

Special Risks to Consider About *This Franchise*

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

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

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

3. **Mandatory Minimum Payments.** You must make minimum monthly fee or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

4. **Turnover Rate.** In the last year, a large number of franchised outlets (40%) were terminated, not renewed, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

5. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

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.

**ITEM 6
OTHER FEES**

Fee (Note 1)	Amount	Due Date (Note 2)	Remarks
Closed Transaction Fee	\$150/Per Transaction (Note 3)	Monthly on the 10th	You must pay this fee for each buyer and seller your office represents that closes on a property and for each referral fee that your office receives.
Office Fee	\$150	Monthly on the 10th	You must pay this fee each month.
Technology Plus Fee	\$50/per person (Yourself, Agent, Staff Member, or Vendor)	Monthly on the 10th	You must pay this fee for your Franchised Business and also per person that is onboarded under our Technology Plus Package. You are required to pay for a minimum of two months per person.
Technology Premium Fee	\$25/per person (Agent, Staff Member, or Vendor)	Monthly on the 10th	This fee is required each month per person that is onboarded to our Technology Premium Package. You are required to pay for a minimum of two months per person.
Website Fee	\$50/per month	Monthly on the 10th	If you elect to have a website through our website vendor rather than free one included with our CRM system, you agree to pay a monthly website fee.
Accounting Fee	Based on the number of transactions your office performs each month, and currently ranges from \$500 per month for up to 5 transactions <u>(Tier 1)</u> to	Monthly on the 10 th	This fee is required if you elect to use our accounting services. You can sign up at any time and if you elect to cancel we ask that you give us a 30-day written notice via email.

Fee (Note 1)	Amount	Due Date (Note 2)	Remarks
	\$4,500 per month for 126- 200 or more transactions (Tier 8).		
Payroll and Human Resources	Based on the number of employees in your office, and currently ranges from \$500 per month for up to 5 employees (Tier 1) to \$1,900 per month for 46- 55 or more employees (Tier 6).	Monthly on the 10 th	You must pay us our then-current Payroll and Human Resources Fee each month if you elect for us to process your payroll or assist with other human resources duties.
Transfer Fee	\$1,500 for any transfer or change in entity ownership; \$500 for any change in ownership interest. You may also be required to pay at the \$500 legal and administrative fee.	At the time of transfer	Paid upon a transfer or change in entity ownership or change in ownership interest.
Renewal Fee	\$5,000	Upon Renewal	You must pay us a renewal fee to enter a new current franchise agreement at the expiration of the term of this franchise agreement.
Legal and Administrative Fee	\$500	As incurred	You must pay this fee or us a legal and administration fee of \$500 for any amendments that may be made to the Franchise Agreement.
Territory Amendment Fee	\$500	As incurred	You must pay to us a Territory Amendment Fee of \$500 for any change between a Standard and Virtual Model. You also must pay the cost of \$500 Legal and Administration costs Fee.
Early Termination Fee	The greater of either the average of the monthly fees paid to us for the six (6) months prior to termination	At time of early termination	You must pay to us an Early Termination Fee if the Franchise Agreement is terminated early based on a material breach or at your request

MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Minnesota franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

The Risk Factor page of the Disclosure Document is modified to include the following risk factor:

~~**Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.~~

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4, and 5 which require (except in certain specified cases), that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.

VIRGINIA ADDENDUM TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

~~The Risk Factor page of the Disclosure Document is modified to include the following risk factor:~~

~~**Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.~~

Item 5 of the Disclosure Document is modified to also provide 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."

Item 17.r. of the Disclosure Document is amended to also provide: No post-term noncompete provision shall be of any force or effect, however, a post-term noncompete clause will apply for a 2 year period if the Franchisee sells the Franchised Business to a third party or the Franchisor at a mutually agreed upon price.

Item 17.w. of the Disclosure Document is amended to also provide: Virginia law applies to any claims that arise out of or relate to the Franchise Agreement or the dealings of the parties thereto.

"No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise."²²

4.4 Office Fee. You must pay us \$150 each month.

4.5 Technology Fees.

(a) Technology Plus Fee. You must pay a monthly Technology Plus Fee of \$50 for your Franchised Business and also per person that is onboarded under our Technology Plus Package. You are required to pay for a minimum of two months per person for each start/restart of service.

(b) Technology Premium Fee. You must pay a monthly fee of \$25 per person for each person that is onboarded to our Technology Premium Package. You are required to pay for a minimum of two months per person for each start/restart of service.

(c) Additional Website Fee. If you want an additional website other than what is included with your Technology Fee, you agree to pay a monthly website fee of \$50.

4.6 [Reserved]

4.7 Accounting Fee. Our Accounting Service is highly recommended. You can sign up at any time and if you elect to cancel it, we ask that you provide us a 30-day written notice via email.

4.8 Payroll and Human Resources. If you elect for us to process your payroll or assist with other human resources duties, you must pay us our then-current Payroll and Human Resources Fee each month. The fee will be based on the number of employees in your office, and currently ranges from \$500 per month for up to 5 employees [\(Tier 1\)](#) to \$1,900 per month for 46-~~55~~ [or more employees \(Tier 6\)](#). If you elect to cancel it, we ask that you provide us a 30-day written notice via email.

4.9 Transfer Fee. You agree to pay us a Transfer Fee of \$1,500 if you wish to transfer or change entity ownership of the rights under this Franchise Agreement. You agree to pay us a Transfer Fee of \$500 for any change in ownership interest or percentages (adding or removing members or partners) of the rights under this Franchise Agreement. You may also be required to pay the Legal and Administrative Fee.

4.10 Renewal Fee. You must pay to us a Renewal Fee of \$5,000 to enter a new franchise agreement and continue your rights as a franchisee for an additional term.

4.11 Legal and Administrative Fee. You must pay to us a legal and administration fee of \$500 for any amendments that may be made to the Franchise Agreement.

4.12 Territory Amendment Fee. You must pay to us a Territory Amendment Fee of \$500 for any change between a Standard and Virtual Model. You also must pay the Legal and Administrative Fee.

4.13 Early Termination Fee. In the event this Franchise Agreement is terminated due to a material breach or otherwise, you must pay us an Early Termination Fee. The Early Termination

**VIRGINIA ADDENDUM
TO THE FRANCHISE AGREEMENT**

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

Virginia law applies to any claims that arise out of or relate to the Franchise Agreement or the dealings of the parties thereto.

No post-term noncompete provision shall be of any force or effect, however, a post-term noncompete clause will apply for a 2 year period if the Franchisee sells the Franchised Business to a third party or the Franchisor at a mutually agreed upon price.

~~The Franchise Agreement is modified to also provide 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."~~

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

The Franchise Agreement is modified to also provide 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."

FRANCHISEE:

FRANCHISOR:

1st Class Franchising, LLC

By: _____

By: _____

Rhyan Finch, CEO

By: _____

Date: _____

WASHINGTON ADDENDUM
TO 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.