchisor current as to the names and addresses of the directors, officers, members, partners, and shareholder of and those persons financially involved in the corporation, partnership, limited liability company or other business entity; and

(g) Franchisee agrees to devote its full time and best efforts to managing the day-to-day operations of the HomeSmart Real Estate Brokerage Business unless it has an operational partner or Designated Business Manager that has successfully completed Franchisor's training program.

16.10 Upon the death of Franchisee, shareholder, partner, or member the rights granted by this Agreement may pass to the next of kin or legatees, provided that Franchisee's legal representatives will within ninety (90) calendar days of Franchisee's death apply in writing to the Franchisor for the right to transfer to the next of kin or legatee Franchisee's rights under this Agreement. Franchisor will not unreasonably withhold its permission so long as the proposed transferees meet each of the requirements set forth in this Section 16 within thirty (30) days of the receipt of a conditional permission for the transfer.

16.11 Any attempt by Franchisee to transfer any of its rights or interest under this Agreement or the License, without having received the Franchisor's prior written consent, will constitute a material breach of this Agreement. However, if Franchisee dies and its personal representative does not desire to sell the Business, and if under controlling local law Franchisee's interest in the Business, the License and Agreement are distributable to heirs or legatees who are members of his or her immediate family and who otherwise would qualify as assignees, then this attempted assignment by operation of law will not be deemed in violation of this Agreement, provided that these heirs or legatees accept the conditions imposed on otherwise permitted assignees.

16.12 Franchisee will not have the right to grant a subfranchise.

17. OPTION TO PURCHASE – RIGHT OF FIRST REFUSAL

17.1 Unless otherwise explicitly provided by this Agreement, the Franchisor is entitled to exercise the rights provided in this Section immediately upon:

(a) The expiration without the extension of Franchisee's rights to operate the Business or the termination for any reason of the License or this Agreement.

(b) Any breach, default or other event that gives the Franchisor the right to terminate the License or this Agreement, after expiration of any applicable notice and cure period; or

(c) The receipt by the Franchisor of a copy of a Purchase Offer.

17.2 Upon any event described in Section 17.1, the Franchisor will have the option to purchase all of Franchisee's rights, title, and interest in the Business, and all its improvements, furniture, fixtures, equipment, and all of Franchisee's accounts, contract rights, customer and vendor lists, work in progress and all other business assets. The right and option granted to Franchisor by this Section 17 is assignable by Franchisor to any other person or entity.

17.3 The purchase price for the assets described in Section 17.2 will be, subject to Section 17.4: (a) the current fair market value if Section 17.1(a) or 17.1(b) is applicable; or (b) the price specified in the Purchase Offer received by Franchisee if Section 17.1(c) is applicable. If Franchisee and the Franchisor cannot agree on fair market value within a reasonable time, an independent appraiser will be designated by each of Franchisee and the Franchisor and an average of the two (2) appraised values will be binding. Appraised values will exclude any and all consideration for goodwill or going concern value created by the Marks and business system licensed to Franchisee.

17.4 If the Franchisor elects to exercise any option to purchase provided in this Section 17, the Franchisor will have the right to set off all amounts due from Franchisee to Franchisor or its Affiliates under the Franchise Agreement or any other agreements between these parties, any commissions, or fees payable to any broker, agent or other intermediary and the cost of the appraisal, if any, against any payment. Franchisor will also have the right to substitute cash for any other form of consideration specified in the Purchase Offer and to pay in full the entire purchase price at the time of closing.

17.5 Franchisor will notify Franchisee of its intention to exercise or to not exercise its rights to purchase ("**Notice of Intent**") within sixty (60) days following an event described in Section 17.1(a) or 17.1(b) or within fifteen (15) days following an event described in Section 17.1(c). The Notice of Intent will specify the assets to be purchased, and the current fair market value as determined by the Franchisor if Section 17.1(a) or 17.1(b) is applicable. In the event the Franchisor is purchasing the assets pursuant to Sections 17.1(a) or 17.1(b), Franchisee will have fourteen (14) days following receipt of the Franchisor's Notice of Intent to object to any of the prices specified therein, and any disputes over pricing is resolved through appraisal as specified by Section 17.3. If the Franchisor declines to exercise its rights under this Section or fails to notify Franchisee within the fifteen (15) or sixty (60) day period described above, as applicable, Franchisee may sell or dispose of the Business to any third party in the event of a sale under Section 17.1(a) or 17.1(b) or to the third party identified in the Purchase Offer in the event of a sale under Section 17.1(c), but not at a lower price nor on more favorable terms than set forth in the Purchase Offer, if any, or the Notice of Intent and subject to the prior written permission of the Franchisor and satisfaction of the other conditions to assignment set forth in Section 16. If the sale to this third party purchaser is not completed within ninety (90) days after Franchisor delivers or is deemed to have delivered the Notice of Intent not to purchase the assets to Franchisee, the Franchisor will again have the right of first refusal herein provided.

17.6 If the Franchisor provides Franchisee with its Notice of Intent to exercise its rights under this Section 17, the purchase and sale contemplated in this Section is consummated as soon as possible. In the event the Franchisor is purchasing the assets pursuant to Sections 17.1(a) or 17.1(b), following the delivery of a Notice of Intent as specified in Section 17.5, the Franchisor or the Franchisor's assignee or designee will have the immediate right to take possession of the Business and to carry on and develop the Business for the exclusive benefit of the Franchisor, or its assignee or designee.

18. DEFAULT AND TERMINATION

18.1 The Franchisor will have the right, at its option, to (i) suspend performance of certain or all of its services to Franchisee during the time period Franchisee is in default of this Agreement; or (ii) terminate this Agreement and all rights granted Franchisee hereunder, (subject to the provisions of applicable state law governing franchise termination and renewal), effective upon receipt of notice by Franchisee, addressed as provided in Section 19, upon the occurrence of any of the following events:

(a) Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of the Franchisor's Operations Manual, Confidential Information or Trade Secrets of the Franchisor.

(b) Franchisee voluntarily abandons the Business for a period of five (5) consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the Business, unless this abandonment is due to a Force Majeure Event, as defined in Section 21.6 and not related to the availability of funds to Franchisee.

(c) Franchisee becomes insolvent or is adjudicated a bankrupt; or any action is taken by Franchisee, or by others against Franchisee under any insolvency, bankruptcy, or reorganization act, or if Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed for Franchisee.

(d) Any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against Franchisee's Business or any of the property used in the operation of the Business and is not discharged within five (5) days; or if the real or personal property of Franchisee's Business is sold after levy thereupon by any sheriff, marshal or constable;

(e) Franchisee or any owner of greater than 20% of Franchisee entity or operator has its real estate broker license terminated or suspended for a period of greater than thirty (30) days or is charged or convicted of a felony, a crime involving moral turpitude, a civil claim or charge brought by a governmental entity alleging fraud or misrepresentations, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the System, Marks, goodwill or reputation thereof;

(f) Franchisee fails to pay any amounts due the Franchisor or its Affiliates within ten (10) days after receiving notice that these fees or amounts are overdue.

(g) Franchisee misuses or fails to follow the Franchisor's directions and guidelines concerning use of the Marks and fails to correct the misuse or failure within ten (10) days after notification from the Franchisor.

(h) Franchisee has received two (2) notices of default with respect to Franchisee's obligations hereunder from the Franchisor within a twelve (12) month period, regardless of whether the defaults were cured by Franchisee.

(i) Franchisee sells, transfers, or otherwise assigns the Business, an interest in the Business or Franchisee entity, this Agreement, the Business, or a substantial portion of the assets of the Business owned by Franchisee without complying with the provisions of Section 16 and Section 17.

(j) Franchisee submits on two (2) or more occasions during the Initial Term or any Interim Period a report, financial statement, tax return, schedule or other information or supporting record which understates its Gross Revenue by more than 1%, unless Franchisee demonstrates that this understatement resulted from inadvertent error.

(k) Franchisee fails, or refuses, to submit any report, financial statement, tax return, schedule or other information or supporting records required herein, or submits these reports more than five (5) days late on two (2) or more occasions during the Initial Term or any Interim Period unless due to circumstances beyond the control of Franchisee.

(l) Franchisee sells or offers for sale any unauthorized merchandise, product, or service, engages in any unauthorized business or practice, or sells any unauthorized product or service under the Marks or under a name or mark which is confusingly similar to the Marks.

(m) Franchisee contests in any court or proceeding the validity of, or the Franchisor's ownership of the Marks or Copyrighted Materials.

(n) Franchisee is a corporation, limited liability company, partnership or other business entity and any action is taken which purports to merge, consolidate, dissolve, or liquidate this entity without the Franchisor's prior written consent.

(o) Franchisee or its Designated Business Manager fails to successfully complete the Franchisor's training or retraining course(s).

(p) Franchisee receives from the Franchisor during the Initial Term and any Interim Period three (3) or more notices of default regardless of whether these notices of default relate to the same or different defaults, or whether these defaults have been remedied by Franchisee; or

(q) Any misrepresentation under Section 2.10 or any violation of Anti-Terrorism Laws by Franchisee, the Designated Business Manager, its owners, agents, or employees.

18.2 Franchisor will have the right, at its option, to (i) suspend performance of certain or all of its services to Franchisee during the time period Franchisee is in default of this

Agreement; or (ii) terminate this Agreement (subject to any state laws to the contrary, where state law will prevail), effective upon thirty (30) days written notice to Franchisee, if Franchisee breaches any other provision of this Agreement and fails to cure the default during such thirty (30) day period. In that event, this Agreement will terminate without further notice to Franchisee, effective upon expiration of the thirty (30) day period. Defaults include, but are not limited to, the following:

(a) Franchisee fails to maintain the then-current operating procedures and standards established by the Franchisor as set forth herein or in the Operations Manual or otherwise communicated to Franchisee.

(b) Franchisee fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required by this Agreement.

(c) Franchisee fails or refuses to comply with the then-current requirements of the Operations Manual.

(d) Franchisee, or any partnership, joint venture, limited liability company, corporation or other business entity in which Franchisee has a controlling equity interest, defaults under any term of the Lease of an Office or any other premises used by Franchisee to operate the Business, any other franchise agreement with the Franchisor or any other agreement material to the Business and such default is not cured within the time specified in this Lease, other franchise agreement or other agreement.

(e) Franchisee fails, refuses or neglects to submit a statement of monthly revenues accompanying the Royalty Fee or FMAF funds or any other report required under the Agreement when due.

(f) Franchisee fails, refuses or neglects to accurately report Gross Revenue, sales information or other information required by Franchisor to be reported; or

18.3 Franchisee fails to comply with any other provision of this Agreement or any specification, standard or operating procedure prescribed by the Franchisor and does not correct this failure within ten (10) days (or thirty (30) days if this is the first non-compliance or breach) after written notice from the Franchisor (which will describe the action that Franchisee must take) is delivered to Franchisee.

18.4 Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within this thirty (30) day period and Franchisee has commenced and is continuing to make good faith efforts to cure the breach during this thirty (30) day period, Franchisee is given an additional reasonable period of time to cure the same, but in no event longer than thirty (30) additional days.

18.5 A termination of this Agreement by Franchisee for any reason or no reason at all is deemed to be a termination without cause, and a breach hereof, by Franchisee. Franchisee agrees that it will not, on grounds of an alleged nonperformance by Franchisor of any of its obligations or any other reason, withhold payment of any amount due to Franchisor whatsoever

or set off amounts owed to Franchisor under this Agreement, against any monies owed to Franchisee, which right of set off is hereby expressly waived by Franchisee.

18.6 No endorsement or statement on any check or payment of any sum less than the full sum due to the Franchisor is construed as an acknowledgment of payment in full or an accord and satisfaction, and the Franchisor may accept and cash this check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided herein or by law. Franchisor may apply any payments made by Franchisee against any past due indebtedness of Franchisee as the Franchisor may see fit. Franchisor may set off against any payment due to Franchisee hereunder any outstanding debts of Franchisee to Franchisor, and may, at Franchisor's option, pay Franchisee's trade creditors out of any sum otherwise due to Franchisee.

18.7 Franchisee agrees to pay within five (5) days of the effective date of termination or expiration of the Franchise all amounts owed to Franchisor, Franchisor's Affiliates, the landlord of an Office or other premises used in the Business, and Franchisee's trade and other creditors which are then unpaid.

18.8 All royalty and advertising contributions, all amounts due for goods purchased by Franchisee periodically from the Franchisor or its Affiliates and any other amounts owed to the Franchisor or its Affiliates by Franchisee pursuant to this Agreement or any other agreement will bear interest after the due date at the rate of 18% per annum or the highest rate permitted by law, whichever is lower, both before and after default, with interest on overdue interest at the aforesaid rate. The acceptance of any interest payment will not be construed as a waiver by Franchisor of its rights in respect of the default giving rise to this payment and is without prejudice to Franchisor's right to terminate this Agreement in respect of this default.

18.9 Should Franchisee, or any partnership or joint venture or corporation in which Franchisee has a controlling equity interest, be a franchisee pursuant to another franchise agreement with Franchisor, respecting another HomeSmart Real Estate Brokerage Business using the Marks, a default under this Agreement constitutes a default under any other Franchise Agreement and vice versa, with like remedies available to the Franchisor. Should any other Franchise Agreement cease to be valid, binding and in full force and effect for any reason then the Franchisor may, at its option terminate this Agreement and this Agreement is forthwith surrendered by Franchisee and terminated, and likewise should this Agreement cease to be valid binding and in full force and effect for any reason, the Franchisor may at its option terminate the other Franchise Agreement and the other Franchise Agreement is forthwith surrendered and terminated. In the event that there is more than one Franchisee, or if Franchisee should consist of more than one legal entity, Franchisee's liability hereunder is both joint and several. A breach hereof by one of these entities or Franchisee is deemed to be a breach by both or all.

18.10 Franchisee agrees that upon termination or expiration of this Agreement, it will take the following action:

(a) Immediately discontinue the use of all Marks, signs, structures, forms of advertising, telephone listings, facsimile numbers, e-mail addresses, the Operations Manual, and all materials, Services of any kind which are identified or associated with the System and return all these materials to Franchisor.

(b) Immediately turn over to Franchisor all materials, including the Operations Manual, agent lists, customer lists, records, files, instructions, brochures, advertising materials, agreements, Confidential Information, Trade Secrets and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Business (all of which are acknowledged to be Franchisor's property). Under no circumstances will Franchisee retain any printed or electronic copies of the Operations Manual, Confidential Information or Trade Secrets or portions thereof upon expiration or termination of this Agreement.

(c) Franchisee hereby acknowledges that all telephone numbers, facsimile numbers and Internet addresses used in the operation of the Business constitute assets of the Franchisor; and upon termination or expiration of this Agreement, Franchisee will take action within five (5) days to cancel or assign to Franchisor or its designee as determined by Franchisor, all Franchisee's right, title and interest in and to Franchisee's telephone numbers, facsimile numbers and Internet addresses and will notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and Internet and e-mail addresses, and any regular, classified or other telephone directory listing associated with the Marks and to authorize a transfer of same to or at the direction of Franchisor. Franchisee acknowledges that, as between Franchisor and Franchisee, Franchisor has the sole rights to, and interest in, all telephone numbers, facsimile numbers, directory listings and Internet addresses used by Franchisee to promote the Business and/or associated with the Marks. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute these directions and authorizations as may be necessary or prudent to accomplish the foregoing. **Attachment 7** reflects this appointment.

(d) Make no representation nor state that Franchisee is in any way approved, endorsed, or licensed by the Franchisor or associated or identified with the Franchisor or the System in any manner.

(e) Immediately take all steps necessary to amend or terminate any registration or filing of any d/b/a, or business name, or fictitious name, or any other registration or filing containing the Marks so as to delete the Marks and all references to anything associated with the System.

(f) Provide Franchisor the option to purchase as set forth in Section 17; and

(g) Comply with the provisions of Sections 11.1(c), 11.1(d), and 15.

18.11 If, within thirty (30) days after termination or expiration of this Agreement by the Franchisor, Franchisee fails to remove all displays of the Marks from the Business, the Franchisor may enter the Business to effect removal. In this event, Franchisor will not be charged with trespassing nor be accountable or required to pay for any displays or materials.

18.12 If, within thirty (30) days after termination or expiration of this Agreement, Franchisee has not taken all steps necessary to amend or terminate any registration or filing of any business name or d/b/a or any other registration or filing containing the Marks, Franchisee

hereby irrevocably appoints the Franchisor as Franchisee's true and lawful attorney for Franchisee, and in Franchisee's name, place and stead and on Franchisee's behalf, to take action as may be necessary to amend or terminate all registrations and filings, this appointment being coupled with an interest to enable the Franchisor to protect the System.

18.13 Termination or expiration of this Agreement will not affect, modify, or discharge any claims, rights, causes of action, or remedies which the Franchisor may have against Franchisee, whether these claims or rights arise before or after termination or expiration.

18.14 All obligations of the parties which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect notwithstanding this expiration or termination. In particular, but without limiting the generality of the foregoing, the provisions of Sections 11, 13, 15 and 17, hereof will survive termination or expiration of this Agreement.

18.15 In the event that this Agreement expires or is terminated for any reason whatsoever and the Franchisor is the lender under any loan agreement ("**Loan**") or the holder of any promissory note ("**Note**") or the holder of any personal property, security interest, chattel mortgage, debenture or mortgage of any nature whatsoever ("**Security Interest**") from Franchisee concerning assets used at any time by Franchisee in the Business or which are situated on the Business premises, this Loan, Note or Security Interest will, upon the effective date of termination or expiration, immediately become fully due and payable as to all principal and interest so loaned and secured.

18.16 If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder, the prior notice or other action required by that law or rule is substituted for the notice requirements hereof. Those modifications to this Agreement are effective only in that jurisdiction and is enforced as originally made and entered into in all other jurisdictions.

18.17 In the event of termination of the Agreement for any reason whatsoever the parties will accept the default remedies contained herein as full and final satisfaction of all claims. The parties waive, if permitted by law, any claim against the other for punitive or exemplary damages; except for punitive or exemplary damages for violation of the Lanham Act, trademark infringement or dilution, unauthorized dissemination of the Confidential Information or Trade Secrets, or arising under the indemnification set out in Section 13.2.

18.18 The rights of the parties are cumulative and no exercise or enforcement by a party of any right or remedy hereunder will preclude the exercise or enforcement by that party of any other right or remedy herein contained, or to which it is entitled by law.

18.19 Nothing herein will prevent the Franchisor or Franchisee from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies. If it is necessary for the Franchisor to seek preliminary or permanent injunctive relief, the Franchisor may do so without a bond.

18.20 THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, THE STATE OR FEDERAL LAW WILL GOVERN THE FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

19. NOTICES

19.1 Any notice of default under this Agreement is delivered personally or by courier to the appropriate location. Any other notice, request, demand, approval, consent, or other communication which the parties may be required or permitted to be given under this Agreement is in writing and may be given to the party for whom it is intended by personal delivery, electronic mail (return receipt requested) or delivering it to the party by mailing it by prepaid registered mail or by sending it through a nationally recognized overnight courier service as follows:

To Franchisor: HomeSmart International, LLC
8388 East Hartford Drive, Suite 100
Scottsdale, Arizona 85255
legal@hsmove.com

To Franchisee: _____

Attention: _____
E-Mail: _____

with a copy (which will not constitute notice) to:

Attention: _____

Any notice or other document delivered personally or by electronic mail (return receipt requested) is deemed to have been received by and given to the addressee on the day of delivery and any other notice or other document mailed as aforesaid, is deemed to have been received by and given to the addressee on the 3rd business day following the date of mailing or the first day following the day the notice is deposited with a nationally recognized overnight courier service. Any party may at any time give notice in writing to any other party of any change of address.

20. ARBITRATION

20.1 Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the franchise or this Agreement including, any claim by Franchisee or any person in privity with or claiming through, on behalf of or in the right of Franchisee, concerning the entry into, performance under, or termination of, this Agreement or any other agreement entered into by the Franchisor, or its subsidiaries or Affiliates, and Franchisee, any claim against

a past or present employee, officer, director, member, shareholder or agent of the Franchisor; any claim of breach of this Agreement; and any claims arising under state or federal laws, is submitted to final and binding arbitration as the sole and exclusive remedy for any controversy or dispute. "Persons in privity" with or claiming through, on behalf of or in the right of Franchisee include but are not limited to, spouses and other family members, heirs, executors, representatives, successors, and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration is governed exclusively by the Federal Arbitration Act, as amended, and arbitration will take place according to the commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration will be held in Phoenix, Arizona. However, arbitration will not be required to be used for any dispute which involves Franchisee's or Franchisor's continued usage of any of the Marks, the System, or business concept; any issue where injunctive relief against Franchisee or the Franchisor is an appropriate remedy; disputes solely involving the payment of money; or, any issues related to disclosure or misuse of Confidential Information or Trade Secrets, all of which issues may be submitted to a state or federal court within the State of Arizona. The parties expressly consent to personal jurisdiction in the State of Arizona and agree that its court(s) will have exclusive jurisdiction over any of these issues not subject to arbitration.

1.2 The parties will select one arbitrator from a panel of neutral arbitrators provided by the American Arbitration Association and this arbitrator is chosen by the striking method. The parties will each bear all of their own costs of arbitration; however, the fees of the arbitrator shall be divided equally between the parties. The arbitrator will have no authority to amend or modify the terms of this Agreement. The award or decision by the arbitrator is final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state where the arbitration took place. The parties consent to the exercise of personal jurisdiction over them by these courts and to the propriety of venue of these courts for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning these matters.

20.2 Parties to arbitration under this Agreement will include, by consolidation, joinder or in any other manner, any person other than Franchisee and any person in privity with or claiming through, in the right of or on behalf of Franchisee or the Franchisor, unless both parties consent in writing. If permitted by applicable law, no issue of fact or law is given preclusive or collateral estoppel effect in any arbitration hereunder, except if this issue may have been determined in another proceeding between the Franchisor and Franchisee or any person in privity with or claiming through, in the right of or on behalf of Franchisee or the Franchisor.

20.3 The parties agree that any arbitration arising out of a dispute relating to this Agreement is only a matter between the Franchisor and Franchisee and no other franchisees. Franchisee agrees not to join or attempt to join other franchisees or licensees in any arbitration or attempted litigation against the Franchisor.

20.4 Franchisor's and Franchisee's rights hereunder are cumulative and no exercise or enforcement by Franchisor or Franchisee or any right or remedy hereunder will preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder or which Franchisor or Franchisee are entitled by law to enforce.

20.5 Except with respect to Franchisee's obligation to indemnify Franchisor pursuant to Section 13.2, Franchisor and Franchisee waive, to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between Franchisor and Franchisee, the party making a claim is limited to recovery of any actual damages sustained by it.

20.6 Nothing contained in this Agreement will bar Franchisor or Franchisee from obtaining a temporary restraining order or preliminary injunctive relief against threatened or actual conduct that would cause Franchisor or Franchisee irreparable loss or damages. The sole remedy of the enjoined party, in the event of the entry of an injunction, will be the dissolution of the injunction, if warranted, after a hearing is held (all claims for damages by reason of the wrongful issuance of any this injunction being expressly waived by this Agreement). Franchisee also agrees that the court may issue a temporary restraining order or preliminary injunction that is mandatory in nature if this order or relief is necessary to ensure the operation of Franchisee's Business as a HomeSmart™ Real Estate Brokerage Business pursuant to the terms of this Agreement. Any action is brought as provided in Section 21.1.

21. MISCELLANEOUS

21.1 Except if governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other applicable federal law, this Agreement is interpreted under the laws of the State of Arizona, and any dispute between the parties is governed by and determined in accordance with the substantive laws of the State of Arizona, which laws will prevail in the event of any conflict of law. Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Franchisee, its officers or directors and the Franchisor, its officers, directors, shareholders, members, employees, or Affiliates, both parties agree that the exclusive venue for disputes between them is in the State of Arizona and each waive any objection either may have to the personal jurisdiction of or venue in the State of Arizona. Franchisee irrevocably submits to the jurisdiction of its courts and waives any objection Franchisee may have to either the jurisdiction or venue in its court.

21.2 All provisions of this Agreement are severable, and this Agreement is interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein; all partially valid and enforceable provisions are enforced if they are valid and enforceable.

21.3 If either party institutes a legal proceeding, including court proceedings or arbitration, and prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on the terms of this Agreement, the prevailing party is entitled to recover from the losing party, in addition to any judgment, reasonable attorneys' fees, court costs and all of the prevailing party's expenses in connection with any action at law.

21.4 No failure, forbearance, neglect, or delay of any kind on the part of the Franchisor in connection with the enforcement or exercise of any rights under this Agreement will affect or diminish the Franchisor's right to strictly enforce and take full benefit of each provision of this Agreement at any time, whether at law for damages, in equity for injunctive relief or specific

performance, or otherwise. No custom, usage, or practice with regard to this Agreement by Franchisee or the Franchisor's other franchisees will preclude the strict enforcement of this Agreement in accordance with its literal terms. No waiver by the Franchisor of performance of any provision of this Agreement constitutes or be implied as a waiver of the Franchisor's right to enforce that provision at any future time. No interpretation, change, termination, or waiver of any provision of this Agreement, and no consent or approval under this Agreement, is binding upon Franchisee or the Franchisor or effective unless in writing signed by Franchisee and the Franchisor's CEO or President, except that a waiver need be signed only by the party waiving.

21.5 This Agreement, together with the Operations Manual, any written related agreements, all Exhibits, Attachments, and the State Addenda attached to the Disclosure Document as Exhibit E, constitutes the entire understanding and agreement between Franchisee and the Franchisor and supersedes all prior understandings, whether oral or written, pertaining to this Agreement, License, System or Business. However, nothing in this Agreement or any related Agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

21.6 Neither party is liable for any loss or damage due to any delay in the due performance of the terms hereof (except for the payment of money) by reason of strikes, lockouts and other labor relations, fires, riots, wars, embargoes, and civil commotion, or acts of God ("**Force Majeure Event**"). Any delay will extend performance only so long as this event is in progress except this Force Majeure Event will not affect or change Franchisee's obligation to pay Royalty Fees or FMAF contributions when due. Notwithstanding the foregoing, if there is a Force Majeure Event, Franchisor may elect to waive the Royalty Fees or FMAF contributions during the period of delay caused by the Force Majeure Event or a shorter period.

21.7 Franchisee will sign and deliver any further instruments, contracts, forms, and other documents, and will perform any further acts, as may be necessary or desirable, to carry out, complete and perform all terms, covenants and obligations contained herein. Franchisee hereby irrevocably appoints the Franchisor as its attorney and hereby empowers it to sign any instruments regarding the Marks for and in Franchisee's name to give full effect to Sections 11, 13, 16, and 18 of this Agreement. Franchisee hereby declares that the powers of attorney herein granted may be exercised during any subsequent legal incapacity on its part.

21.8 This Agreement is binding upon, and subject to Section 16 hereof, will inure to the benefit of, Franchisee's successors and permitted assigns.

21.9 This Agreement may only be modified or amended by a written document signed by Franchisee and the Franchisor. Franchisee acknowledges that the Franchisor may modify its standards and specifications and operating and marketing techniques set forth in the Operations Manual unilaterally under any conditions and to the extent in which the Franchisor deems necessary to protect, promote, or improve the Marks, and the quality of the System, but under no circumstances will these modifications be made arbitrarily without this determination. Notwithstanding anything herein to the contrary, the Franchisor will have the right unilaterally to reduce the scope of any covenants of Franchisee contained in this Agreement upon notice to Franchisee, whereupon Franchisee will comply therewith as so modified.

21.10 Periodically, the Franchisor will have the right to delegate the performance of any portion or all of its obligations and duties under this Agreement to third parties, whether the same are agents of the Franchisor or independent contractors which the Franchisor has contracted with to provide these services. Franchisee agrees in advance to any delegation by the Franchisor of any portion or all of its obligations and duties under this Agreement.

21.11 This Agreement will be executed in multiple copies, each of which will be deemed an original. The preambles are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between Franchisor and Franchisee relating to the subject matter of this Agreement. Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the several sections and paragraphs of this Agreement are for convenience only and do not define, limit, or construe the contents of such sections or paragraphs. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the representations made in the franchise disclosure document. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

(a) The term "**Franchisee**" as used herein is applicable to one or more persons, a corporation, limited liability company, a partnership or other business entity, as the case may be, and the singular usage (where applicable) includes the plural and the masculine and neuter usages (where applicable) include the other and the feminine.

(b) Subject to Franchisor's rights under trademark laws, the parties' rights under this Agreement and the relationship between the parties are governed by and will be interpreted in accordance with Section 21.1. Franchisee and its Affiliates waive, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any other country or other jurisdiction.

(c) When calculating the date upon which or the time within which any act is to be done pursuant to this Agreement, the date which is the reference date in calculating this period is excluded; if the last day of this period is a non-business day, the period in question will end on the next business day.

(d) The parties recognize, and any referee, arbitrator, and judge, is affirmatively advised, that certain provisions of this Agreement reflect rights of Franchisor and Franchisee to take (or refrain from taking) certain actions in exercise of its business judgment based on its assessment of the long term interests of the System or Business as a whole. Where such right has been exercised and is supported by the business judgment of Franchisor or Franchisee ("**Business Judgment**"), a referee, arbitrator, or judge, cannot substitute his or her judgment for the judgment so exercised by Franchisor or Franchisee, even if another reasonable or even arguably preferable alternatives are available.

(e) Whenever this Agreement provides that Franchisor has a certain right, that right is absolute, and the parties intend that its exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

(f) Time is of the essence of this Agreement and of every part thereof.

22. ACKNOWLEDGEMENT. BEFORE SIGNING THIS AGREEMENT, THE FRANCHISEE SHOULD READ IT AND THE DISCLOSURE DOCUMENT SUPPLIED TO THE FRANCHISEE CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. THE FRANCHISEE ACKNOWLEDGES THAT:

1. NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT, AND IN ANY DISCLOSURE DOCUMENT SUPPLIED TO THE FRANCHISEE, IS BINDING ON THE FRANCHISOR IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT, AND

2. FRANCHISEE HAD A COMPLETE COPY OF THIS AGREEMENT, WITH ALL BLANKS FILLED IN, IN ITS POSSESSION FOR A PERIOD OF TIME NOT LESS THAN SEVEN (7) DAYS, DURING WHICH TIME THE FRANCHISEE HAD THE OPPORTUNITY TO SUBMIT THIS AGREEMENT FOR PROFESSIONAL REVIEW AND ADVICE OF THE FRANCHISEE'S CHOOSING BEFORE FREELY EXECUTING THIS AGREEMENT. FRANCHISEE ACKNOWLEDGES THAT IT HAS HAD AMPLE TIME AND OPPORTUNITY TO INVESTIGATE THE FRANCHISOR'S BUSINESS AND TO CONSULT WITH LEGAL AND FINANCIAL ADVISORS OF ITS CHOICE.

3. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE SYSTEM AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT AND ITS SUCCESS INVOLVES SUBSTANTIAL BUSINESS RISK AND WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESSPERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS. FRANCHISEE HEREBY ASSUMES THE RESPONSIBILITY FOR THE SUCCESS OR FAILURE OF THE BUSINESS VENTURE.

4. FRANCHISOR HAS NOT PROVIDED ANY STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION OF ACTUAL, AVERAGE, PROJECTED, FORECASTED OR POTENTIAL PURCHASES, SALE, EARNINGS, INCOME OR PROFITS TO FRANCHISEE.

5. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY ASSURANCE, WARRANTY OR GUARANTEE, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, EARNINGS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

6. FRANCHISEE AGREES TO PARTICIPATE IN TO THE FRANCHISOR INDEX AND DISPLAY PORTION OF THE INTERNET DATA EXCHANGE (IDX) POLICY, WHICH PROVIDES FRANCHISOR WITH THE RIGHT TO INDEX AND DISPLAY LISTING DATA FROM FRANCHISEE'S IDX FEEDS ON ITS NATIONAL INTERNET WEBSITE.

**ATTACHMENT 1
TO FRANCHISE AGREEMENT**

ROYALTY, TERRITORY, QUOTAS, BRANCH OFFICES and FEES

Fee or Title	Amount or Description																					
Flat Fee Royalties _____ (Initials)	(A) The greater of the collective total of: (i) \$12 per agent per month; plus \$120 per completed side, if a brokerage represents both the seller and the buyer in the transaction then the fee of \$120 applies to each side of the transaction or (ii) \$500 per month and (B) \$25 per rental, referral, or lease fee collected by Broker.																					
	Yes No (circle one)																					
Annual Agent Quota. By the end of each year during the Initial Term, Franchisee will have the following number of Agents associated with Franchisee in the Territory. _____ (Initials)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Year</th><th style="width: 35%;">New Agents</th><th style="width: 35%;">Total Agents</th></tr> </thead> <tbody> <tr> <td>At Execution</td><td style="text-align: center;">0</td><td></td></tr> <tr> <td>1</td><td></td><td></td></tr> <tr> <td>2</td><td></td><td></td></tr> <tr> <td>3</td><td></td><td></td></tr> <tr> <td>4</td><td></td><td></td></tr> <tr> <td>Renewal</td><td></td><td></td></tr> </tbody> </table>	Year	New Agents	Total Agents	At Execution	0		1			2			3			4			Renewal		
Year	New Agents	Total Agents																				
At Execution	0																					
1																						
2																						
3																						
4																						
Renewal																						
Territory: Described by zip codes. _____ (Initials)	The Territory set forth in Section 5.1 of the Agreement is:																					

Fee or Title	Amount or Description		
Branch Offices (Applicable to Multi-Branch Franchisees). By the end of each year during the Initial Term, Franchisee will have opened the following number of Branch Offices:	Year	New Branch Offices	Total Branch Offices
	At Execution		
	1		
	2		
	3		
	4		
	5		
	Successor Franchise Fee	Fifty percent (50%) of the then-current Initial Franchise Fee, plus fifty percent (50%) of the then-current Branch Office Fee for each Branch Office that is or will be open at the beginning of the Successor Term.	
Initial Franchise Fee _____ (Initials)	\$20,000.		
Branch Office Fee _____ (Initials)	\$10,000.		
Technology Fee _____ (Initials)	\$250 per System Instance of the RealSmart Broker operated by Franchisee. Franchisor reserves the right to increase the Technology Fee during each year of the Initial Term, and any Successor Term and Interim Period by any amount determined by Franchisor, but not to exceed \$50 per System Instance of the RealSmart Broker each month.		
MLS/RETS Fee _____ (Initials)	\$250 per month per MLS integrated into the RealSmart Broker. We reserve the right to increase the MLS/RETS Fee by any amount determined by Franchisor, but not to exceed \$50 per MLS per month.		
Annual Membership Fee _____ (Initials)	We currently anticipate charging an Annual Membership Fee to be paid by each of your agents. We will notify you prior to the date that such fee will be first due.		
Domain Name Fee	Equal our expense in securing and maintaining the domain name associated with your HomeSmart Real		

Fee or Title	Amount or Description
_____ (Initials)	Estate Brokerage Business.
Marketing Fees _____ (Initials)	A Franchise Marketing Accrual Fund Contribution equal to 4% of the per transaction flat fee is built into the Flat Fee Model and will be accounted for from your payments.
Transfer Fee _____ (Initials)	Equal to 20% of the then-current Initial Franchise Fee and 20% of the then-current Branch Office Fee for each of Franchisee's Branch Offices.

FRANCHISOR

FRANCHISEE

HOMESMART INTERNATIONAL, LLC

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

**ATTACHMENT 2
TO FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Franchise Agreement signed between _____ and HomeSmart International, LLC ("**Franchisor**") on _____, 20__ ("**Agreement**"), each of the undersigned hereby personally and unconditionally:

Guarantees to the Franchisor and its successors and assigns, for the Initial Term, including any Interim Period thereof, that _____ ("**Franchisee**") will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

Agrees to be personally bound by and personally liable for the breach of, each and every provision in the Agreement, including but not limited to the terms of Section 15.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by the Franchisor of the foregoing undertaking.
2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed.
3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed.
4. Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability; and
5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty is joint and several.
2. He or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so.
3. This liability will not be contingent or conditioned upon pursuit by the Franchisor of any remedies against Franchisee or any other person; and
4. This liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which the Franchisor may periodically grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of

which will in any way modify or amend this guaranty, which is continuing and irrevocable during the Initial Term, including any Interim Period thereof.

[Signature Page to Follow]

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was signed.

GUARANTORS

_____	_____
Date: _____	Date: _____
Printed Name: _____	Printed Name: _____
Address: _____	Address: _____
_____	_____

_____	_____
Date: _____	Date: _____
Printed Name: _____	Printed Name: _____
Address: _____	Address: _____
_____	_____

**ATTACHMENT 3
TO FRANCHISE AGREEMENT**

CONSENT OF SPOUSE

The undersigned is the spouse of the Guarantor identified in the Guaranty and Assumption of Franchisee's Obligations dated as of _____, between his or her spouse and Franchisor (the "**Guaranty Agreement**"), to which this Consent of Spouse is attached. The undersigned hereby declares that he or she has read the Guaranty Agreement in its entirety and, being fully convinced of the wisdom and equity of the terms of the Guaranty Agreement, and in consideration of the premises and of the provisions of the Guaranty Agreement, the undersigned hereby expresses his or her acceptance of the same and does agree to its provisions.

The undersigned further agrees that in the event of the death of his or her spouse, the provisions of this Guaranty Agreement will be binding upon him or her.

The undersigned further agrees that he or she will at any time make, execute, and deliver such instruments and documents that may be necessary to carry out the provisions of the Guaranty Agreement.

This instrument is not a present transfer or release of any rights which the undersigned may have in any of the community property of his or her marriage.

SPOUSE:

Signature

Printed Name

Date

**ATTACHMENT 4
TO FRANCHISE AGREEMENT**

ACKNOWLEDGMENT

Franchisee, and its shareholders and partners, as applicable, jointly, and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the first date set forth above.

ACCEPTED on this ____ day of _____, 20__.

FRANCHISOR:

FRANCHISEE:

HOMESMART INTERNATIONAL, LLC

Signature

Signature

Printed Name

Printed Name

Date

Date

INDIVIDUALS WITH AN INTEREST IN
FRANCHISEE

INDIVIDUALS WITH AN INTEREST IN
FRANCHISEE

Signature

Signature

Printed Name

Printed Name

Date

Date

**ATTACHMENT 5
TO FRANCHISE AGREEMENT
STATEMENT OF OWNERSHIP**

Franchisee: _____

Trade Name (if different from above): _____

**Form of Ownership
(Check One)**

____ Individual ____ Partnership ____ Corporation ____ Limited Liability Company

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

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

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

Franchisee acknowledges that this Statement of Ownership applies to the Real Estate Brokerage Business authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to the Franchisor in writing.

Date: _____ Name: _____

**ATTACHMENT 6
TO FRANCHISE AGREEMENT**

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEBITS) BY AND BETWEEN HOMESMART INTERNATIONAL, LLC AND
_____ (“Franchisee”)**

The undersigned depositor (“**Depositor**”) hereby authorizes HomeSmart International, LLC (“**Company**”) and its Affiliates to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below, and the depository designated below (“**Depository**”) via Automated Clearing House (“**ACH**”) transfers or transactions to debit this account pursuant to Company’s instructions.

Depository

Branch

Address

City, State, Zip Code

Bank Transit/ABA Number

Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor’s termination of this authority in a time and manner as to afford Depository a reasonable opportunity on which to act. If an erroneous debit entry is initiated to Depositor’s account, Depositor will have the right to have the amount of the entry credited to this account by Depository, if (a) within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to the entry or (b) forty-five (45) days after posting, whichever occurs first, Depositor will have sent to Depository a written notice identifying the entry, stating that the entry was in error and requesting Depository to credit the amount to this account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

Depositor

Depository

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

**ATTACHMENT 7
TO FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS,
TELEPHONE LISTINGS AND INTERNET ADDRESSES**

THIS ASSIGNMENT is entered into this ____ day of _____, 20____, in accordance with the terms of the HomeSmart International, LLC Franchise Agreement (“**Franchise Agreement**”) between _____ (“**Franchisee**”) and HomeSmart International, LLC (“**Franchisor**”), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a Real Estate Brokerage Business (“**Franchise Business**”) located _____.

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor (1) those certain telephone numbers and regular, classified, or other telephone directory listings (collectively, the (“**Telephone Numbers and Listings**”) and (2) those certain website addresses (“**URLs**”) associated with Franchisor’s trade and service marks and used periodically in connection with the operation of the Franchise Business at the address provided above. This Assignment is for collateral purposes only and, except as specified herein, Franchisor will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor will notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all of these entities are collectively referred to herein as “Telephone Company”) and/or Franchisee’s internet service provider (“**ISP**”) to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without the extension of Franchisee’s rights to operate the Franchise Business), Franchisor will have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings and the URLs, and, in this event, Franchisee will have no further right, title or interest in the Telephone Numbers and Listings and URLs, and will remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor will have the sole right to and interest in the Telephone Numbers and Listings and URLs, and Franchisee irrevocably appoints Franchisor as Franchisee’s true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Telephone Company and the ISP to assign same to Franchisor, and sign any documents and take any actions as may be necessary to effectuate the assignment. Upon such event, Franchisee will immediately notify the Telephone Company and the ISP to assign the Telephone Numbers and Listings and URLs to Franchisor. If Franchisee fails to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers, Listings, and URLs to Franchisor, Franchisor will direct the Telephone Company and the ISP to make the assignment contemplated under this Agreement to Franchisor. The parties agree that the Telephone Company and the ISP may accept Franchisor’s written direction, the Franchise Agreement, or this Assignment as conclusive proof of Franchisor’s exclusive rights in and to the Telephone Numbers and Listings and URLs upon the termination or expiration and that this assignment is

made automatically and effective immediately upon Telephone Company's and ISP's receipt of this notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company or the ISP requires that the parties sign the Telephone Company's or the ISP's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of these forms or documentation on behalf of Franchisee will effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform any acts and sign and deliver any documents that may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

ASSIGNEE:

ASSIGNOR:

HOMESMART INTERNATIONAL, LLC

Signature

By: _____

Its: _____

Date: _____

Signature

By: _____

Its: _____

Date: _____

**ATTACHMENT 8
TO FRANCHISE AGREEMENT**

BRANCH OFFICE AUTHORIZATION

THIS BRANCH OFFICE AUTHORIZATION is entered into this ____ day of _____, 20____, in accordance with the terms of the HomeSmart International, LLC Franchise Agreement (“**Franchise Agreement**”) between _____ (“**Franchisee**”) and HomeSmart International, LLC (“**Franchisor**”), under which Franchisor granted Franchisee the right to open a Branch Office for Franchisee’s Real Estate Brokerage Business within its Territory, as set forth on **Attachment 1** to the Franchise Agreement.

Franchisee has proposed to open a Branch Office at: _____, which is operated under the terms and conditions of the Franchise Agreement.

The Branch Office will open for business on or about: _____, 20____.

Franchisor authorizes Franchisee to operate a Branch Office at the location set forth above.

All capitalized terms not otherwise defined in this Attachment will have the same meanings as in the Franchise Agreement.

Except as set forth in this Attachment, nothing contained herein will modify or amend the Franchise Agreement.

ASSIGNEE:

FRANCHISEE:

HOMESMART INTERNATIONAL, LLC

Signature

Signature

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

FRANCHISEE REQUIRED AGREEMENTS

Please print and sign two copies and return both full, original copies to HomeSmart International. Signature required on the following pages:

1. Franchise Agreement
2. Legal Representation
3. Witness
4. Attachment 1 Royalty, Territory, Quota, Branch Offices and Fees
5. Attachment 2 Guaranty and Assumption of Franchisee's Obligations
6. Attachment 3 Consent of Spouse
7. Attachment 4 Acknowledgement
8. Attachment 5 Statement of Ownership
9. Attachment 6 Authorization Agreement for Prearranged Payments
10. Attachment 7 Collateral Assignment: Telephone Numbers, Listings & Internet Addresses
11. Attachment 8 Branch Office Authorization (not required at signing of Agreement)

HomeSmart International, LLC
8388 East Hartford Dr., Suite 100
Scottsdale, AZ 85255

**Exhibit C to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
LIST OF CURRENT FRANCHISEES AND
FRANCHISEES WHO HAVE LEFT THE SYSTEM**

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
ALABAMA								
HS0148	HomeSmart Coastal Partners	202 Government St. #220	Mobile	AL	36602	Bill Forrest	251.332.1249	bill@billforrest.com
ARIZONA								
HS0021	HomeSmart Success	19756 N Maricopa Road Ste 100	Maricopa	AZ	85139	Ted Anderson	520.350.1474	tedanderson25@gmail.com
HS0023	HomeSmart Advantage Group	5425 N Oracle Road #135	Tucson	AZ	85704	Darren Johnson	360.738.9086	darren@hsonerealty.com
HS0023	HomeSmart Advantage Group	7841 E. Tanque Verde Rd	Tucson	AZ	85715	Darren Johnson	360.738.9086	darren@hsonerealty.com
HS0023	HomeSmart Advantage Group	101 S La Canada # 63	Green Valley	AZ	85614	Darren Johnson	360.738.9086	darren@hsonerealty.com
HS0076	HomeSmart Lifestyles	16810 E. Avenue of the Fountains, Suite 213	Fountain Hills	AZ	85268	Stephanie Sandoval	480-390-6683	broker@homesmartlifestyles.com
HS0076	HomeSmart Lifestyles	22243 S. Ellsworth	Queen Creek	AZ	85142	Stephanie Sandoval	480-390-6683	broker@homesmartlifestyles.com
HS0127	HomeSmart Premier	6260 S 35th Ave	Phoenix	AZ	85041	Dayv Morgan	520.350.1474	dayvmorgan@gmail.com, kimfrederickhomes8@gmail.com
HS0127	HomeSmart Premier	719 E Cottonwood Lane #3	Casa Grande	AZ	85122	Dayv Morgan	520.350.1474	dayvmorgan@gmail.com, kimfrederickhomes8@gmail.com
HS0128	HomeSmart River Realty	84 Acoma Blvd N #100	Lake Havasu City	AZ	86403	Terry Silk	928.846.2390	terrysilk@gmail.com
HSAZ002	HomeSmart Fine Homes and Land	140 N. Montezuma St. # 201	Prescott	AZ	86301	Michael Dougherty, Lori Shaw	928.442.2121	mdougherty8@gmail.com
HSAZ002	HomeSmart Fine Homes and Land	518 E Gurley St	Prescott	AZ	86301	Michael Dougherty, Lori Shaw	928.442.2121	mdougherty8@gmail.com
HS0152	HomeSmart Pros	Cooley Professional Building 1141 E Cooley, Suite R	Show Low	AZ	85901	Josh Meacham, Anthony Marangon	TBD	a.t.marangon@gmail.com, joshmrealestate@gmail.com

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
ARKANSAS								
HS0151	HomeSmart NWA	5500 Pinnacle Pointe Dr., Suite 202	Rogers	AR	72758	Kristopher Holmes	417.839.8964	kristopher@homesmartmoark.com
CALIFORNIA								
HS0015	HomeSmart Advantage Realty	818 Mendocino Ave, #100	Santa Rosa	CA	95401	Peter Robertson	707.495.5337	probertson@prioritylenders.com, rltr@pacbell.com
HS0068	HomeSmart Bay Area	100 Pine St, # 1250 #A77	San Francisco	CA	94111	Michael Young	888.880.7708	myoung@blue-propertygroup.com
HS0019	HomeSmart Evergreen Realty	18860 Nordhoff St #204	Northridge	CA	91324	Randy Rector, Tina Rector	909.527.8252	randy.rector@rrector.com
HS0019	HomeSmart Evergreen Realty	24050 Aliso Creek Road, Suite 200	Laguna Niguel	CA	92677	Randy Rector, Tina Rector	909.527.8252	randy.rector@rrector.com
HS0019	HomeSmart Evergreen Realty	2134 Main Street, #100	Huntington Beach	CA	92648	Randy Rector, Tina Rector	714.465.2000	randy.rector@rrector.com
HS0019	HomeSmart Evergreen Realty	27802 Vista Del Lago, # E2	Mission Viejo	CA	92692	Randy Rector, Tina Rector	949.365.1888	randy.rector@rrector.com
HS0019	HomeSmart Evergreen Realty	1400 N Harbor Blvd #720	Fullerton	CA	92835	Randy Rector, Tina Rector	714.990.0770	randy.rector@rrector.com
HS0019	HomeSmart Evergreen Realty	9860 Haven Ave. #120	Rancho Cucamonga	CA	91730	Randy Rector, Tina Rector	909.527.8252	randy.rector@rrector.com
HS0019	HomeSmart Evergreen Realty	9901 Irvine Center Drive	Irvine	CA	92618	Randy Rector, Tina Rector	949.753.7888	randy.rector@rrector.com
HS0019	HomeSmart Evergreen Realty	23822 Valencia Boulevard, #101	Valencia	CA	91355	Randy Rector, Tina Rector	661.295.1000	randy.rector@rrector.com
HS0019	HomeSmart Evergreen Realty	515-B South Myrtle	Monrovia	CA	91016	Randy Rector, Tina Rector	626.239.1700	randy.rector@rrector.com
HS0030	HomeSmart ICARE	1891 E Roseville Parkway, Ste 180	Roseville	CA	95661	Isom Coleman, Courtney Edwards, Lyman Magee	916.993.8680	isom@hsicare.com
HS0030	HomeSmart ICARE	3461 Fair Oaks Blvd, Ste 125	Sacramento	CA	95864	Isom Coleman, Courtney Edwards, Lyman Magee	916.993.8680	isom@hsicare.com
HS0030	HomeSmart ICARE	9355 E. Stockton Blvd #170	Elk Grove	CA	95624	Isom Coleman,	916.993.8680	isom@hsicare.com

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
						Courtney Edwards, Lyman Magee		
HS0030	HomeSmart ICARE	948-B Lincoln Way	Auburn	CA	95603	Isom Coleman, Courtney Edwards, Lyman Magee	916.993.8680	isom@hscare.com
HS0047	HomeSmart Optima Realty	3350 Clayton Rd., Suite 100	Concord	CA	94519	Michael Awadalla	925.270.0520	michael@michaelawadalla.com
HS0047	HomeSmart Optima Realty	5167 Lone Tree Way	Antioch	CA	94531	Michael Awadalla	925.270.0520	michael@michaelawadalla.com
HS0047	HomeSmart Optima Realty	1100 Missouri St	Fairfield	CA	94533	Michael Awadalla	925.270.0520	michael@michaelawadalla.com
HS0051	HomeSmart Realty Group	21250 Hawthorne Blvd #500	Torrance	CA	90503	Shannon Daniele	714.752.5731	sdaniele@realtygroups.com
HS0051	HomeSmart Realty Group	3750 Schaufele Ave #270	Long Beach	CA	90806	Shannon Daniele	562.912.7770	sdaniele@realtygroups.com
HS0051	HomeSmart Realty Group	8141 E 2nd St #502	Downey	CA	90241	Shannon Daniele	562.912.7770	sdaniele@realtygroups.com
HS0140	HomeSmart Key Realty	16044 Bear Valley Rd Suite 11	Victorville	CA	92395	Paul Pound	909.382.1934	paul@crarealestate.com
HS0140	HomeSmart Key Realty	TBD	TBD	CA		Paul Pound	909.382.1934	paul@crarealestate.com
HS0149	HomeSmart Antelope Valley Franchise	42035 12th Street W Suite 102	Lancaster	CA	93534	Octavio Moreno, Danny Tran	661.860.3983 661.361.0528	octavioagent@ymail.com, dannilytran@gmail.com
HSCA002	HomeSmart Realty West	41789 Nicole Ln, #B-3	Temecula	CA	92591	Abe Hamideh, Roger Lee	760.607.5900	ahamideh@homesmartsd.com, rlee@homesmartsd.com
HSCA002	HomeSmart Realty West	16769 Bernardo Center Dr, # K-28	San Diego	CA	92128	Abe Hamideh, Roger Lee	760.607.5900	ahamideh@homesmartsd.com, rlee@homesmartsd.com
HSCA002	HomeSmart Realty West	2878 Camino Del Rio S., Ste. 100	San Diego	CA	92108	Abe Hamideh, Roger Lee	619.255.9600	ahamideh@homesmartsd.com, rlee@homesmartsd.com
HSCA002	HomeSmart Realty West	300 Carlsbad Village Dr., #217	Carlsbad	CA	92008	Abe Hamideh, Roger Lee	760.607.5900	ahamideh@homesmartsd.com, rlee@homesmartsd.com
HSCA004	HomeSmart PV & Associates	3244 Brookside Road	Stockton	CA	95219	Todd Priest, Rob Vossoughi	209.544.2500	tpriest@homesmartpva.com, rob@homesmartpva.com
HSCA004	HomeSmart PV &	305 Banner Court	Modesto	CA	95356	Todd Priest, Rob	209.544.2500	tpriest@homesmartpva.com,

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
	Associates					Vossoughi		rob@homesmartpva.com
HSCA004	HomeSmart PV & Associates	802 W. Pinedale Ave. #101	Fresno	CA	93711	Todd Priest, Rob Vossoughi	209.544.2500	tpriest@homesmartpva.com, rob@homesmartpva.com
HSCA004	HomeSmart PV & Associates	735 N. Main St.	Manteca	CA	95336	Todd Priest, Rob Vossoughi	209.544.2500	tpriest@homesmartpva.com, rob@homesmartpva.com
COLORADO								
HS0077	HomeSmart Preferred Realty	1202 Royal Gorge Blvd	Canon City	CO	81212	Sam Banning	719.582.1064	sam@banningteam.com
HS0077	HomeSmart Preferred Realty	9 Bassick Place	Westcliffe	CO	81252	Sam Banning	719.783.0995	sam@banningteam.com
HS0077	HomeSmart Preferred Realty	112 F Street	Salida	CO	81201	Sam Banning	719.582.1064	sam@banningteam.com
HS0077	HomeSmart Preferred Realty	635 W Corona Ave #201	Pueblo	CO	81004	Sam Banning	719.582.1064	sam@banningteam.com
HS0093	HomeSmart Realty Partners	201 E 4th Street	Loveland	CO	80537	Brian Marincic	970.644.5002	brian@homesmartrp.com
HS0093	HomeSmart Realty Partners	242 Linden Street	Fort Collins	CO	80524	Brian Marincic	970.644.5002	brian@homesmartrp.com
HS0093	HomeSmart Realty Partners	431 Colorado Avenue	Grand Junction	CO	81501	Brian Marincic	970.644.5002	brian@homesmartrp.com
CONNECTICUT								
HS0057	HomeSmart Homes and Estates	101 Merritt 7 3rd Floor	Norwalk	CT	06851	Chris Carbone, Haakim Byrd	203.975.0400	carbonehometeam@gmail.com
HS0057	HomeSmart Homes and Estates	83 Wooster Heights Rd. Suite 125	Danbury	CT	06810	Chris Carbone, Haakim Byrd	203.975.0400	carbonehometeam@gmail.com
FLORIDA								
HS0103	HomeSmart Coastal Realty	1680 Highway A1A, Suite 5	Satellite Beach	FL	32397	Susan Nieroda, Steve Nieroda	321-348-9528	susannieroda@gmail.com
HS0108	HomeSmart Sunshine Realty	321 N De Villiers St	Pensacola	FL	32501	Richard Musto	770.480.7699	rmusto@homesmartrealtypartners.com
HS0108	HomeSmart Sunshine Realty	TBD	Destin	FL		Richard Musto	770.480.7699	rmusto@homesmartrealtypartners.com

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
HS0153	HomeSmart Real Estate Group	TBD	Ft. Lauderdale	FL	33301	Sean P. Dailey	773.954.0942	sean@claimrealty.com
GEORGIA								
HS0090	HomeSmart Realty Partners	9755 Dogwood Rd #250	Roswell	GA	30075	Richard Musto	404.419.1004	dancbowden@gmail.com
HS0113	HomeSmart CSRA	7013 Evans Town Center Blvd. #301	Evans	GA	30809	Kathy Gray	706.642.0232	graykathy@gmail.com
HAWAII								
HS0088	HomeSmart Island Homes	1888 Kalakaua Ave C-312	Honolulu	HI	96815	Shay Robinson	808.799.8968	HomeSmartHawaii@gmail.com
IDAHO								
HS0038	HomeSmart Realty Group	784 S. Clearwater Lp #4265	Post Falls	ID	83854	Mark Farrow, Jim Sparkman	971.599.5865	owners@hsmartrealtygroup.com
ILLINOIS								
HS0032	HomeSmart Realty Group	220 N. Green Street	Chicago	IL	60607	Dan Bowden	312.588.9300	dancbowden@gmail.com
HS0032	HomeSmart Realty Group	2203 E. Empire St. STE C	Bloomington	IL	61704	Dan Bowden	630.578.0002	dancbowden@gmail.com
HS0032	HomeSmart Realty Group	5164 W 95th Street	Oak Lawn	IL	60453	Dan Bowden	630.578.0002	dancbowden@gmail.com
HS0032	HomeSmart Realty Group	651 N Washington	Naperville	IL	60563	Dan Bowden	630.578.0002	dancbowden@gmail.com
HS0032	HomeSmart Realty Group	9755 W 143rd St	Orland Park	IL	60462	Dan Bowden	855.438.1762	dancbowden@gmail.com
HS0032	HomeSmart Realty Group	1015 La Salle St #B	Ottawa	IL	61350	Dan Bowden	855.438.1762	dancbowden@gmail.com
HS0039	HomeSmart Connect	1003 W Main St	St. Charles	IL	60174	Bill Flemming	847.495.5000	bill@billflemming.com
HS0039	HomeSmart Connect	150 E Cook Ave	Libertyville	IL	60048	Bill Flemming	847.495.5000	bill@billflemming.com
HS0039	HomeSmart Connect	2380 Esplanade Dr, Suite 201	Algonquin	IL	60102	Bill Flemming	847.366.8477	bill@billflemming.com
HS0039	HomeSmart Connect	606 W. Main St	West Dundee	IL	60118	Bill Flemming	847.495.5000	bill@billflemming.com
HS0039	HomeSmart Connect	3030 Salt Creek Lane, # 145	Arlington Heights	IL	60005	Bill Flemming	847.495.5000	bill@billflemming.com

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
HS0039	HomeSmart Connect	1367 W. Chicago Ave.	Chicago	IL	60642	Bill Flemming	847.495.5000	bill@billflemming.com
HS0039	HomeSmart Connect	7240 W Devon Ave	Chicago	IL	60631	Bill Flemming	847.495.5000	bill@billflemming.com
HS0039	HomeSmart Connect	3228 N. Sheffield Ave	Chicago	IL	60657	Bill Flemming	847.495.5000	bill@billflemming.com
HS0039	HomeSmart Connect	370 North Ave.	Antioch	IL	60002	Bill Flemming	847.495.5000	bill@billflemming.com
HS0039	HomeSmart Connect	9425 W. Elm Street	McHenry	IL	60050	Bill Flemming	847.495.5000	bill@billflemming.com
HS0039	HomeSmart Connect	TBD Coming Soon	Elk Grove	IL	60007	Bill Flemming	847.495.5000	bill@billflemming.com
HS0122	HomeSmart Residential and Commercial Realty	1531 47th Ave	Moline	IL	61265	Kerry Panozzo	309.721.3288	kerry@homesmartresidentialandcommercialrealty.com
INDIANA								
HS0098	HomeSmart Legacy	833 W Lincoln Hwy. Suite 109E	Schererville	IN	46375	Dan Bowden	219.472.2004	Dancbowden@gmail.com
IOWA								
HS0122	HomeSmart Residential and Commercial Realty	332 N Harrison St. Suite 200	Davenport	IA	52801	Kerry Panozzo	309.721.3288	kerry@homesmartresidentialandcommercialrealty.com
HS0122	HomeSmart Residential and Commercial Realty	210 Jones St #200D	Dubuque	IA	52001	Kerry Panozzo	309.721.3288	kerry@homesmartresidentialandcommercialrealty.com
HS0122	HomeSmart Residential and Commercial Realty	4515 N River Blvd NE	Cedar Rapids	IA	52402	Kerry Panozzo	309.721.3288	kerry@homesmartresidentialandcommercialrealty.com
HS0122	HomeSmart Residential and Commercial Realty	5550 Wild Rosa Ln #400 West	Des Moines	IA	50266	Kerry Panozzo	309.721.3288	kerry@homesmartresidentialandcommercialrealty.com
KANSAS								
HS0079	HomeSmart Legacy	12022 Blue Valley Parkway	Overland Park	KS	66213	Tim Ray	913.274.1041	tim@hslegacy.com
LOUISIANA								
HS0072	HomeSmart Realty South	1700 Belle Chasse HWY Ste B 220	Gretna	LA	70056	Vickye Vasser	985.869.7653	vickye@hsrealtysouth.com
HS0072	HomeSmart Realty South	3131 N I-10 Services Rd. #101	Metairie	LA	70002	Vickye Vasser	504.908.7653	vickye@hsrealtysouth.com
HS0072	HomeSmart Realty South	2151 Airline Drive	Bossier City	LA	71111	Vickye Vasser	504.908.7653	vickye@hsrealtysouth.com

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
HS0072	HomeSmart Realty South	522 N. New Hampshire St	Covington	LA	70433	Vickye Vasser	504.908.7653	vickye@hsrealtysouth.com
MASSACHUSETTS								
HS0046	HomeSmart Professionals Real Estate	1565 N. Main St #301	Fall River	MA	2720	Dean deTonnancourt	401.921.5011	dean@leadingyouhome.com
HS0046	HomeSmart Professionals Real Estate	13 Beach St	Vineyard Haven	MA	2568	Dean deTonnancourt	401.921.5011	dean@leadingyouhome.com
HS0046	HomeSmart Professionals Real Estate	N/A (they use the RI office)	Attleboro	MA		Dean deTonnancourt	401.921.5011	dean@leadingyouhome.com
HS0101	HomeSmart First Class Realty	10 Court St	Taunton	MA	02780	Ryan Cook	508.297.7270	ryan@homesmartfirstclassrealty.com
HS0101	HomeSmart First Class Realty	670 Depot St, Suite #1	North Easton	MA	02356	Ryan Cook	508.297.7270	ryan@homesmartfirstclassrealty.com
HS0101	HomeSmart First Class Realty	81 Samoset St Suite 6	Plymouth	MA	02360	Ryan Cook	508.297.7270	ryan@homesmartfirstclassrealty.com
HS0101	HomeSmart First Class Realty	TBD	Westwood	MA		Ryan Cook	508.297.7270	ryan@homesmartfirstclassrealty.com
HS0104	HomeSmart Success Realty	300 Brickstone Square	Andover	MA	01810	Munise Ulker	603.932.9300	munise@homesmartsuccessrealty.com
MINNESOTA								
HS0125	HomeSmart Adventure Realty	1012 Washington Avenue	Detroit Lakes	MN	56501	Robb Johnson	701.729.1848	maver11_ducks@yahoo.com
HS0092	HomeSmart Sapphire Realty	4190 Vinewood Ln #111, Suite 202	Plymouth	MN	55442	Jeff Byrd, Debra O'Donnell	612.223.6319	jeffbyrd@hssapphire.com
MISSISSIPPI								
HS0072	HomeSmart Realty South	TBD	Biloxi	MS		Vickye Vasser	504.908.7653	vickye@hsrealtysouth.com
MISSOURI								
HS0079	HomeSmart Legacy	131 S Water St	Liberty	MO	64068	Tim Ray	913.274.1041	tim@hslegacy.com

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
HS0150	HomeSmart MoArk	291 East State Hwy CC	Nixa	MO	65715	Kristopher Holmes	417.839.8964	kristopher@homesmartmoark.com
MONTANA								
HS0129	HomeSmart Realty Partners	432 E. Idaho St #C-418	Kalispell	MT	59901	Brian Marincic	970.644.5002	brian@homesmartrp.com
HS0129	HomeSmart Realty Partners	TBD	TBD	MT		Brian Marincic	970.664.5002	brian@homesmartrp.com
NEVADA								
HS0059	HomeSmart Encore	6630 Arroyo Springs St #1200	Las Vegas	NV	87109	Todd Larkin, Randel Aleman Sr.	702.579.3300	randeljr@homesmartencore.com
HS0059	HomeSmart Encore	9960 W. Cheyenne #220	Las Vegas	NV	89129	Todd Larkin, Randel Aleman Sr.	702.579.3300	randeljr@homesmartencore.com
HS0059	HomeSmart Encore	2470 Saint Rose Parkway #206-F	Henderson	NV	89074	Todd Larkin, Randel Aleman Sr.	702.579.3300	randeljr@homesmartencore.com
NEW HAMPSHIRE								
HS0104	HomeSmart Success Realty	169 S River Rd	Bedford	NH	03110	Munise Ulker	603.932.9300	munise@homesmartsuccessrealty.com
HS0104	HomeSmart Success Realty	39 Main Street	Salem	NH	03079	Munise Ulker	603.932.9300	munise@homesmartsuccessrealty.com
NEW JERSEY								
HS0050	HomeSmart First Advantage Realty	1811 Shore Rd	Northfield	NJ	08225	Hakan Karahan	856.363.3000	hakankarahan@hakankarahan.com
HS0050	HomeSmart First Advantage Realty	215 Fries Mill Road	Turnerville	NJ	08012	Hakan Karahan	856.363.3000	hakankarahan@hakankarahan.com
HS0050	HomeSmart First Advantage Realty	3310 Long Beach Blvd	Long Beach Township	NJ	08008	Hakan Karahan	856.363.3000	hakankarahan@hakankarahan.com
HS0050	HomeSmart First Advantage Realty	4338 Route 9 South	Howell	NJ	07724	Hakan Karahan	856.363.3000	hakankarahan@hakankarahan.com
HS0050	HomeSmart First Advantage Realty	498 N Kings Hwy	Cherry Hill	NJ	08034	Hakan Karahan	856.363.3000	hakankarahan@hakankarahan.com
HS0050	HomeSmart First Advantage Realty	9 White Horse Road East	Voorhees	NJ	08043	Hakan Karahan	856.363.3000	hakankarahan@hakankarahan.com

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
HS0050	HomeSmart First Advantage Realty	95 N. Main Street	Mullica Hill	NJ	08062	Hakan Karahan	856.363.3000	hakankarahan@hakankarahan.com
HS0050	HomeSmart First Advantage Realty	782 S. Brewster Road	Vineland	NJ	08361	Hakan Karahan	856.363.3000	hakankarahan@hakankarahan.com
HS0050	HomeSmart First Advantage Realty	TBD	Burlington	NJ		Hakan Karahan	856.363.3000	hakankarahan@hakankarahan.com
HS0074	HomeSmart Nexus Realty Group	103 Carnegie Center, Suite 300	Princeton	NJ	08540	Bill Kratz, Ken Bello	215.909.7355	bill@homesmartrealtyadvisors.com, kenb@homesmartnrg.com
HS0074	HomeSmart Nexus Realty Group	70 Church Street	Flemington	NJ	08822	Bill Kratz, Ken Bello	215.909.7355	bill@homesmartrealtyadvisors.com, kenb@homesmartnrg.com
HS0099	HomeSmart First Advantage North Jersey	87 S Farview Avenue	Paramus	NJ	07652	Bill Halick	973.354.5000	bhalick@homesmartmre.com
HS0099	HomeSmart First Advantage North Jersey	16 Orange Street, Suite 175	Bloomfield	NJ	07003	Bill Halick	973.354.5000	bhalick@homesmartmre.com
HS0099	HomeSmart First Advantage North Jersey	341 Broad Street	Clifton	NJ	07013	Bill Halick	978.354.5000	bhalick@homesmartmre.com
HS0099	HomeSmart First Advantage North Jersey	TBD	Bergen County	NJ		Bill Halick	973.354.5000	bhalick@homesmartmre.com
HS0099	HomeSmart First Advantage North Jersey	TBD	Mountainside	NJ		Bill Halick	978.354.5000	bhalick@homesmartmre.com
NEW MEXICO								
HS0094	HomeSmart Realty Pros	150 Washington Ave., Suite 201	Santa Fe	NM	87505	Camille Victour	509.962.2121	camille.victour@gmail.com
HS0094	HomeSmart Realty Pros	3710 Bosque Plaza Ln.	Albuquerque	NM	87120	Camille Victour	509.962.2121	camille.victour@gmail.com
HS0094	HomeSmart Realty Pros	7850 Jefferson St NE	Albuquerque	NM	87109	Camille Victour	505.962.2121	camille.victour@gmail.com
NEW YORK								
HS0057	HomeSmart Homes and Estates	1 Hawkins Drive	Montgomery	NY	12549	Chris Carbone	845.547.0005	carbonehometeam@gmail.com
HS0057	HomeSmart Homes and Estates	1072 Main St.	Fishkill	NY	12525	Chris Carbone	845.547.0005	carbonehometeam@gmail.com
HS0057	HomeSmart Homes and Estates	400 Rella Blvd # #165	Montebello	NY	10901	Chris Carbone	845.547.0005	carbonehometeam@gmail.com

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
HS0057	HomeSmart Homes and Estates	777 Westchester Avenue	White Plains	NY	10604	Chris Carbone	845.547.0005	carbonehometeam@gmail.com
HS0062	HomeSmart CrossIsland	242-14 Merrick Blvd	Rosedale	NY	11422	Arthur Briscoe	718.341.9800	crossislandre@gmail.com
HS0062	HomeSmart CrossIsland	41 Flatbush Ave	Brooklyn	NY	11217	Arthur Briscoe	718.341.9800	crossislandre@gmail.com
HS0062	HomeSmart CrossIsland	42 Guy Lombardo Ave. Ste# 205	Freeport	NY	11520	Arthur Briscoe	516.548.7994	crossislandre@gmail.com
HS0064	HomeSmart Premier Living Realty	234-21 41st Ave. 2nd Floor	Douglaston	NY	11363	Richard Raspantini	929.487.4001	rraspantini@hspremierliving.com
HS0064	HomeSmart Premier Living Realty	2780 Middle County Rd. #324	Lake Grove	NY	11755	Richard Raspantini	631.762.3611	rraspantini@hspremierliving.com
HS0064	HomeSmart Premier Living Realty	489A Willis Ave	Williston Park	NY	11596	Richard Raspantini	516.535.9692	rraspantini@hspremierliving.com
HS0064	HomeSmart Premier Living Realty	535 Broadhollow Road # B46	Melville	NY	11747	Richard Raspantini	631.629.3600	rraspantini@hspremierliving.com
HS0064	HomeSmart Premier Living Realty	150 Motor Parkway Suite 401	Hauppauge	NY	11788	Richard Raspantini	516.234.7244	rraspantini@hspremierliving.com
HS0064	HomeSmart Premier Living Realty	511 Ocean Ave	Massapequa	NY	11758	Richard Raspantini	516.234.7244	rraspantini@hspremierliving.com
HS0142	HomeSmart Dynamic Realty	3239 NY 112 Building 8 Suite 4	Medford	NY	11763	Michael Ferrara	631.384.0376	mikelirealtor@gmail.com
NORTH CAROLINA								
HS0083	HomeSmart Expert Realty	3333 Wrightsville Ave #G123	Wilmington	NC	28403	Jonathan Edmiston	919.583.7711	jedmiston31@gmail.com
HS0083	HomeSmart Expert Realty	527 Keisler Dr Suite 201	Cary	NC	27518	Jonathan Edmiston	919.583.7711	jedmiston31@gmail.com
HS0083	HomeSmart Expert Realty	3600 North Duke St #1	Durham	NC	27704	Jonathan Edmiston	919.583.7711	jedmiston31@gmail.com
HS0083	HomeSmart Expert Realty	4205 Wake Forest Rd. #201	Raleigh	NC	27609	Jonathan Edmiston	919.583.7711	jedmiston31@gmail.com
HS0143	HomeSmart Connections	1106 Gum Branch Rd	Jacksonville	NC	28540	Reva Sullivan	910.378.7737	revasullivan.cre@gmail.com
NORTH DAKOTA								

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
HS0125	HomeSmart Adventure Realty	320 32nd Ave	West Fargo	ND	58078	Robb Johnson	(701) 729 1848	maver11_ducks@yahoo.com
OHIO								
HS0081	HomeSmart Real Estate Momentum	24629 Detroit Rd	Westlake	OH	44145	Marianne Drenik, Gregory Pernus	440.578.8058	marianne@homesmartohio.com, greg@homesmartohio.com
HS0081	HomeSmart Real Estate Momentum	108 Cherry Ave.	Chardon	OH	44024	Marianne Drenik, Gregory Pernus	440.578.8058	marianne@homesmartohio.com, greg@homesmartohio.com
HS0081	HomeSmart Real Estate Momentum	401 Enterprise Parkway #230	Beachwood	OH	44122	Marianne Drenik, Gregory Pernus	444.578.8058	marianne@homesmartohio.com, greg@homesmartohio.com
HS0081	HomeSmart Real Estate Momentum	8518 Mentor Ave, Suite C	Mentor	OH	44060	Marianne Drenik, Gregory Pernus	440.578.8058	marianne@homesmartohio.com, greg@homesmartohio.com
HS0081	HomeSmart Real Estate Momentum	6380 North Ridge Road	Madison	OH	44057	Marianne Drenik, Gregory Pernus	444.578.8058	marianne@homesmartohio.com, greg@homesmartohio.com
HS0081	HomeSmart Real Estate Momentum	26 S. Chestnut Street	Jefferson	OH	44047	Marianne Drenik, Gregory Pernus	440.578.8058	marianne@homesmartohio.com, greg@homesmartohio.com
OKLAHOMA								
HS0110	HomeSmart TuCasa Realty	7200 S. Pennsylvania Avenue	Oklahoma City	OK	73159	Tomas Barrientos	918.960.8492	tomas@tucasarealtyllc.com
HS0110	HomeSmart TuCasa Realty	5505 E 51st Street	Tulsa	OK	74135	Tomas Barrientos	918.960.8492	tomas@tucasarealtyllc.com
OREGON								
HS0038	HomeSmart Realty Group	18041 SW Lower Boone's Ferry Rd. Suite 5, Building F	Tigard	OR	97224	Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
HS0038	HomeSmart Realty Group	582 East Washington Street	Stayton	OR	97383	Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
HS0038	HomeSmart Realty Group	3975 River Road North, Suite 3	Keizer	OR	97303	Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
HS0038	HomeSmart Realty Group	3240 Commercial St SE, Ste. 100	Salem	OR	97302	Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
HS0038	HomeSmart Realty Group	728 Northwest Kings Blvd	Corvallis	OR	97330	Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
HS0154	HomeSmart Realty Pros	256 SE Stephens Street	Roseburg	OR	97470	Brent R Chisholm	541.944.8966	rchisholm@realwise.com

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
HS0154	HomeSmart Realty Pros	219 NW 6th Street	Redmond	OR	97756	Brent R Chisholm	541.944.8966	rchisholm@realwise.com
HS0154	HomeSmart Realty Pros	141 NW C Street	Grants Pass	OR	97526	Brent R Chisholm	541.944.8966	rchisholm@realwise.com
HS0154	HomeSmart Realty Pros	1195 NW Wall Street	Bend	OR	97703	Brent R Chisholm	541.944.8966	rchisholm@realwise.com
HS0154	HomeSmart Realty Pros	521 N Main Street	Ashland	OR	97520	Brent R Chisholm	541.944.8966	rchisholm@realwise.com
PENNSYLVANIA								
HS0070	HomeSmart Realty Advisors	2424 E York St, # 213	Philadelphia	PA	19125	Hakan Karahan	856.363.3000	hakankarahan@hakankarahan.com
HS0070	HomeSmart Realty Advisors	600 Eagleview Rd, Suite 360	Exton	PA	19341	Hakan Karahan	856.363.3000	hakankarahan@hakankarahan.com
HS0074	HomeSmart Nexus Realty Group	1730 Walton Rd. Suite 203	Blue Bell	PA	19422	Bill Kratz, Ken Bello	215.909.7355	bill@homesmartrealtyadvisors.com, kenb@homesmartnrg.com
HS0074	HomeSmart Nexus Realty Group	17 Blacksmith Rd, Suite D3,D4,D5	Newton	PA	18940	Bill Kratz, Ken Bello	215.909.7355	bill@homesmartrealtyadvisors.com, kenb@homesmartnrg.com
RHODE ISLAND								
HS0046	HomeSmart Professionals Real Estate	100 Quaker Lane	Warwick	RI	02886	Dean de Tonnancourt	401.921.5011	dean@leadingyouhome.com
HS0046	HomeSmart Professionals Real Estate	386 Market Street	Warren	RI	02885	Dean de Tonnancourt	401.921.5011	dean@leadingyouhome.com
HS0046	HomeSmart Professionals Real Estate	550 Douglas Pike	Smithfield	RI	02917	Dean de Tonnancourt	401.921.5011	dean@leadingyouhome.com
HS0046	HomeSmart Professionals Real Estate	936 Aquidneck Ave, Suite 1A	Middletown	RI	02842	Dean de Tonnancourt	401.921.5011	dean@leadingyouhome.com
HS0046	HomeSmart Professionals Real Estate	387 Main Street	Greenwich	RI	02818	Dean de Tonnancourt	401.921.5011	dean@leadingyouhome.com
SOUTH DAKOTA								
HS0125	HomeSmart Adventure Realty	101 S. Reid St	Sioux Falls	SD	57103	Robb Johnson		

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
TENNESSEE								
HS0146	HomeSmart Living Realty	1005 17th Avenue S., Suite 900	Nashville	TN	37212	Ron Chapman	615.939.0578	rchapman@hslivingrealty.com
HS0146	HomeSmart InterLiving Realty	99 E Main Street Ste 200	Franklin	TN	37064	Ron Chapman	615.939.0578	rchapman@hslivingrealty.com
TEXAS								
HS0097	HomeSmart Stars	5717 Legacy Drive, Suite 250	Plano	TX	75024	Brenda Thompson	972.798.5333	Brenda@HomeSmartStars.com
WASHINGTON								
HS0027	HomeSmart Real Estate Associates	11900 NE 1st St, # 300	Bellevue	WA	98004	Teri Jones	206.523.7653	teri@hsreassociates.com
HS0027	HomeSmart Real Estate Associates	1201 Pacific Avenue, # 600	Tacoma	WA	98402	Teri Jones	253.627.7653	teri@hsreassociates.com
HS0027	HomeSmart Real Estate Associates	22722 29th Dr SE#100	Bothell	WA	98021	Teri Jones	206.523.7653	teri@hsreassociates.com
HS0027	HomeSmart Real Estate Associates	10202 5th Ave NE, Ste 200	Seattle	WA	98125	Teri Jones	206.523.7653	teri@hsreassociates.com
HS0038	HomeSmart Realty Group	237 NE Chkalov Dr. Ste 201	Vancouver	WA	98684	Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
HS0038	HomeSmart Realty Group	TBD	Spokane	WA		Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
HS0038	HomeSmart Realty Group	13110 NE 177th Pl #STE B101	Woodinville	WA	98072	Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
HS0067	HomeSmart One Realty	3204 Smokey Point Drive	Arlington	WA	98223	Darren Johnson	360.738.9086	darren@hsonerealty.com
HS0067	HomeSmart One Realty	1133 164th St. SW #204	Lynwood	WA	98087	Darren Johnson	360.778.9044	darren@hsonerealty.com
HS0067	HomeSmart One Realty	414 W. Bakerview RD #103	Bellingham	WA	98226	Darren Johnson	360.738.9086	darren@hsonerealty.com
HS0067	HomeSmart One Realty	11400 Airport Rd, #200	Everett	WA	98204	Darren Johnson	360.778.9044	darren@hsonerealty.com
HS0067	HomeSmart One Realty	811 Cleveland Suite #101	Mount Vernon	WA	98273	Darren Johnson	360.778.9044	darren@hsonerealty.com
HS0067	HomeSmart One Realty	400 Union Ave SE	Olympia	WA	98501	Darren Johnson	360.778.9044	darren@hsonerealty.com
HS0107	HomeSmart Elite Brokers	636 N Colorado Street	Kennewick	WA	99336	Jeff Smart, Dave Shinabarger	509.371.9285	jeff@thesmartrealty.com, dave@davetricities.com

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
HS0107	HomeSmart Elite Brokers	Using Kennewick Address	Spokane	WA	99336	Jeff Smart, Dave Shinabarger	509.371.9285	jeff@thesmartrealty.com, dave@davetricities.com
HS0107	HomeSmart Elite Brokers	1845 Broadway	Moses Lake	WA	98837	Jeff Smart, Dave Shinabarger	509.371.9285	jeff@thesmartrealty.com, dave@davetricities.com
HS0107	HomeSmart Elite Brokers	6411 W. Nobhill Blvd. Suite 113	Yakima	WA	98908	Jeff Smart, Dave Shinabarger	509.371.9285	jeff@thesmartrealty.com, dave@davetricities.com
WISCONSIN								
HS0039	HomeSmart Leading Edge	TBD	Lake Geneva	WI		Bill Flemming	847.495.5000	bill@billflemming.com
WYOMING								
HS0075	HomeSmart Realty Group	1432 E 2nd Street	Casper	WY	82601	Brian Marincic	307.382.9180	brian@ch4rg.com
HS0075	HomeSmart Realty Group	639 Pilot Butte Avenue, # B	Rock Springs	WY	82901	Brian Marincic	307.371.3308	brian@ch4rg.com

FRANCHISEES WHOSE FRANCHISE AGREEMENTS WERE TRANSFERRED, TERMINATED, CANCELED, NOT RENEWED, OR OTHERWISE VOLUNTARILY OR INVOLUNTARILY CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT DURING THE MOST RECENTLY COMPLETED FISCAL YEAR

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
HSAZ002 (Branch Termination)	HomeSmart Fine Homes and Land	3100 Navajo Dr. Suite B2	Prescott Valley	AZ	86314	Michael Dougherty, Lori Shaw	928.442.2121	mdougherty8@gmail.com
HS0030 (Branch Termination)	HomeSmart ICARE	10076 Alta Sierra Drive	Grass Valley	CA	95949	Isom Coleman, Courtney Edwards, Michele Ambry, Julie Hintz, Henry Saunders, Pete Villalba, Lyman Magee	916.993.8680	isom@hsicare.com
HS0084 (Termination)	HomeSmart Premier Realty	1411 Falls Ave East, Suite 205	Twin Falls	ID	83301	Elias Trejo, Kelly Cammack	208.521.1868	elias@208group.com
HS0084 (Termination)	HomeSmart Premier Realty	312 W Center Street	Pocatello	ID	83204	Elias Trejo, Kelly Cammack	208.521.1868	elias@208group.com
HS0084 (Termination)	HomeSmart Premier Realty	3319 E Overland Road	Meridian	ID	83642	Elias Trejo, Kelly Cammack	208.521.1868	elias@208group.com
HS0084 (Termination)	HomeSmart Premier Realty	901 Pier View Drive	Idaho Falls	ID	83402	Elias Trejo, Kelly Cammack	208.521.1868	elias@208group.com
HS0144	HomeSmart	2423 Hwy 17 S	North Myrtle	SC	29582	Chris Carbone	845.547.0005	carbonehometeam@gmail.com

(Termination)	Homes and Estates		Beach					
HS0070 (Transfer)	HomeSmart Realty Advisors	2424 E York St, # 213	Philadelphia	PA	19125	Robert Foglio, Bill Kratz	215.604.1191	rob@homesmartrealtyadvisors.com combill@homesmartrealtyadvisors.com
HS0070 (Transfer)	HomeSmart Realty Advisors	600 Eagleview Rd, Suite 36000	Exton	PA	19341	Robert Foglio, Bill Kratz	215.604.1191	rob@homesmartrealtyadvisors.com, bill@homesmartrealtyadvisors.com

FRANCHISEES WHO HAVE SIGNED A FRANCHISE AGREEMENT IN 2025 AND PRIOR BUT HAVE NOT OPENED AS OF DECEMBER 31, 2025

Instance	Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
HS0140	HomeSmart Key Realty	TBD	TBD	CA		Paul Pound	909.382.1934	paul@crarealestate.com
HS0108	HomeSmart Sunshine Realty	TBD	Destin	FL		Richard Musto	770.480.7699	rmusto@homesmartrealtypartners.com
HS0153	HomeSmart Real Estate Group	TBD	Ft. Lauderdale	FL	33301	Sean P. Dailey	773.954.0942	sean@claimrealty.com
HS0039	HomeSmart Connect	TBD Coming Soon	Elk Grove	IL	60007	Bill Flemming	847.495.5000	bill@billflemming.com
HS0101	HomeSmart First Class Realty	TBD	Westwood	MA		Ryan Cook	508.297.7270	ryan@homesmartfirstclassrealty.com
HS0072	HomeSmart Realty South	TBD	Biloxi	MS		Vickye Vasser	504.908.7653	vickye@hsrealtyouth.com
HS0129	HomeSmart Realty Partners	TBD	TBD	MT		Brian Marincic	970.664.5002	brian@homesmarttp.com
HS0050	HomeSmart First Advantage Realty	TBD	Burlington	NJ		Hakan Karahan	856.363.3000	hakankarahan@hakankarahan.com
HS0099	HomeSmart First Advantage North Jersey	TBD	Bergen County	NJ		Bill Halick	973.354.5000	bhalick@homesmartmre.com
HS0099	HomeSmart First Advantage North Jersey	TBD	Mountainside	NJ		Bill Halick	978.354.5000	bhalick@homesmartmre.com
HS00390085	HomeSmart Leading Edge	TBD	Lake Geneva	WI		Bill Flemming	847.495.5000	bill@billflemming.com
HS0154	HomeSmart Realty Pros	256 SE Stephens Street	Roseburg	OR	97470	Brent R Chisholm	541.944.8966	rchisholm@realwise.com
HS0154	HomeSmart Realty Pros	219 NW 6th Street	Redmond	OR	97756	Brent R Chisholm	541.944.8966	rchisholm@realwise.com
HS0154	HomeSmart Realty Pros	141 NW C Street	Grants Pass	OR	97526	Brent R Chisholm	541.944.8966	rchisholm@realwise.com
HS0154	HomeSmart Realty Pros	1195 NW Wall Street	Bend	OR	97703	Brent R Chisholm	541.944.8966	rchisholm@realwise.com

HS0154	HomeSmart Realty Pros	521 N Main Street	Ashland	OR	97520	Brent R Chisholm	541.944.8966	rchisholm@realwise.com
HS0038	HomeSmart Realty Group	TBD	Spokane	WA		Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
HS0039	HomeSmart Leading Edge	TBD	Lake Geneva	WI		Bill Flemming	847.495.5000	bill@billflemming.com

**Exhibit D to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
Directory of State Agencies and Administrators**

LIST OF STATE ADMINISTRATORS

Federal Franchise Regulators:
Federal Trade Commission
Division of Marketing Practices
Seventh and Pennsylvania Avenues, N.W., Room 238
Washington, DC 20580
202-326-2970

CALIFORNIA:

Department of Financial Protection and
Innovation
1-866-275-2677

Los Angeles

320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500

Sacramento

2101 Arena Blvd.
Sacramento, CA 95834
(916) 445-7205

San Diego

1455 Frazee Road, Suite 315
San Diego, CA 92108
(619) 610-2093
(866) 275-2677

San Francisco

One Sansome Street, Suite 600
San Francisco, CA 94104
(415) 972-8559

HAWAII:

Commissioner of Securities
Department of Commerce and
Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS:

Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-4465

INDIANA:

Securities Commissioner
Securities Division, Room E-111
302 West Washington Street
Indianapolis, IN 46204
(317) 232-6681

MARYLAND:

Office of the Attorney General, Division
of Securities
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

MICHIGAN:

Kathryn Barron
Franchise Administrator Antitrust
and Franchise Unit
Consumer Protection Division
Department of Attorney General
670 Law Building
525 W. Ottawa Street
Lansing, MI 48913
(517) 373-7117

MINNESOTA:

Commissioner, Department of
Commerce
85 7th Place East, Suite #280
St. Paul, MN 55101
(651) 539-1600

NEW YORK:

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl
New York, NY 10005
212-416-8222

NORTH DAKOTA:

North Dakota Insurance &
Securities Department
600 East Boulevard Avenue, Dept. 401
Bismarck, North Dakota 58505
Phone 701-328-2910

OREGON:

Div. of Finance & Corp. Securities
(608) 266-8557
Department of Consumer & Business
Services, Room 410
350 Winter Street, NE
Salem, OR 97301-3881
(503) 378-4140

RHODE ISLAND:

Department of Business Regulation
Securities Division
Bldg. 69, First Floor
John O. Pasture Center
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9585

SOUTH DAKOTA:

Franchise Administrator
Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

VIRGINIA:

State Corporation Commission
Division of Securities &
Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

WASHINGTON:

Securities Division
Department of Financial Institutions
150 Israel Road, SW
Tumwater, WA 98501
(360) 902-8760

WISCONSIN:

Division of Securities
Bureau of Regulation & Enforcement
Department of Financial Institutions, 4th
Floor, 345 W. Washington Avenue
Madison, WI 53703

LIST OF AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Commissioner of
Department of Financial Protection and Innovation
2101 Arena Blvd.
Sacramento 95834
www.dfpi.ca.gov and email Ask.DFPI@dfpi.ca.gov.

DELAWARE

Corporation Service Company
251 Little Falls Drive
Wilmington, Delaware 19808

HAWAII

Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

INDIANA

Securities Commissioner
Indiana Secretary of State
201 State House
Indianapolis, IN 46204

MARYLAND

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020
410.576.6360

MICHIGAN

Michigan Department of Commerce
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, MI 48910

MINNESOTA

Minnesota Commissioner of Commerce
85 7th Place East, Suite #280
St. Paul, MN 55101
651-539-1600

NEW YORK

New York Secretary of State
99 Washington Avenue
Albany, NY 12231-0001

NORTH DAKOTA

North Dakota Insurance & Securities Department
600 East Boulevard Avenue, Dept. 401
Bismarck, North Dakota 58505

OREGON

Director of the Department of Consumer and
Business Services
350 Winter Street NE, Room 410
Salem, OR 97301-3881

RHODE ISLAND

Director of Department of Business Regulation
Securities Division
John O. Pastore Center, Bldg. 69, 1st Floor
1511 Pontiac Avenue
Cranston, RI 02920
(401) 462-9585

SOUTH DAKOTA

Director
Division of Insurance
Securities Regulation
124 S. Euclid Suite 104
Pierre, SD 57501
(605) 773-3563

VIRGINIA

Clerk, Virginia State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219
(804) 371.9733

WASHINGTON

Director, Securities Division
Department of Financial Institutions
150 Israel Road, SW
Tumwater, WA 98501

WISCONSIN

Wisconsin Commissioner of Securities
Department of Financial Institutions, 4th Floor
345 W. Washington Avenue
Madison, WI 53703

**Exhibit E to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
STATE-SPECIFIC ADDENDA**



**STATE LAW ADDENDA TO
FRANCHISE DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT**

The Franchise Disclosure Document and the Franchise Agreement dated _____, 20____ are amended as specified for each state as follows:

CALIFORNIA

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the Franchise Disclosure Document.

The following URL address is for the Franchisor's website: www.homesmartinternational.com

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

Item 5 of the Franchise Disclosure Document and Section 6 of the Franchise Agreement are amended for California residents or HomeSmart businesses located in California as follows:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

Neither the Franchisor, any person or franchise broker in ITEM 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling persons from membership in association or exchange.

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 applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement contains a covenant not to compete which, in the case of the Franchise Agreement extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires you to sign a general release of claims if you transfer your franchise or your Area Development Agreement. California corporations code § 31512 voids a waiver of your rights under the franchise investment law (California corporations code §§ 31000 through 31516). Business and professions code § 20010 voids a waiver of your rights under the franchise relations act (business and professions code §§ 20000 through 20043).

Section 31125 of the California Franchise Investment Law requires us to give you a disclosure document approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of the Franchise Agreement.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 and the following).

The Franchise Agreement requires binding arbitration. The arbitration will occur in Scottsdale, Arizona and each party will bear all of its own costs and attorneys' fees and one-half of the arbitrator's expenses. *Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.*

The Franchise Agreement requires application of the laws of Arizona. This provision may not be enforceable under California law.

For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

Section 6.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

6.1 Franchisee will pay a non-recurring initial franchise fee of \$20,000 ("**Initial Franchise Fee**") The Initial Franchise Fee will be paid by means of cashier's check, money order or wire transfer. The Initial Franchise Fee is deemed fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee's application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

The following sentence is added to the end of Section 7.7 of the Franchise Agreement:

The interest rate charged on unpaid amounts will not exceed the maximum rate permitted by applicable state law. In California, the maximum interest rate on unpaid amounts is ten percent (10%) per year.

Section 22 of the Franchise Agreement has been removed in its entirety.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

FRANCHISOR:

FRANCHISEE:

HOMESMART INTERNATIONAL, LLC

Signature

Signature

By: _____

By: _____

Its: _____

Its: _____

HAWAII

Special Risk(s) to Consider About This Franchise

The following is added to the Cover Page:

THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.

The following list reflects the status of the franchise registrations of the Franchisor in the states that require registration:

1. This proposed registration is effective in the following states:
2. This proposed registration is or will shortly be on file in the following states: California, Florida, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Utah, Washington, and Wisconsin.
3. States which have refused, by order or otherwise, to register these franchises are:
None
4. States that have revoked or suspended the right to offer the franchises are:
None
5. States in which the proposed registration of these franchises has been withdrawn are:

None

ITEM 5 of the Franchise Disclosure Document and Section 6.1 of the Franchise Agreement are amended to provide that payment of Initial Franchise Fees are deferred until after Franchisor's pre-opening obligations are met and Franchisee's Business is open and operating, as imposed by the State of Hawaii Department of Commerce and Consumer Affairs based on Franchisor's financial condition.

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.

ILLINOIS

Illinois law shall apply to and govern the Franchise Agreement.

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

Franchisees' right upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

Payment of the Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. The financial assurance requirement was imposed by the Office of the Attorney General due to Franchisor's financial condition.

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.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

FRANCHISOR:

FRANCHISEE:

HOMESMART INTERNATIONAL, LLC

Signature

By: _____

Its: _____

Signature

By: _____

Its: _____

INDIANA

The “Summary” column in ITEM 17(r) of the Franchise Disclosure Document is deleted and the following is inserted in its place:

No competing business for two (2) years within the Territory.

The “Summary” column in ITEM 17(t) of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in ITEM 17(v) of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Arizona. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in ITEM 17(w) of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise, Arizona law applies.

Section 14.2(b) of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

14.2(b)Non-Competition. Upon termination or expiration of the Term or any renewal Terms, or the transfer, sale, or assignment of this Agreement by the Franchisee, neither the Franchisee, the Designated Business Manager or the Franchisee’s owners will have any direct or indirect interest (i.e. through a relative) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, for two (2) years, in any Competitive Business in the Territory.

Section 20.1 of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

20.1 Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the franchise or this Agreement including, but not limited to, any claim by the Franchisee or any person in privity with or claiming through, on behalf of or in the right of the Franchisee, concerning the entry into, performance under, or termination of, this Agreement or any other agreement entered into by the Franchisor, or its subsidiaries or Affiliates, and the Franchisee, any claim against a past or present

employee, officer, director, member, shareholder or agent of the Franchisor; any claim of breach of this Agreement; and any claims arising under State or Federal laws, will be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute. "Persons in privity" with or claiming through, on behalf of or in the right of the Franchisee include but are not limited to, spouses and other family members, heirs, executors, representatives, successors, and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration will be governed exclusively by the Federal Arbitration Act, as amended, and arbitration will take place according to the commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration will be held in the state of Arizona. However, arbitration will not be used for any dispute which involves the Franchisee's continued usage of any of the Proprietary Marks or the System, business concept or any issue involving injunctive relief against the Franchisee, or any issues related to disclosure or misuse of Confidential Information or Trade Secrets, all of which issues will be submitted to a court within the State of Indiana. The parties expressly consent to personal jurisdiction in the State of Indiana and agree that such court(s) will have exclusive jurisdiction over any such issues not subject to arbitration. This language has been included in this Franchise Agreement as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. The Franchisor and Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions, and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The first sentence in Section 21.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act, or other applicable federal law, this Agreement will be interpreted under the laws of the State of Arizona, and any dispute between the parties will be governed by and determined in accordance with the substantive laws of the State of Arizona, which laws will prevail in the event of any conflict of law.

Section 6, first paragraph of the Nondisclosure and Noncompetition Agreement deleted in its entirety and the following is substituted in its place:

6. Post-Termination Covenant Not to Compete. Upon termination or expiration of the Franchise Agreement for any reason, Associate agrees that, for a period of 2 years commencing on the effective date of termination or expiration of the Franchise Agreement, Associate will not have any direct or indirect interest (through any immediate family member of Associate or its beneficial owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business, located or operating in the Territory.

Section 11 of the Nondisclosure and Noncompetition Agreement deleted in its entirety and the following is substituted in its place:

11. Governing Law. Except to the extent governed by the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act, this instrument will be governed by and construed under the laws of the state of Arizona.

Section 12 of the Nondisclosure and Noncompetition Agreement, "Jurisdiction and Venue," is deleted in its entirety and the following is substituted in its place:

12. Jurisdiction and Venue. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Indiana and irrevocably agrees that venue for any action or proceeding will be in the state and federal courts of Indiana. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Indiana. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's law will control.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

FRANCHISOR:

FRANCHISEE:

HOMESMART INTERNATIONAL, LLC

Signature

Signature

By: _____

By: _____

Its: _____

Its: _____

MARYLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, STATEMENT OF FRANCHISEE AND RELATED AGREEMENTS

ITEM 5 of the Franchise Disclosure Document and the Franchise Agreement are amended as follows:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

ITEM 17 of the Franchise Disclosure Document and the Franchise Agreement are amended to the effect that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement is amended by the addition of the following language:

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

Representations in the Statement of Franchisee and the Acknowledgement therein are not intended to, nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

ITEM 17 of the Franchise Disclosure Document and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration & Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

ITEM 22 Acknowledgement of the Franchise Agreement is deleted in its entirety.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

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

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

FRANCHISOR:

HOMESMART INTERNATIONAL, LLC

Signature

By: _____

Its: _____

FRANCHISEE:

Signature

By: _____

Its: _____

MICHIGAN

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

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

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This will not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a franchise prior to the expiration of its term except for good cause. Good cause includes your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits us to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us, and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applied only if: (i) the term of the franchise is less than 10 years and (ii) you are prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or you do not receive at least 6 months advance notice of our intent not to renew the franchise.
- (e) A provision that permits us to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This will not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause includes, but is not limited to:
 - (i) The failure of the proposed transferee to meet our then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of us or our subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) Your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants us the right to acquire the assets of a franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provision has been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

Minn. Stat. Sec. 80C.21 may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, as provided for in Minn. Rule 2860.4400J, nothing in the Franchise Disclosure Document or Franchise Agreement requires a franchisee to waive any of his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or, to consent to liquidated damages, termination penalties, or judgment notes; provided that the requirement to arbitrate, as set forth in Section 20 of the Franchise Agreement is enforceable. The franchisee cannot consent to the Franchisor obtaining injunctive relief. The Franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

ITEM 5 of the Franchise Disclosure Document is amended as follows:

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisee and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the Minnesota Department of Commerce due to Franchisor's current financial condition.

Section 6.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

6.1 Franchisee will pay a non-recurring initial franchise fee of \$20,000 (“**Initial Franchise Fee**”). The Initial Franchise Fee will be paid by means of cashier’s check, money order or wire transfer. The Initial Franchise Fee is fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee’s application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the Minnesota Department of Commerce due to Franchisor's current financial condition.

ITEM 13 of the Franchise Disclosure Document and Section 11.3(a) the Franchise Agreement are amended to state that we will protect you against claims of infringement or unfair competition regarding your use of the Marks when your right to use the Marks requires protection.

The Franchise Disclosure Document and Franchise Agreement are amended to state that we will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require except in certain specific cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release. The Franchise Disclosure Document and Franchise Agreement are modified accordingly, to the extent required by Minnesota law.

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

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

FRANCHISOR:

FRANCHISEE:

HOMESMART INTERNATIONAL, LLC

Signature

By: _____

Its: _____

Signature

By: _____

Its: _____

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such

association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled **"Requirements for a franchisee to renew or extend,"** and Item 17(m), entitled **"Conditions for franchisor approval of transfer":**

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled **"Termination by franchisee":** You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled **"Choice of forum,"** and Item 17(w), titled **"Choice of law":**

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York

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

7. Receipts-- New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

FRANCHISOR:

FRANCHISEE:

HOMESMART INTERNATIONAL, LLC

Signature

By: _____

Its: _____

Signature

By: _____

Its: _____

NORTH DAKOTA

Sections of the Franchise Disclosure Document and Franchise Agreement requiring that you sign a general release, estoppel, or waiver as a condition of renewal and or assignment, may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

The Franchise Agreement and Non-Disclosure and Non-Competition Agreement, contain a covenant not to compete, which may not be enforceable under North Dakota law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement relating to choice of law, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to liquidated damages and/or termination penalties, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to a waiver of trial by jury, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Section of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to a waiver of exemplary and punitive damages, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 5 of the Franchise Disclosure Document is amended for North Dakota residents or HomeSmart businesses located in North Dakota as follows:

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the North Dakota Securities Department due to Franchisor's current financial condition.

Section 6.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

6.1 Franchisee will pay a non-recurring initial franchise fee of \$20,000 (“**Initial Franchise Fee**”) The Initial Franchise Fee will be paid by means of cashier’s check, money order or wire transfer. The Initial Franchise Fee is deemed fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee’s application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial

Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the North Dakota Securities Department due to Franchisor's current financial condition.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

FRANCHISOR:

FRANCHISEE:

HOMESMART INTERNATIONAL, LLC

Signature

By: _____

Its: _____

Signature

By: _____

Its: _____

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The Franchise Disclosure Document and Franchise Agreement are amended accordingly to the extent required by law.

The above language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

FRANCHISOR:

FRANCHISEE:

HOMESMART INTERNATIONAL, LLC

Signature

By: _____

Its: _____

Signature

By: _____

Its: _____

SOUTH DAKOTA

Item 5 of the Franchise Disclosure Document is amended for South Dakota residents or HomeSmart businesses located in South Dakota as follows:

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the South Dakota Department of Labor and Regulation, Division of Securities due to Franchisor's current financial condition.

Section 6.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

6.1 Franchisee will pay a non-recurring initial franchise fee of \$20,000 (“**Initial Franchise Fee**”). The Initial Franchise Fee will be paid by means of cashier’s check, money order or wire transfer. The Initial Franchise Fee is deemed fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee’s application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the South Dakota Department of Labor and Regulation, Division of Securities due to Franchisor's current financial condition.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

FRANCHISOR:

FRANCHISEE:

HOMESMART INTERNATIONAL, LLC

Signature

Signature

By: _____

By: _____

Its: _____

Its: _____

VIRGINIA

Item 5 of the Franchise Disclosure Document is amended for Virginia residents or HomeSmart businesses located in Virginia as follows:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owed by franchisees to the franchisor until the Franchisor has completed its pre-opening obligations under the franchise agreement.

The following sentence is added to the end of Section 6.1 of the Franchise Agreement:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owed by franchisees to the Franchisor until the Franchisor has completed its pre-opening obligations under the franchise agreement.

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

Under subsection D of § 13.1-559 of the Virginia Retail Franchising Act, for all franchises located in Virginia, the franchise contract or agreement offered or entered into pursuant to terms of this chapter shall be governed by the laws of the Commonwealth of Virginia.

Under subdivision A 4 of § 13.1-563 of the Virginia Retail Franchising Act ("Act"), it is unlawful to offer or enter into a franchise agreement that restricts the right of a franchisee to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the franchise agreement. However, subsection B of § 13.1-563 of the Act provides that if a franchisee sells a franchise at a mutually agreed upon price to a third party or back to the franchisor, such sale may include a term restricting the right of such franchisee to engage in the business of offering, selling, or distributing goods or services at retail for a period of no more than two years after such sale.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

FRANCHISOR:

FRANCHISEE:

HOMESMART INTERNATIONAL, LLC

Signature

By: _____

Its: _____

Signature

By: _____

Its: _____

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. Questionnaires and Acknowledgments. 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.

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

19. In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Addendum to Franchise Agreement on the same date as Franchise Agreement was executed.

FRANCHISOR:

FRANCHISEE:

HOMESMART INTERNATIONAL, LLC

Signature

By: _____

Its: _____

Signature

By: _____

Its: _____

**Exhibit F to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
OPERATIONS MANUAL TABLE OF CONTENTS**

Volume

2



Operations Manual

“Steps to Success”

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HOMESMART

Franchise Onboarding Manual

Franchise Onboarding Manual

HOMESMART[®]
INTERNATIONAL

It's a Smart Move with HomeSmart!

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RealSmart Agent (RSA)

User's Manual



HOMESMART
INTERNATIONAL

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Agent SmartSite 2.0

The SmartSite 2.0 website offers a vast amount of marketing tools to enhance your business and includes CMA, SEO, and CRM. This document will guide you through each section of the SmartSite 2.0 Admin Panel.

AGENT LOG IN

This log in is for the back end of your SmartSite 2.0 where you can edit and customize your personal agent web site.

You can access your SmartSite 2.0 Admin Portal by logging into your RSA panel, clicking on the Marketing button and then on My SmartSite 2.0.

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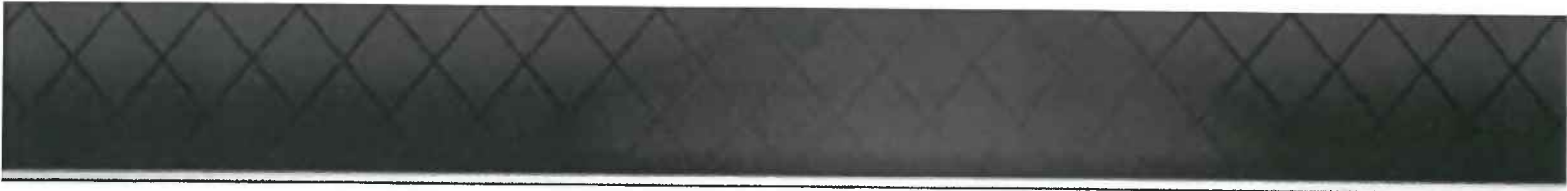
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RealSmart Broker (RSB)

User's Manual



HOME SMART
INTERNATIONAL

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Broker Site 2.0

The Broker Site 2.0 website offers a vast amount of marketing tools to enhance your business and includes CMA, SEO, and CRM. This document will guide you through each section of the Admin Panel.

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**Exhibit G to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
NONDISCLOSURE AND NONCOMPETITION AGREEMENT**

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (“**Agreement**”) is made and entered into this ____ day of _____, 20__ by and between HomeSmart International, LLC, an Arizona limited liability company (“**Company**”), located at 8388 East Hartford Drive., Suite 100, Scottsdale, Arizona 85255, and _____ (“**Associate**”), who resides or has a principal place of address at _____.

RECITALS

A. The Company is engaged in the business of selling franchises for the operation of a business offering real estate brokerage services (“**Franchise Business**”). The Franchise Business is operated under the Company’s trademark “**HOMESMART™**” and other service marks, trademarks, logo types, designs, and other commercial symbols (collectively “**Marks**”).

B. The Company has developed methods for establishing, operating, and promoting Franchise Businesses pursuant to the Company’s distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, Marks and information and know-how of the Company (“**Confidential Information**” and “**Trade Secrets**”) and any Confidential Information and Trade Secrets as may be further developed from periodically by the Company.

C. The Company and its Affiliates have established substantial goodwill and an excellent reputation with respect to the quality of its System, which goodwill and reputation have been and will continue to be of major benefit to the Company.

D. Associate desires to become involved with the Company or a franchisee of the Company in the capacity of an officer, partner, director, agent, manager, employee, Designated Business Manager or as a beneficial owner of the Franchise Business or is an immediate family member of a principal owning an interest in the Franchise Business and will become privileged as to certain Confidential Information and Trade Secrets. Associate may or may not have signed the Franchise Agreement or Guaranty and Assumption of Franchisee’s Obligations form; and

E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and Trade Secrets and with respect to noncompetition by Associate with the Company and other franchisees of the Company. Associate agrees to the terms of this Agreement as partial consideration for the Company’s willingness to allow Associate to engage in a business relationship with Company or a franchisee of the Company using the Company’s Confidential Information and Trade Secrets.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

1. Definitions.

(a) **“Associate”** means the individual or entity described on page 1 of this Agreement and the Associate’s managers, officers, beneficial owners, directors, employees, partners, members, principals, and immediate family members.

(b) **“Competitive Business”** as used in this Agreement means any business operating in competition with or similar to the Franchise Business; provided, however, Associate will not be prohibited from owning not more than a total of 5% of the stock of any company which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934.

(c) **“Confidential Information”** means all knowledge, know-how, standards, formulas, methods and procedures related to the establishment and operation of the Franchise Business and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Franchise Business including, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies and any other data and information which the Company or its Affiliates designates as confidential including all information contained in the Company’s Operations Manual, which may be provided as one or more separate manuals, written instructional guides, CD Rom, or other communications from the Company or its Affiliates, which may be changed or supplemented from periodically.

(d) **“Franchise Agreement”** means the franchise agreement between Company and _____ dated _____ as amended or renewed periodically.

(e) **“Term”** has the meaning defined in the Franchise Agreement.

(f) **“Territory”** has the meaning defined in the Franchise Agreement.

(g) **“Trade Secret(s)”** means information, including a formula, pattern, compilation, program, device, method, technique, or process related to the Franchise Business that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. **Confidential Information and Trade Secrets.** Associate and the Company acknowledge that the Confidential Information and Trade Secrets which are developed and utilized in connection with the operation of the Franchise Business are unique and the exclusive property of the Company or its Affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would be wrongful and would cause irreparable injury and harm to the Company or its Affiliates. Associate further acknowledges that the Company or its Affiliates has expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that the Company or its Affiliates has taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets, and that it would be very costly for competitors to acquire or duplicate the Confidential Information and Trade Secrets.

3. **Nondisclosure of Confidential Information and Trade Secrets.** During the Term and any renewal Term of the Franchise Agreement and for a period of 2 years after the expiration or termination of the Franchise Agreement (unless the information is a Trade Secret in which case the requirements in this Section 3 will remain in place for as long as the information constitutes a Trade Secret), Associate will not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchise Business, any of the Confidential Information or Trade Secrets of the Company or its Affiliates.

4. **Exceptions to Disclosing Confidential Information.** Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain before being communicated to the Associate through no fault of the Associate; (b) information that entered the public domain after it was communicated to the Associate through no fault of the Associate; (c) information that was in the Associate's possession free of any obligation of confidence at the time it was communicated to the Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings if the Associate is legally compelled to disclose the information, if the Associate has notified the Franchisor before disclosure and used the Associate's best efforts, and afforded the Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be so disclosed.

5. **Noncompetition Covenant.** Associate acknowledges that the Company must be protected against the potential for unfair competition by Associate's use of the Confidential Information and Trade Secrets in direct competition with the Company. Associate further acknowledges that the Confidential Information and Trade Secrets would not have been divulged to the Associate absent the Associate's agreement to strictly comply with the provisions of this Agreement. Associate therefore agrees that other than the Franchise Business licensed under the Franchise Agreement, Associate will not during the Term and renewal Term of the Franchise Agreement:

(a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business.

(b) perform services as a manager, officer, beneficial owner, director, principal, employee, partner, member, consultant, representative, agent or otherwise for a Competitive Business; or

(c) divert or attempt to divert any business related to, or any customer or account of the Franchise Business, the Company's business, the business of any Affiliate of the Company or any other franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of the Company or another franchisee licensed by Company, to any Competitive Business by any direct inducement or otherwise.

6. **Injunction.** Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company will be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to

any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain this injunctive relief without posting a bond or bonds. Associate's sole remedy, in the event of the entry of injunctive relief, will be dissolution of the injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any injunction are expressly waived by Associate. In any litigation, arbitration or other proceeding concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives any defenses Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated, arbitrated or otherwise relating to any claimed "prior breach" on the part of the Company; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Company will entitle or permit the Associate to disclose any Confidential Information and Trade Secrets in any circumstances.

7. **Effect of Waiver.** The waiver by Associate or the Company of a breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach thereof.

8. **Binding Effect.** This Agreement is binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors, and assigns.

9. **Entire Agreement.** This instrument contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

10. **Governing Law.** This instrument is governed by and will be construed under the laws of the State of Arizona.

11. **Jurisdiction and Venue.** In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Arizona and irrevocably agrees that venue for any action or proceeding will be in the state and federal courts of Arizona. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Arizona. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then that other state's laws will control.

12. **Severability.** If any provision of this Agreement is held, declared, or pronounced void, voidable, invalid, unenforceable, or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, that holding, declaration or pronouncement will not affect adversely any other provisions of this Agreement which will otherwise remain in full force and effect.

13. **Attorneys' Fees.** In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in the litigation, as determined by the court in a final judgment or decree, will pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred by the successful party or parties (including without limitation those costs, expenses and fees on any appeals), and if the successful party recovers judgment in any action or proceeding, the costs, expenses and attorneys' fees will be included as part of the judgment.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

FRANCHISOR:

ASSOCIATE:

HOMESMART INTERNATIONAL, LLC

Signature

By: _____

Its: _____

Signature

By: _____

Its: _____

**Exhibit H to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
STATEMENT OF FRANCHISEE**

STATEMENT OF FRANCHISEE

This Statement of Franchisee does not apply to franchises who intend to operate the franchised business in the State of California. Do not complete this Statement of Franchisee or respond to any of the questions contained in the Statement of Franchisee if you intend to operate the franchised business in the State of California.

Maryland franchisees are not to sign the Statement of Franchisee if they are a resident of Maryland, or the business is to be operated in Maryland.

Do not sign this Statement of Franchisee if you are a resident of the state of Washington or if the business is to be operated in the state of Washington.

Washington Franchisees should not sign this Acknowledgement..

To make sure that no misunderstanding exists between you, the Franchisee, and us, HomeSmart International, LLC (also called “**HomeSmart**,” the “**Franchisor**” or “**we**”), and to make sure that no violations of law might have occurred, and understanding that we are relying on the statements you make in this document, you assure us as follows:

A. The following dates are true and correct:

- | | Date | Initials | |
|----|---------------|----------|--|
| 1. | _____, 20____ | _____ | The date on which I received a Franchise Disclosure Document regarding the HomeSmart Real Estate Brokerage Business. |
| 2. | _____, 20____ | _____ | The date of my first meeting with Marketing Representative to discuss a possible purchase of a HomeSmart Real Estate Brokerage Business. |
| 3. | _____, 20____ | _____ | The date on which I received a completed copy (other than signatures) of the Franchise Agreement which I later signed. |
| 4. | _____, 20____ | _____ | The date on which I signed the Franchise Agreement. |
| 5. | _____, 20____ | _____ | The earliest date on which I delivered cash, check or other consideration to the Marketing Representative or an officer of Franchisor. |

B. Representations.

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, “side agreements,” options, right-of-first-refusal or otherwise have been made to

or with me with respect to any matter (including but not limited to advertising, marketing, site location, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise), nor have I relied in any way on same, except as expressly set forth in the Franchise Agreement or an attached written Addendum signed by me and HomeSmart, except as follows:

(If none, you should write NONE in your own handwriting and initial.)

2. No oral, written, visual or other promises, agreements, commitments, representation, understandings, “side agreements” or otherwise which expanded upon or were inconsistent with the Franchise Disclosure Document or the Franchise Agreement or any attached written addendum signed by me and an officer of HomeSmart, were made to me by any person or entity, nor have I relied in any way on same, except as follows:

(If none, you should write NONE in your own handwriting and initial.)

3. No oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise,) which stated or suggested a specific level or range of actual or potential sales, income, profits, cash flow, tax effects or otherwise (or from which these items might be ascertained) from the HomeSmart Real Estate Brokerage Businesses, was made to me by any person or entity, nor have I relied in any way on any claim or representation, except as follows:

(If none, you should write NONE in your own handwriting and initial.)

4. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including but not limited to my obtaining financing, or my fully performing any of my obligations), nor have I relied in any way on same, except as expressly set forth in the Franchise Agreement or any attached written Addendum signed by me and HomeSmart:

(If none, you should write NONE in your own handwriting and initial.)

5. The individuals signing for me constitute all of the executive officers, partners, shareholders, investors and/or principals. Each of these individuals has reviewed the Franchise Disclosure Document and all exhibits and carefully read, discussed, understands, and agrees to the Franchise Agreement, each attached written Addendum and any personal guaranties.

6. I have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, before signing any binding documents or paying any sums, and HomeSmart has strongly recommended that I obtain this independent advice. I have also been strongly advised by HomeSmart to discuss my proposed purchase of a HomeSmart Real Estate Brokerage Business with any existing HomeSmart franchisees before signing any binding

documents or paying any sums and HomeSmart has supplied me with a list of all existing franchisees if any exist.

7. I understand that a) entry into any business venture necessarily involves some unavoidable risk of loss or failure; b) while the purchase of a franchise may improve the chances for success, the purchase of a HomeSmart Real Estate Brokerage Business or any other franchise is a speculative investment; c) investment beyond that outlined in the Franchise Disclosure Document may be required to succeed; d) there exists no guaranty against possible loss or failure in this or any other business; and e) the most important factors in the success of any HomeSmart Real Estate Brokerage Business, including the one to be operated by me, are my personal business skills, which include marketing, sales, and management, and require sound judgment and extremely hard work.

8. I understand that HomeSmart has Affiliates, including, HomeSmart Services, LLC ("HomeSmart Services"), HomeSmart Canada Holding Corp. ("HS Canada"), HS Brokerage Holdings, LLC ("**HS Brokerage Holdings**"), On the Run Printing, LLC ("**On the Run**"), VirtuSmart LLC ("**VirtuSmart**"), EQJV, LLC ("**EQJV**") is an Arizona limited liability company that was formed on January 15, 2020, Creative Services, LLC ("**Creative Services**"), HomeSmart Investments, LLC ("**HS Investments**") that are approved suppliers of products and services that I may or be required to use in connection with the operation of the HomeSmart Real Estate Brokerage Business.

If there are any matters inconsistent with the statements in this document or if anyone has suggested that you sign this document without all of its statements being true, correct, and complete, immediately inform HomeSmart (Phone: (602) 889-2100) and our CEO Matt Widdows.

You understand and agree that we do not furnish, or authorize our salespersons, brokers, or others to furnish any oral or written information concerning actual or potential sales, income, profits, cash flow, tax effects or otherwise (or information from which these items might be ascertained), from Affiliate-owned, franchised, or non-franchised units, that no results can be assured or estimated, and that actual results will vary from unit to unit.

You understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct, and complete.

PROSPECTIVE FRANCHISEE:

Date

REVIEWED BY FRANCHISOR:

By: _____

Its: _____

Date: _____

**Exhibit I to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
FORM OF GENERAL RELEASE**

GENERAL RELEASE

THIS GENERAL RELEASE ("**Release**") is executed on _____ by _____ ("**Franchisee**") and _____ ("**Guarantors**") as a condition of [PICK ONE: the transfer of a HomeSmart franchise between Franchisee and HomeSmart International, LLC ("**HomeSmart**") [or] the transfer or renewal of a HomeSmart Franchise Agreement dated _____ ("**Franchise Agreement**") between Franchisee and HomeSmart [or] between Franchisee and HomeSmart [or] the termination of the HomeSmart Franchise Agreement dated _____ ("**Franchise Agreement**") between Franchisee and HomeSmart.

1. **Release by Franchisee and Guarantors.** Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and Affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, "Franchisee Releasors") freely and without any influence forever release and covenant not to sue HomeSmart and its parent, subsidiaries and Affiliates and their respective past and present officers, directors, members, shareholders, agents and employees, in their corporate and individual capacities, (collectively "HomeSmart Releasees") with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "Claims"), which any Franchisee Releasor ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Franchise Agreement and all other agreements between any Franchisee Releasor and any HomeSmart Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

IF FRANCHISEE OR GUARANTORS ARE BASED IN CALIFORNIA: Franchisee and Guarantors (on behalf of the Franchisee Releasors) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

2. **Risk of Changed Facts.** Franchisee and Guarantors understand that the facts in respect of which the Release in Section 1 above is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the Release shall nevertheless be

effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. **No Prior Assignment.** Franchisee and Guarantors represent and warrant that the Franchisee Releasors are the sole owners of all Claims and rights released hereunder and that the Franchisee Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

4. **Covenant Not to Sue.** Franchisee and Guarantors (on behalf of the Franchisee Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of crossclaim, defense, or counterclaim, against any person or entity released under Section 1 above with respect to any Claim released under Section 1 above.

5. **Complete Defense.** Franchisee and Guarantors: (A) acknowledge that this Release shall be a complete defense to any Claim released under Section 1 above; and (B) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. **Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs, and personal representatives of HomeSmart and each Franchisee Releasor.

7. **Governing Law.** This Release and all claims relating to this Release shall be governed by and construed under the law of the State of Arizona. HomeSmart, Franchisee and Guarantor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where HomeSmart's principal offices are located. HomeSmart may file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee or Guarantors reside or do business, or where the claim arose.

8. **Miscellaneous**

A. This Release constitutes the entire, full, and complete agreement between the parties concerning the release of Claims by the parties and supersedes all prior or contemporaneous negotiations, discussions, understandings, or agreements. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing.

B. The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

C. The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders or regulations.

D. All terms not defined in this Release shall have the meaning given to them in the Franchise Agreement.

E. All captions in this Release are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

F. This Release may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

IN WITNESS WHEREOF, Franchisee and Guarantors have executed this Release as of the date shown below.

FRANCHISEE:

(IF FRANCHISEE IS AN ENTITY)

Signature:_____

Print Name: _____

Title:_____

Date: _____

(IF FRANCHISEE IS AN INDIVIDUAL)

Signature_____

Print Name: _____

Date: _____

GUARANTOR:

Signature_____

Print Name: _____

Date: _____

GUARANTOR:

Signature_____

Print Name: _____

Date: _____

[Attach additional signature pages as needed]

**Exhibit J to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC**

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**Exhibit K to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
RECEIPTS**

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If franchisor offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an Affiliate in connection with the proposed franchise sale.

If franchisor does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

The issuance date for this Franchise Disclosure Document is **April 10, 2026**. I have received a disclosure document dated **April 10, 2026** that included the following Exhibits:

- | | |
|--|--|
| A. Financial Statements | F. Operations Manual Table of Contents |
| B. Franchise Agreement | G. Nondisclosure and Noncompetition Agreements |
| C. Lists of Current/Former Franchisees | H. Statement of Franchisee |
| D. List of State Agencies and Administrators | I. General Release |
| E. State-Specific Addenda | J. Receipts |

Prospective Franchisee (Print Name)

Prospective Franchisee (Print Name)

Signature

Signature

Date: _____

Date: _____

Instructions for returning the receipt: If the disclosure document is not delivered in person, the prospective franchisee must sign both copies of this Receipt, retaining one (1) for the prospective franchisee's records. The other copy must be sent via certified mail to the franchisor: Bryan Brooks, Senior Vice President of Franchise Sales, HomeSmart International, LLC, 8388 East Hartford Drive, Suite 100, Scottsdale, AZ 85255.

Franchise Seller's Name: HomeSmart International, LLC
Attention: **Bryan Brooks, Senior Vice President of Franchise Sales**
Principal Business Address: 8388 East Hartford Drive, Suite 100, Scottsdale, AZ 85255
Email: bbrooks@hsmove.com
Telephone Number: **(602) 230-7600**

Franchise Seller's Name: _____
Attention: _____
Principal Business Address: _____
Email: _____
Telephone Number: _____

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If franchisor offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an Affiliate in connection with the proposed franchise sale.

If franchisor does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

The issuance date for this Franchise Disclosure Document is **April 10, 2026**. I have received a disclosure document dated **April 10, 2026** that included the following Exhibits:

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| E. State-Specific Addenda | J. Receipts |

Prospective Franchisee (Print Name)

Prospective Franchisee (Print Name)

Signature

Date:

Signature

Date:

Instructions for returning the receipt: If the disclosure document is not delivered in person, the prospective franchisee must sign both copies of this Receipt, retaining one (1) for the prospective franchisee's records. The other copy must be sent via certified mail to the franchisor: Bryan Brooks, Senior Vice President of Franchise Sales, HomeSmart International, LLC, 8388 East Hartford Drive, Suite 100, Scottsdale, AZ 85255.

Franchise Seller's Name: HomeSmart International, LLC
Attention: **Bryan Brooks, Senior Vice President of Franchise Sales**
Principal Business Address: 8388 East Hartford Drive, Suite 100, Scottsdale, AZ 85255
Email: bbrooks@hsmove.com
Telephone Number: **(602) 230-7600**

Franchise Seller's Name: _____

Attention: _____

Principal Business Address: _____

Email: _____

Telephone Number: _____