

## FRANCHISE DISCLOSURE DOCUMENT

**Main Line Brands LLC**  
a Delaware limited liability company  
2359 Perimeter Pointe Parkway, Suite 250  
Charlotte, North Carolina 28208  
1-980-556-7079  
fitnessmachinetechnicians.com  
contact@mainlinebrands.com



The franchise offered is for the right to own and operate a “Fitness Machine Technicians FMT” business which provides maintenance and repair products and services for exercise equipment.

The total investment necessary to begin operation of a “Fitness Machine Technicians FMT” franchise is from \$65,950 to \$127,990. This includes \$37,000 to \$59,000 that must be paid to the franchisor and/or its affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government 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 Jason Pritchard at 2359 Perimeter Pointe Parkway, Suite 250, Charlotte, North Carolina 28208 and 1-980-556-7079.

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

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

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

Your state may have a franchise law, or other law, 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 A.

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, and/or litigation only in Pennsylvania. 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 Pennsylvania than in your own state.
2. **Spousal Liability.** 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.
3. **Mandatory Minimum Payments.** You must make minimum royalty 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.

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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## MICHIGAN

### **NOTICE REQUIRED BY THE MICHIGAN FRANCHISE INVESTMENT LAW**

The following statement is required to be provided to you under the Michigan Franchise Investment Law. By providing this statement, we do not represent or warrant that any of the following provisions of the law are enforceable. We reserve the right to contest the enforceability of any of the following provisions.

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

**(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.**

**(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.**

**(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.**

**(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.**

**(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).**

**(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.**

**The fact 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:**

**Michigan Department of Attorney General**

**Consumer Protection Division**

**Attn: Franchise**

**525 W. Ottawa Street, 1<sup>st</sup> Floor**

**Lansing, Michigan 48909**

**(517) 373-7117**

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### EXHIBITS

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### RECEIPT

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

### **The Franchisor**

The Franchisor is Main Line Brands LLC. For ease of reference, Main Line Brands LLC will be referred to as “we,” “us,” or “Fitness Machine Technicians FMT,” which is the name under which you will operate. We will refer to the person or entity who buys the franchise as “you” throughout the Disclosure Document. If you are a corporation, limited liability company, partnership or other corporate entity, certain provisions of the agreement also apply to your owners and will be noted.

Our agents for service of process are disclosed in Exhibit A.

We are a Delaware limited liability company, originally formed as Authority Franchising, LLC on September 10, 2020, and we changed our name to Main Line Brands LLC effective on March 18, 2021.

We conduct business under the names “Fitness Machine Technicians FMT”, “Mosquito Authority” and “Pest Authority.” We do not do business under any other name. Our principal business address is 2359 Perimeter Pointe Parkway, Suite 250, Charlotte, North Carolina 28208.

We began offering franchises for Fitness Machine Technicians FMT in May 2023. As of December 31, 2025, there were 134 franchised Fitness Machine Technicians FMT territories in the United States. We do not currently operate any Fitness Machine Technicians FMT businesses in the United States.

### **Our Parents, Predecessors and Affiliates**

Our predecessor is Proexco, LLC, a Pennsylvania limited liability company established on October 14, 2011 (“Proexco”). Proexco began offering franchises for Fitness Machine Technicians FMT in 2012 under the name “Exertech”, before rebranding in 2015 as “Fitness Machine Technicians FMT”, and offered and sold franchises through May 2023. Proexco’s last known principal address is 134 Pennsylvania Avenue, Malvern, Pennsylvania 19355.

We acquired all of the outstanding ownership interests in Proexco by a transaction in May 2022 (“Transaction”). Proexco continued to offer franchises for “Fitness Machine Technicians FMT” after the Transaction until we transitioned the franchisor role in the United States to us in May 2023.

After acquiring all of its outstanding ownership interests in the Transaction, we also became the direct parent and sole member of our affiliated company, DP and Partners, LLC, a Pennsylvania limited liability company formed on April 28, 2020 (“DP”). DP offered franchises for Fitness Machine Technicians FMT businesses in Canada from late 2020 to September 2023 when we transitioned the franchisor role in Canada to us in September 2023. DP’s last known principal business address was 134 Pennsylvania Avenue, Malvern, Pennsylvania 19355.

After acquiring all of its outstanding ownership interests in the Transaction, we are also the direct parent and sole member of our affiliated company, Powersmith, LLC, a Pennsylvania limited liability company originally formed as Powersmith, Inc. on October 17, 2002, and which was converted to a limited liability company effective on May 3, 2022 (“Powersmith”). Powersmith owns and operates 7 businesses of the type being franchised (in Pennsylvania beginning in 2002), and licenses to us the right to use and sublicense the use of certain trademarks, including the principal mark “Fitness Machine Technicians FMT”. Powersmith has not offered franchises in this or any other lines of business previously. Powersmith’s principal business address is 559 W. Uwchlan Ave, Suite 150., Exton, PA 19341.

We do not currently have any affiliates that operate a business of the type being franchised, and except as noted below, we do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

However, we separately offer franchises for Mosquito, Tick and Fly control specialty businesses under the name and mark “Mosquito Authority,” and also separately offer franchises for outdoor and indoor pest control and moisture control services and equipment under the name and mark “Pest Authority”. We have offered Mosquito Authority and Pest Authority franchises since October 2020. As of December 31, 2025, there were 521 franchised Mosquito Authority businesses in the United States and 341 franchised Pest Authority businesses in the United States.

Our direct parent is Main Line Brands Holdings, LLC, a Delaware limited liability company originally formed as Authority Franchising Holdings, LLC on September 10, 2020, and which changed its name to Main Line Brands Holdings, LLC effective on March 18, 2021 (“Holdings”). The current principal business address for Holdings is 2359 Perimeter Pointe Parkway, Suite 250, Charlotte, North Carolina 28208. Holdings is majority owned and controlled by Authority Franchising Partners, LLC, a Delaware limited liability company formed on September 10, 2020 (“Partners”). Partners is ultimately controlled by Susquehanna Private Capital Fund II, LLLP, a Delaware limited liability partnership formed on December 27, 2019 (“Susquehanna”). The current principal business address for Partners and Susquehanna is 401 E. City Avenue, Bala Cynwyd, Pennsylvania 19004. None of Holdings, Partners nor Susquehanna have offered franchises in this or any other lines of business previously.

Susquehanna became the indirect parent of Soccer Shots Franchising, LLC, a Pennsylvania limited liability company formed on January 15, 2005, effective December 31, 2021. Soccer Shots Franchising, LLC has offered franchises for the “Soccer Shots” brand since February 1, 2005. The current principal business address of Soccer Shots Franchising, LLC is 401 E. City Avenue #220, Bala Cynwyd, Pennsylvania 19004.

Susquehanna became the indirect parent of Little Kickers Canada Management ULC, a British Columbia unlimited liability company, on October 21, 2022. Little Kickers Canada Management ULC and its affiliates, including Little Kickers International Holdings ULC, Little Kickers Franchising Ltd., Little Kickers Canada Operations ULC and Little Kickers Australia Franchising Pty Ltd, own, operate and franchise the Little Kickers system in the United Kingdom, Canada, Australia and certain other countries in the world. The current principal business address of Little Kickers Canada Management ULC is 401 City Ave., Bala Cynwyd, PA 19004.

In September 2025, Susquehanna became the indirect parent of Tint World, LLC, a Florida limited liability company formed on September 22, 2006. Tint World has offered franchises for TINT WORLD® Automotive Styling Centers since September 2007. As of the end of its last fiscal year, there were 142 franchised Little Tint World businesses operating in the United States and 7 franchised Little Tint World businesses operating in Canada. Tint World, LLC’s principal business address is 1000 Clint Moore Road, Suite 110, Boca Raton, Florida 33487.

### **The Franchise Offered**

We franchise a system for businesses that provide maintenance and repair services for exercise equipment under the name and mark “FMT” or “Fitness Machine Technicians FMT” (the “Marks” or “Proprietary Marks”).

The franchise grants you the right to own and operate a single “Fitness Machine Technicians FMT” business (the “Business” or “Franchised Business”) and offer all of the products and services which

comprise the System in a single designated territory. In addition, you are granted an exclusive right to use and display the Proprietary Marks and trade names and to use the Fitness Machine Technicians FMT copyrighted materials and trade secrets in a defined geographical location called a "Territory." You must sign our Franchise Agreement, which is attached to this Disclosure Document as Exhibit B. If you wish to own and operate your Franchised Business in more than one designated territory, you must sign a separate Franchise Agreement for each designated territory.

We offer a Full-Size Franchise or a Hometown Franchise to those who meet our then current standards and qualifications, in our determination. The only difference between a Full-Size Franchise and a Hometown Franchise is that a Hometown Franchise territory contains fewer people in the Territory and therefore pays a reduced Initial Franchise Fee. The initial investment and other fees and costs are the same. The specific type of Franchise you will purchase and the specific Initial Franchise Fee you pay will be described in your Franchise Agreement.

For Full-Size Franchises, we will use commercially reasonable efforts to grant only one license to a franchisee for every 800,000 people in a designated geographical area.

For Hometown Franchises, we take into account the number of combined population but we do not have any specific minimum level of total population in a specific geographic area for a Hometown Franchise since this type of Hometown Franchise is meant to serve a smaller community. We will use commercially reasonable efforts, including the use of the most recent information available in the U.S. Census Data, or other statistical sources of our choosing, to determine these demographics. We reserve the right to change, modify, or delete the Population Limits in our sole discretion.

As a Full-Size Franchise or Hometown Franchise operator, you may operate one Franchised Business for each Franchise Agreement you sign with us.

If permitted by your local ordinances, you may operate the Franchised Business from your home, or you may choose to lease a garage or light industrial space for your Franchised Business.

We strongly recommend that you be certified by each exercise equipment manufacturer to provide maintenance and repair services for their equipment. Not having the manufacturer's certification does not stop you from offering repair and maintenance services for that manufacturer's equipment. However, as a certified technician, the manufacturer is more likely to forward service requests to you than if you have not achieved certification. The manufacturer may require you to periodically be recertified.

### **Competition and Market**

The market for exercise equipment repair services is developing, but is not seasonal in nature.

You will offer maintenance and repair services to companies owning exercise equipment, including colleges, universities, hotels and apartment buildings, as well as individuals owning exercise equipment. You will compete with companies offering similar services, including local, regional or national companies, some of which may be franchise systems. Fitness Machine Technicians FMT Businesses offer maintenance and repair services for a variety of manufacturers and are not exclusive to a specific manufacturer.

### **Industry Specific Laws**

You must comply with any state or local licensing or regulatory requirements that may apply to the Franchised Business, which may require you to obtain a special permit to operate a business from your home. You must meet all local, state, or federal contracting laws that may apply to offering this Franchised

Business. You should seek counsel or contact your state and local agencies for detailed information about applicable laws and regulations. There may be other laws of general applicability that could impact your operation.

## **ITEM 2: BUSINESS EXPERIENCE**

### **Chief Executive Officer – Jason Pritchard**

Mr. Pritchard has served as our Chief Executive Officer since September 2025 in Charlotte, North Carolina. From February 2025 to September 2025, Mr. Pritchard served as our Interim Chief Executive Officer in Charlotte, North Carolina. From February 2024 to February 2025, Mr. Pritchard served as President of Fitness Machine Technicians in Charlotte, North Carolina. Mr. Pritchard served as Vice President of Fitness Machine Technicians from January 2023 to February 2024 in Hickory, North Carolina. From February 2020 until January 2023, Mr. Pritchard independently operated multiple Mosquito Authority and Pest Authority franchises based in Dallas, Texas. From January 2012 until February 2020, Mr. Pritchard served as Director of Operations for TMAFS, LLC in Hickory, North Carolina.

The following persons hold positions with our parent Holdings:

### **Manager - Kyle Squillario**

Mr. Squillario has been the Manager of Holdings since October 2020 in Bala Cynwyd, Pennsylvania. He has also served as Manager of Proexco, DP and Powersmith since May 2022 in Bala Cynwyd, Pennsylvania. Mr. Squillario has been Vice President of Soccer Shots Franchising LLC since January 2022 in Bala Cynwyd, Pennsylvania. Mr. Squillario has also served as Vice President of SS Acquisition LLC and Stronger Youth Brands Holding, LLC and Vice President of COUS, LLC and Soccer Shots IP, LLC since January 2022, and as Director and Vice President of Little Kickers Canada Management ULC and Little Kickers Franchising Ltd. since October 2022, all in Bala Cynwyd, Pennsylvania. Since January 2020, Mr. Squillario has also been a Partner at Susquehanna Private Capital in Bala Cynwyd, Pennsylvania. From March 2017 to December 2019, Mr. Squillario was a Director at Susquehanna Private Capital in Bala Cynwyd, Pennsylvania. From September 2013 to March 2017, Mr. Squillario was Vice President, Private Equity for TZP Group in New York, New York.

### **Manager – John McGinley**

Mr. McGinley has been a Manager of Holdings since October 2020 in Bala Cynwyd, Pennsylvania. He has also served as Manager of Proexco, DP and Powersmith since May 2022 in Bala Cynwyd, Pennsylvania. Since January 2020, Mr. McGinley has also been a Vice President, Private Equity at Susquehanna Private Capital in Bala Cynwyd, Pennsylvania. From August 2017 to December 2019, Mr. McGinley was Senior Associate, Private Equity at Susquehanna Private Capital in Bala Cynwyd, Pennsylvania. From June 2015 to July 2017, Mr. McGinley was Associate, Private Equity for Quad-C Management in Charlottesville, Virginia.

### **Manager – Joseph Osborne**

Mr. Osborne has been a Manager of Holdings since October 2020 in Hickory, North Carolina. From January 2018 to September 2020, Mr. Osborne served as PALLC’s Chairman in Hickory, North Carolina. He also served as President of Authority Franchise System International, LLC (“AFSI”) from October 2016 to September 2020, President of TMA Franchise Systems, Inc. (“TMA”) from January 2011 to September 2020 and of TMA’s predecessor (“Original TMA”) from October 2009 to September 2020. All of AFSI,

TMA and Original TMA were located in Hickory, North Carolina, and were predecessors to Main Line Brands.

### **Founder and Consultant – Don Powers**

Mr. Powers founded the Fitness Machine Technicians FMT franchise system in October 2011. Since the Transaction, Mr. Powers has served as a consultant to us. Prior to the Transaction, Mr. Powers also served as our President and Chief Executive Officer of Proexco since its inception in October 2011. Mr. Powers also founded our affiliates, DP and Powersmith, in April 2020 and October 2002, respectively. Prior to the Transaction, Mr. Powers served as the President and Chief Executive Officer of our affiliates, DP and Powersmith, since each of their inceptions in April 2020 and October 2002, respectively.

### **ITEM 3: LITIGATION**

#### **Pending**

None.

#### **Concluded**

We are not party to any litigation required to be disclosed in this Franchise Disclosure Document, but our predecessor with respect to the Mosquito Authority brand (TMA Franchise Systems, Inc.) was party to the following matters:

*In the Matter of TMA Franchise Systems, Inc.*, Case No. 2013-0198. On August 21, 2013, TMA entered into a Consent Order with the Securities Division of the Office of the Attorney General of Maryland to resolve alleged violations of the Maryland Franchise Registration and Disclosure Law. Specifically, the Maryland Securities Division alleged that TMA sold two franchises in Maryland without being registered to sell franchises there, and in addition, that TMA did not provide the two franchisees with franchise disclosure documents prepared in accordance with the Maryland Franchise law. We cooperated fully with the state's investigation of this matter. By the terms of the Consent Order, TMA agreed to i) permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Law; ii) submit an initial franchise application in accordance with the Maryland Franchise law and diligently pursue the application's registration; and, iii) offer rescission to our Maryland franchisees in accordance with the terms of the Consent Order.

*In the Matter of TMA Franchising, Inc.* On October 9, 2013, TMA entered into a Consent Agreement with the Rhode Island Department of Business Regulation to resolve alleged violations of the Rhode Island Franchise Investment Act. Specifically, the Rhode Island Department of Business Regulation alleged that TMA sold two franchises in Rhode Island without being registered to sell franchises there, and in addition, that TMA did not provide the two franchisees with franchise disclosure documents prepared in accordance with the Rhode Island franchise law. We cooperated fully with the state's investigation of this matter. By the terms of the Consent Agreement, TMA agreed to submit an initial franchise application in accordance with Rhode Island franchise law, provide an offer of rescission to the two Rhode Island franchisees, and pay an administrative fee of \$5,000 to the Rhode Island Department of Business Regulation.

*In the Matter of TMA Franchise Systems, Inc. d/b/a The Mosquito Authority and Joseph D. Osborne*, Case No. SEC-2015-00002. On June 18, 2015, TMA entered into a Settlement Order with the Virginia State Corporation Commission Division of Securities and Retail Franchising to resolve alleged

violations of the Virginia Retail Franchising Act. Specifically, the Division of Securities and Retail Franchising alleged that TMA sold eleven franchises in Virginia without being registered to sell franchises there, and in addition, that TMA did not provide the franchisees with franchise disclosure documents prepared in accordance with the Virginia Franchise Act. We cooperated fully with the state's investigation of this matter. By the terms of the Settlement Order, TMA agreed to pay a monetary penalty of \$20,000 and administrative costs of \$2,500 to the Division, provide a copy of the Order to each Virginia franchisee, and refrain from violating the Virginia Franchise Act in the future.

*In the Matter of TMA Franchise Systems, Inc. d/b/a The Mosquito Authority*, Case No. File No. 47341. On August 11, 2017, TMA entered into a Consent Order with the Minnesota Department of Commerce to resolve allegations that TMA offered and sold an unregistered franchise in Minnesota in violation of Minn. Stat. § 80C.02 (2016). We cooperated fully with the state's investigation in this matter. By the terms of the Consent Order, TMA agreed to pay a monetary penalty of \$1,000 to the Department of Commerce, disclose this Consent Order in this Franchise Disclosure Document for a period of one year, and cease and desist from further sales in Minnesota until registered.

#### Disclosures Regarding Affiliated Franchise Programs

*In Re: Franchise No Poaching Provisions* (Soccer Shots Franchising, LLC), Case No. 19-2-28301-7 SEA. On or about October 28, 2019, Soccer Shots Franchising, LLC entered into an Assurance of Discontinuance with the State of Washington in which Soccer Shots Franchising, LLC agreed it (1) will no longer include no-poaching provisions in any future U.S. franchise agreements; (2) will continue not enforcing no-poaching provisions in any existing franchise agreements, and will not seek to intervene or defend in any way the legality of any no-poaching provision in any litigation in which a franchisee may claim third-party beneficiary status rights to enforce an existing no-poaching provision; (3) Soccer Shots Franchising, LLC will notify all of its U.S. franchisees of the entry into the Assurance of Discontinuance with the State, and provide them a copy of the AOD upon request; (4) notify the Attorney General's Office of any effort by a franchisee in Washington to enforce any existing no-poaching provision; and (5) exercise all reasonable commercial efforts to amend all existing franchise agreements with entities in Washington to remove any no-poaching provisions in its existing franchise agreements. On January 2, 2020, Soccer Shots Franchising, LLC confirmed in writing our compliance with the Assurance of Discontinuance to the State of Washington.

Also, our affiliate Tint World, LLC (which offers franchises for Tint World businesses) resolved an action brought against it with a settlement. This action has no impact on us or our brand nor alleged any unlawful conduct by us.

*Robert Weiss v. Charles J. Bonfiglio*, Case filed on December 19, 2014 in the 17th Judicial Circuit in Broward County, Florida, bearing case no. CACE 2014-023725. The plaintiff, Robert Weiss, filed suit against our Tint World, LLC's, Mr. Charles J. Bonfiglio, alleging breach of fiduciary duty and seeking a declaratory judgment relating to a membership dispute involving ownership interest in Tint World, LLC. The parties entered into a Confidential Settlement Agreement on or about April 17, 2017, pursuant to which Mr. Bonfiglio elected to exercise his buyout of Mr. Weiss' membership interest in the company for \$900,000.

Other than these 6 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**

### **Initial Franchise Fee for Full-Size Franchise and Hometown Franchise**

When you sign the Franchise Agreement, you must pay us an Initial Franchise Fee (“Initial Franchise Fee”) in full. The Initial Franchise Fee will differ if you are purchasing a Full-Size Franchise or a Hometown Franchise, which is based on the number of people in your proposed territory and identified and added to the Franchise Agreement before you sign.

The Initial Franchise Fee for a Full-Size Franchise is \$45,000, which is based on a proposed territory of approximately 800,000 persons.

The Initial Franchise Fee for a Hometown Franchise is \$25,000.

The initial franchise fee is imposed uniformly on all franchisees. The initial franchise fee is fully earned upon receipt and is not refundable.

During 2025, we did not sell any franchises at reduced initial franchise fees.

If you sign two or more Franchise Agreements at the same time for multiple territories when you are signing your first Franchise Agreement with us, we will discount your initial franchise fee by 30% for the second and each additional Franchise Agreement you concurrently sign with us.

From time to time, we may offer special incentive programs as part of our franchise development activities. We reserve the right to offer, modify or withdraw any incentive program without notice to you. We offer a 15% discount of the Initial Franchise Fee to Veterans of the U.S. and Canadian armed forces via the VetFran program.

We will not hold any area in reserve for you, and you are not granted a right of first refusal to any territory, including those territories that are adjacent to yours.

There are no other payments to or purchases from us or our Affiliate that you must make before your Franchised Business begins operating.

During the initial term of the Franchise Agreement, you will maintain rights to your Territory even though the demographics in your Territory may increase or decrease. However, on renewal, we will have the right to reconfigure the Territory (including, for example, changing from a Hometown Territory to a Full-Size if the demographics increase and puts it over the population threshold for a Hometown Territory or vice versa.)

### **Pre-Opening and First Year Marketing Package**

If you are opening your first Pest Authority business, you are required to invest a minimum of \$12,000 in our Pre-Opening and First Year Marketing Package (the “Marketing Package Fee”), payable to us or our designated vendor upon signing the Franchise Agreement. This fee is non-refundable once paid, though we may increase or reduce it at our discretion based on existing franchise presence in your market or the competitive landscape.

## Additional Territories

We do not offer an area development or multi-territory franchise rights, but at our option you may be offered the opportunity to purchase additional Territories. Each Territory must be purchased by paying the then-current Initial Franchise Fee and by signing the then-current Franchise Agreement. However, if you sign two or more Franchise Agreements at the same time for multiple territories when you are signing your first Franchise Agreement with us, we will discount your initial franchise fee by 30% for the second and each additional Franchise Agreement you concurrently sign with us.

### **ITEM 6: OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>When Due</b>	<b>Remarks</b>
Royalty Fee	<p>Royalties are a percentage of Gross Sales:</p> <p>6% of the first \$499,999 of Gross Sales each calendar year;</p> <p>5% of Gross Sales in excess of \$500,000 each calendar year.</p> <p>Royalties are subject to a monthly minimum beginning in your 13<sup>th</sup> month, through the term of the contract.</p> <p>The minimum monthly royalty for each territory is \$500. See note 2.</p>	By the 8 <sup>th</sup> business day of the month based on Gross Sales for the immediately preceding month	<p>The term “Gross Sales” means all money received by you in the operation of the Franchised Business, less sales taxes actually paid by you and any customer refunds or adjustments you make. All royalty payments are made by electronic funds transfer. See note 3.</p> <p>If you purchase an existing territory, you will pay the then-current minimum.</p>
National Marketing Fee (3) (4)	Currently 1% of Gross Revenues, but we may increase to 3% of Gross Revenues on written notice to you.	By the 8 <sup>th</sup> business day of the month based on Gross Sales for the immediately preceding month	We currently anticipate the National Marketing Fee will increase to 2% of Gross Revenues on January 1, 2027.
Technology and Software Systems Fee	A monthly fee ranging from \$100 to \$1,500 depending on our costs for then current technology and software systems. See the chart in Footnote (5).	Payable to us at the same time and in the same manner as the Royalty or to a 3 <sup>rd</sup> party vendor that we designate at the	This fee includes required software and/or subscription service and vender fee for online access to our POS forms. FSM system, email platform, and franchise management software.

Type of Fee	Amount	When Due	Remarks
		time and manner required by such third party	
Minimum Individual Local Advertising Expense	\$7,800 or 5% of your Gross Sales, whichever is greater.	Must be spent annually	You will spend this money with approved marketing vendors. All marketing must be approved by us before you use it.
Special Campaigns Participation Fees	An amount set by us from time to time based on the nature of the Special Campaign, but subject to credit against your Minimum Individual Local Advertising Expenses	As instituted	We reserve the right to establish or designate specialized, or regional, or special-focused advertising, marketing or media campaigns (“ <b>Special Campaigns</b> ”) that may or may not involve you and/or other FMT Businesses. If we establish or designate a Special Campaign that is or will be applicable to you, you must participate in that campaign and contribute to the costs of the Special Campaign in the amounts and in the manner that we specify. Any amounts that you spend or contribute to or for the Special Campaign will be credited toward your required Minimum Individual Local Advertising Expense expenditure under this Item 6.
Local Website pages, Google Business Profiles, social media pages, reputation management, local search web form, for organic leads, review generation tools, and SEO (5)	Currently \$0 per month, but we may increase the monthly fee upon notice based on our then current costs, but we will never increase the fee above \$750 per month	Payable to us or an outside vendor on a monthly basis, as applicable	If implemented any such fee will become due as of the effective date specified in that notice.
Social media pages and management; posts and review response for Google, Facebook and Yelp.	Currently none, but we may implement and later increase the monthly fee upon notice based on our then current costs	Payable by ACH or EFT debit on the 1st day of the month	If implemented, any such fee will become due as of the effective date specified in that notice.

Type of Fee	Amount	When Due	Remarks
Training, including Seminars, Conventions or Programs	\$500 - \$5,000, plus materials estimated at \$50.	As incurred	You must pay all applicable fees and your expenses to attend training, seminars, and conferences.
Annual Conference Non-Attendance Fee	Greater of \$699 or the then-current standard registration fee for that year's Annual Conference	As invoiced (typically following the Annual Conference)	You must pay all applicable fees and your expenses to attend training, seminars, and conferences. We may require attendance at certain meetings in our sole discretion. Attendance at the Annual Conference each year is mandatory. You must attend or ensure attendance by an individual who is actively involved in the day-to-day management and operation of your Franchised Business and has decision-making authority. Attendance by other franchise owners, investors, or individuals not directly involved in your Franchised Business does not satisfy this requirement. We reserve the right to determine whether an attendee satisfies this requirement. This fee will be charged if you or your qualifying representative fail to attend.
Refresher Training	\$200 to \$700	Before attending training	We may designate that certain refresher training courses are mandatory, unless we excuse your absence
Manufacturer's Certification	\$100 to \$600, as charged for Original Equipment Manufacturer training by the manufacturer to obtain Manufacturer Certification	As incurred	Once you are certified by the exercise equipment manufacturers to maintain and repair their equipment, you must maintain your certification according to the manufacturer's requirements. Paid to any approved OEM that requires certification and/or ongoing recertification.

Type of Fee	Amount	When Due	Remarks
Transfer Fee	\$7,500 if the transferee does not have any existing relationship with us (for Mosquito Authority, Pest Authority or Fitness Machine Technicians) or \$3,500 if the transferee has an existing relationship with us (for Mosquito Authority, Pest Authority or Fitness Machine Technicians)	Upon signing the then-current successor Franchise Agreement	Payable in lump sum. We will waive the transfer fee, one time only, for a transfer from individuals to a corporate entity that has been formed for convenience of ownership
Successor Agreement Fee	\$3,500	Upon signing of the successor Franchise Agreement	Payable in lump sum, at the time of signing the successor Franchise Agreement. Successor Agreement Fee is based on the then current territory population at the time of the successor term.
Product or Supplier Evaluation	\$500	With request for approval	If you request to use a product or supplier that we have not previously approved for the System
Insurance	Reimbursement of our costs	On demand	We may, but are not obligated to, obtain insurance coverage for you if you fail to do so
Management Fee	25% of Gross Sales, plus expenses	On demand, if incurred	We have the right to step in and manage your Franchised Business in certain circumstances, including your death, disability, inability to operate the business according to our standards or prolonged absence
Mystery Shopper Service	Up to \$500	As incurred	We reserve the right to engage a mystery shopper service. If you do not achieve a required minimum score, then you must pay the cost of the mystery shop and we may require you to receive additional training from us. If you achieve the minimum score, we will pay the cost of the mystery shop

Type of Fee	Amount	When Due	Remarks
Computer System Maintenance	Currently \$0, but can be up to \$1,000 per year.	Annually	We do not currently require you to have a maintenance contract for your computer, but we may do so in the future with a cost up to \$1,000 per year. Payable to approved supplier unless part of our Technology and Software Systems Fee.
Credit Card Processing Fee	Then current fees set by third party vendor	As incurred	You will have to pay any fees assessed by the credit card processing vendor
Late Fee	\$100	As Incurred	Payable to us via ACH payment if Profit & Loss Statements are not delivered to us by the 15 <sup>th</sup> of each month.
Interest	18% per annum or the highest legal rate we can charge, whichever is less	Due with overdue amount	Payable on all overdue amounts. Interest will be calculated from the original due date until payment is received in full
Audit Costs	Cost of audit plus 1.5% charge per month for underreporting	Payable within 30 days after billing	If an audit of your books and records shows any understatement in amounts reported or paid to us, you must pay the understated amount plus interest. If the audit shows any understatement of 2% or more, you must reimburse all costs related to the audit, including fees, travel, lodging and other related expenses in addition to paying any understated amount plus interest. In the event the audit reveals underreporting of revenue exceeding 2% in any month, this will be a material breach of the franchise agreement by you.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable upon your failure to comply with your Agreement. See Washington Addendum.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims arising from your operations

- (1) All fees described in this Item 6 are non-refundable and are uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us.
- (2) Upon reaching your 13<sup>th</sup> month of operation you will be required to pay a monthly minimum Royalty payment of Five Hundred Dollars (\$500.00) per territory. This monthly minimum increases with every territory your franchised business operates within. For example: If your franchised business operates within two territories, as of the 13<sup>th</sup> month of your operation, you will pay a minimum royalty payment of One Thousand Dollars (\$1,000.00). If you purchase a territory from an existing franchisee that is already open and operation, you will make the then-current minimum that was applicable to the transferring franchisee.
- (3) “Gross Sales” means all revenues and income from any source derived or received by Franchisee from, through, by or on account of the operation of the Franchised Business or made pursuant to the rights granted hereunder, including but not limited to, any and all other revenues received using Franchisor’s methods, operations and/or trade secrets whether received in cash, in services, in kind, from barter and/or exchange, on credit (whether or not payment is actually received) or otherwise. “Gross Sales” also includes commissions on the sale of equipment and referrals. It does not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e. coupons) or (iv) properly documented employee discounts (limited to 3% of Gross Sales). Gross Sales does not include gift card purchases, at the time of purchase, but Gross Sales does include the redemption amount of purchases made by gift card.

If you do not report your Gross Sales, we may debit your account for 120% of the last Royalty and National Marketing Fee that we debited. If the Royalty and National Marketing Fee we debit are less than the Royalty and National Marketing Fee you actually owe us, we will debit your account for the balance on a day we specify. If the Royalty and National Marketing Fee we debit are greater than the Royalty and National Marketing Fee you actually owe us, we will credit the excess against the amount we otherwise would debit from your account for the next payment.

- (4) Beginning on your 13<sup>th</sup> month of operations, you will pay us a monthly Technology and Software Systems Fee to cover all then current Technology and Software Systems Fees and licenses we provide to you. Currently, the Technology and Software Systems Fee is based on your Gross Revenue during the prior 12-month period, as follows:

<b>Franchisee’s Gross Sales in Prior 12 Months</b>	<b>Monthly Technology and Software Systems Fee</b>
\$0 to \$100,000.00	\$100.00
\$100,000.01 to \$200,000.00	\$200.00
\$200,000.01 to \$300,000.00	\$300.00
\$300,000.01 to \$400,000.00	\$400.00
\$400,000.01 to \$500,000.00	\$500.00
\$500,000.01 to \$600,000.00	\$600.00
\$600,000.01 to \$700,000.00	\$700.00
\$700,000.01 to \$800,000.00	\$800.00
\$800,000.01 to \$900,000.00	\$900.00
\$900,000.01 to \$1,000,000.00	\$1,000.00

\$1,000,000.01 to \$1,500,000.00	\$1,100.00
\$1,500,000.01 to \$2,000,000.00	\$1,200.00
\$2,000,000.01 to \$2,500,000.00	\$1,300.00
\$2,500,000.01 to \$3,000,000.00	\$1,400.00
\$3,000,000.01 and above	\$1,500.00

- (5) All fees are imposed uniformly, except that the Franchisor contributes to the local advertising of the first three franchisees. Other than modifications to the Initial Franchise Fee (as detailed in Item 5) and the Grand Opening Advertising (as detailed above), there are no additional fees that a multi-unit franchisee is subject to that a single territory franchisee does not pay.

**ITEM 7: ESTIMATED INITIAL INVESTMENT**

<b>YOUR ESTIMATED INITIAL INVESTMENT</b>					
<b>*For a Hometown Franchise and Full-Size Franchise</b>					
<b>Type of Expenditure</b>	<b>Amount</b>		<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
	Low	High			
Initial Franchise Fee (1)	*\$25,000	*\$45,000	Lump Sum or Installments	On signing Franchise Agreement	Us
Rent (3 months) (2)	\$0	\$3,600	As Arranged	As Arranged	Landlord
Leasehold Improvements (2)	\$0	\$5,000	As Arranged	As Agreed	Contractor
Equipment, Furnishings and Fixtures (3)	\$500	\$2,000	As Arranged	As Agreed	Suppliers
Signage (4)	\$1,800	\$3,500	As Arranged	As Incurred	Suppliers
Initial Inventory and Operating Supplies (5)	\$0	\$3,000	As Arranged	As Arranged	Suppliers
Security Deposits (6)	\$0	\$2,400	As Arranged	As Arranged	Landlord, Utility Companies
Insurance (3 months) (7)	\$2,500	\$5,000	As Arranged	As Arranged	Insurance Companies
Training Expenses (8)	\$1,100	\$3,600	As Arranged	As Incurred	Suppliers

<b>YOUR ESTIMATED INITIAL INVESTMENT</b>					
<b>*For a Hometown Franchise and Full-Size Franchise</b>					
<b>Type of Expenditure</b>	<b>Amount</b>		<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
	Low	High			
Computer System/ Software (9)	\$1,200	\$2,500	As Arranged	As Incurred	Suppliers
Permits/Licenses (10)	\$100	\$200	As Arranged	As Required	State or Local Government
Service Vehicle (3 Months) (11)	\$1,350	\$1,950	As Arranged	As Arranged	Leasing Company
Professional Fees (12)	\$1,500	\$5,000	As Arranged	As Arranged	Attorney, Accountant
Pre-Opening and First Year Marketing Package (13)	\$12,000	\$14,000	As Arranged	As Arranged	Approved Suppliers
Service Technician (14)	\$3,900	\$6,240	As Arranged	As Arranged	Employee/Contractor
Additional Funds (15)	\$15,000	\$25,000	As Arranged	As Required	
<b>Total</b>	<b>\$65,950</b>	<b>\$127,990</b>			

*\*The only difference between a Full-Size Franchise and a Hometown Franchise for purposes of your initial investment is that a Hometown Franchise territory contains fewer single-family dwellings and therefore pays a reduced Initial Franchise Fee. See Note 1 below.*

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable.

1. **Initial Franchise Fee** – The Initial Franchise Fee is \$25,000 for a Hometown Franchise and is \$45,000 for a Full-Size Franchise. We do not offer a multi-territory agreement, but if you sign two or more Franchise Agreements at the same time for multiple territories when you are signing your first Franchise Agreement with us, we will discount your Initial Franchise Fee by 30% for the second and each additional Franchise Agreement you concurrently sign with us.
2. **Rent; Leasehold Improvements** – The low end of our estimates assume that you will operate the Franchised Business from a home-based office and you will not incur costs for rent or leasehold improvements. If you will operate from a leased space, you will need approximately 2,000 square

feet of space in a garage or light industrial location. We anticipate that any space you choose to lease will not need extensive renovation or leasehold improvements.

3. ***Equipment, Furnishings and Fixtures*** – You will need basic office furnishings, such as a desk, chair, filing cabinet and shelving.
4. ***Signage*** – The estimate includes the cost of wrapping your service vehicle. If you choose to lease space you may purchase additional signage, but these costs are not included in our estimate.
5. ***Initial Inventory and Operating Supplies*** – You will need to purchase assorted hand tools and testing equipment. If you currently own some of the hand tools we require, you may use these tools if they meet our specifications.
6. ***Security Deposits*** – If you lease space from which to operate your Franchised Business, you may have to pay security deposits to your landlord and your local utility companies.
7. ***Insurance*** – The estimate reflects average quarterly premiums for the insurance you must have for your Franchised Business. Some insurance companies may require you to pay your premiums quarterly, semi-annually, or annually. See Item 8 for a more detailed description of the insurance you must have.
8. ***Training Expenses*** – We will provide our initial training program to three people, one of whom must be you. You must pay for the travel, lodging, meals and applicable wages for you and your trainees. The low end of the estimate assumes that you are the sole trainee and are within driving distance of our training facility and will not incur additional costs. The high end of the estimate assumes that you will need to travel and arrange accommodations to attend initial training. Your actual costs will depend on how far you and your trainees must travel and the accommodations you choose. You must also pay directly to QuickBooks a training fee for small business accounting training.
9. ***Computer System/Software*** – You must have a computer system for your Franchised Business, including our then currently required hardware and software components, and a printer. You must also have a tablet computer. See Item 11 for a further discussion of the computer system. The low end of our estimate assumes that you own a computer that we have approved for use in your Franchised Business, and includes the cost of buying the printers. The high end of our estimate assumes you will purchase a new computer system. You will also spend about \$250/month on CRM software as a service.
10. ***Permits/Licenses*** – You must obtain the business permits required by the state or town in which your Franchised Business is located. You may have to obtain a special permit to allow you to operate the Franchised Business from your home. We strongly encourage you to determine which permits and licenses you will need to obtain and the cost of these permits and licenses before you sign the Franchise Agreement.
11. ***Service Vehicle*** – You must purchase or lease the make & model of service vehicle that we specify for your Franchised Business. Each vehicle you obtain for your Franchised Business must be wrapped according to our specifications and must be in excellent condition (including no visible rust or body damage). If you have more than one service vehicle, you are permitted to have branded magnets on the body of the vehicle in lieu of wrapping for a period of 3 months. All additional vehicles operated for the benefit of your Franchised Business must be wrapped to our specifications no later than 6 months after obtaining the vehicle. Our estimate assumes three months of vehicle

lease payments and \$100 to \$300 per month in fuel. If you choose to purchase a vehicle rather than lease, your initial costs will likely be higher.

12. **Professional Fees** – You may wish to hire an attorney and/or an accountant to assist you in reviewing this franchise offering. You may also wish to form a corporate entity to own the franchise.
13. **Pre-Opening and First Year Marketing Package** – The Pre-Opening and First Year Marketing Package is payable to us or our designated vendor when you sign the Franchise Agreement and is non-refundable once paid.
14. **Service Technician** – It is anticipated that you will hire or contract with a service technician, initially on a part-time basis. Estimate assumes an average of 20 to 32 hours per week, at \$18/hr, for 13 weeks.
15. **Additional Funds – 3 Months** – You will need additional capital to support on-going expenses, such as payroll and continuing fees payable to us, if these costs are not covered by sales revenue. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months, but does not include any revenue that you may earn during this period. We have relied on our personnel (including those that previously worked with our predecessor Proexco) in formulating the amount of additional funds described in this Item. We do not finance your initial investment.

#### **ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

All equipment, fixtures, furnishings, computer hardware and software, supplies and materials required for the operation of your Franchised Business must be purchased by you only from suppliers designated or approved in writing by us (which may include us or our affiliates), or from suppliers selected by you and whom we approve. Currently neither we nor our Affiliate are an approved supplier for any products or services you must purchase or lease, but we reserve the right to designate ourselves or our Affiliate as an approved supplier in the future. None of our officers has an ownership interest in any approved supplier.

The estimated proportion of required purchases and leases to all purchases and leases by you of goods and services in establishing the Franchised Business is approximately 25% to 40% and in operating your Franchised Business ranges approximately from 10% to 20%.

We will give you specifications for the minimum standards of any products, equipment (including your vehicles) and supplies. We reserve the right to require you to purchase certain equipment, tools and supplies for the operation of the Franchised Business, and we reserve the right to specify the make and model for your vehicle. Our specifications, minimum standards and approved suppliers lists will be included in our confidential Brand Standards (“Brand Standards”), which is loaned to you for the term of your Franchise Agreement. We may also establish an intranet website for our franchisees to access this and other information. Any changes to our specifications, minimum standards, approved suppliers or the Brand Standards will be provided to you in writing, including e-mail and/or newsletters.

You must have a reliable vehicle for your Franchised Business. We reserve the right to specify the make of a service vehicle you must purchase or lease, but in any event we must approve of the service vehicle you use. Each vehicle obtained for your Franchised Business must be lettered or painted according to our specifications and must be in excellent condition (including no visible rust or body damage). Each vehicle

you obtain for your Franchised Business must be wrapped according to our specifications. You may operate additional vehicles for each technician and these vehicles may operate with branded magnets for a period of 6 months. All additional vehicles utilized for the operation of your Franchised Business must be wrapped to our specifications no later than 6 months after purchasing them. We prefer that your vehicle be not more than four years old.

You must purchase all replacement parts for repair of exercise equipment from the equipment manufacturers as long as the part is still being manufactured. You may only purchase replacement parts from another source, such as an “after market” seller, if a part has been discontinued or if we have given our prior written approval for you to do so.

You must acquire and use all our then current operational software platform, which currently includes the required ServiceMinder software that stores the data from all customer service activity of the Franchised Business. You must obtain our designated software, and pay us the Software Fee. Your Software Fee payments may include technical support. Our designated software is currently mandatory and the only approved software for your Franchised Business.

We currently require you to obtain and use QuickBooks Online from Intuit ([www.quickbooks.intuit.com](http://www.quickbooks.intuit.com), 844-463-2096) as your sole financial reporting software for your Franchised Business.

In processing customer payments for your Franchised Business, we have contracted with a credit card service management company that will be responsible for processing credit card payments made to your Franchised Business. The credit card processing company we designate will be the only approved supplier of credit card processing services for the franchise system. We may change service providers for these services at any time, in our sole discretion. We will not grant our approval of any request by you to use any alternative suppliers of credit card processing services. You will pay monthly account and transaction fees directly to the credit card processing company as incurred.

We may permit you to contract with alternative suppliers who meet our criteria. If you wish to use a supplier or product that has not previously been approved by us, you must make a request to us in writing for our approval of the supplier or product, including any pertinent information we require and payment of our then-current fee (see Item 6). We will notify you in writing within 30 days if and when a supplier or product is approved. We reserve the right to re-inspect any supplier or product to ensure that the supplier continues to conform to our specifications and standards. If a supplier or product fails to conform to our specifications and standards, we may revoke our approval of the supplier or product, and you must discontinue using the unapproved supplier or product after notice from us. We do not generally make available the criteria for evaluating suppliers and/or products that we deem confidential. If we notify you that a particular product or supplier’s approval has been revoked by us, you must immediately stop using that product and/or stop purchasing from that supplier.

Neither we nor our affiliates collect or retain any and all allowances, rebates, credits, incentives, or benefits (collectively, “Allowances”) offered by manufacturers, suppliers, and distributors to you, to us, or to our affiliates, based upon your purchases of products and services from manufacturers, suppliers, and distributors; however we retain the right to do so in the future. If we do collect and retain such Allowances, any net benefit will be contributed by us, to the National Marketing Fund. Such contributions will be in gross, and will not be allocated to or offset required fund contributions by any particular franchisee(s). In 2025, we or our affiliates collected \$0 in rebates from suppliers for purchases of approved products by FMT franchisees.

There are no purchasing or distribution cooperatives established by us, nor have we negotiated any terms of any purchases that you will make. We reserve the right to establish purchasing or distribution cooperatives in the future, in our discretion. We may negotiate purchase arrangements, such as price terms, for the benefit of all Businesses in the System. We do not give you any benefits, like successor terms or the granting of additional franchises, based on your buying any items from our approved suppliers.

In addition to the purchases described above, you must obtain and maintain, at your own expense, insurance coverage. Our System may regulate the types, amounts, terms and conditions of insurance coverage required for your franchise and standards for underwriters of policies providing required insurance coverage; our protection and rights under the policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims. Our standards and requirements for insurance coverages will be included in our Brand Standards and will periodically be updated.

The following are the current insurance requirements: (1) commercial liability insurance with coverage of not less than \$2,000,000 per occurrence, \$4,000,000 aggregate; (2) automobile insurance, including hired and non-hired vehicle coverage and uninsured/underinsured motorist coverage, in amounts not less than \$1,000,000 combined single limit; (3) workers' compensation, employer liability and any other insurance required by law or statute for the state in which the Franchised Business is located, but not less than \$500,000 per accident; and (4) any insurance required by the terms of your lease, if you choose to lease space for your Franchised Business, or that may be required by us in the future.

You must purchase your insurance policies from insurers that are qualified to sell insurance in the state in which your Franchised Business is located and that are rated at least A- by A.M. Best Company. Each insurance policy must name us, our officers, directors, parent, subsidiaries and affiliates as additional insureds, and must provide us with 30 days prior written notice of any change to or cancellation of any insurance policy. Before you complete our initial training program, and then upon renewal of each policy, you must provide us with a Certificate of Insurance showing that you have obtained the required insurance coverage.

Currently, we do not derive any revenue, rebates or other material consideration based on required purchases or leases by the franchisee.

## **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.**

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
(a) Site selection and acquisition/lease	Franchise Agreement – Section 9.1	Items 7 and 11
(b) Pre-opening purchases/lease	Franchise Agreement – Sections 5.5, 5.6, 9.5 and 9.6	Items 7, 8 and 11

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
(c) Site development and other pre-opening requirements	Franchise Agreement – Section 9.2	Items 7 and 11
(d) Initial and ongoing training	Franchise Agreement – Sections 5.3 and 9.11	Items 6, 7 and 11
(e) Opening	Franchise Agreement – Section 9.2	Item 11
(f) Fees	Franchise Agreement – Sections 4.2.5, 8 and 15.2, Exhibit I	Items 5, 6, 7 and 11
(g) Compliance with standards and policies/ Operations Manual	Franchise Agreement – Sections 6 and 9.1	Items 8, 11 and 16
(h) Trademarks and proprietary information	Franchise Agreement – Sections 1, 7 and 13	Items 13 and 14
(i) Restrictions on products/ services offered	Franchise Agreement – Sections 3, 9.8 and 9.18	Items 12 and 16
(j) Warranty and customer service requirements	Not applicable	Not applicable
(k) Territorial development and sales quotas	Franchise Agreement – Sections 2.2 and 3	Item 12
(l) On-going product/service purchases	Franchise Agreement – Sections 5.5 and 9.7	Items 8 and 11
(m) Maintenance, appearance and remodeling requirements	Not Applicable	Not applicable
(n) Insurance	Franchise Agreement – Section 9.15	Items 7 and 8
(o) Advertising	Franchise Agreement – Sections 5.8, 9.12 and 10	Items 6, 7 and 11
(p) Indemnification	Franchise Agreement – Sections 7.7 and 12	Item 6
(q) Owner's participation/ management/ staffing	Franchise Agreement – Sections 9.4 and 9.9	Items 11, 15 and 16
(r) Records/reports	Franchise Agreement – Sections 8.6, 9.14 and 11	Item 11
(s) Inspection/audits	Franchise Agreement – Sections 9.13 and 11	Item 6

Obligation	Section in Agreement	Disclosure Document Item
(t) Transfer	Franchise Agreement – Section 15	Items 6 and 17
(u) Renewal	Franchise Agreement – Section 4	Items 6 and 17
(v) Post-termination obligations	Franchise Agreement – Section 17	Item 17
(w) Non-competition covenants	Franchise Agreement – Section 14	Item 17
(x) Dispute resolution	Franchise Agreement – Section 20	Item 17
(y) Liquidated damages	Not Applicable	Not Applicable
(z) Guarantee	Franchise Agreement – Exhibit E	State Cover Page, Item 15

### **ITEM 10: FINANCING**

We do not receive any payment for the placement of financing. We do not have any past or present practice or intention to sell, assign or discount to any third party, in whole or in part, any financing arrangements. We reserve the right to offer financing or assist franchisees in obtaining financing in the future.

We may defer payment by you up to a maximum of ½ of the initial franchise fee at our sole discretion. You will sign a Financing Amendment to the Franchise Agreement and Promissory Note in the form attached as Attachment 9 to the Franchise Agreement. The Promissory Note calls for payment of the deferred portion of the initial franchise fee up to a period of 24 months, at an interest rate of 8% annually, until such time as the balance is paid in full. You may prepay the Promissory Note at any time without any prepayment penalty. You and each entity or person who signs the Guaranty and Assumption of Franchisee's Obligations attached to the Franchise Agreement (which signatories are generally each entity or individual holder of a direct or indirect ownership interest in you plus their respective spouses, if any) will sign the Financing Amendment to the Franchise Agreement and be responsible for the balance while still owing, but we do not require any additional security from you and do not take any security interest in your assets as part of the deferral of payment or your entry into the Financing Amendment to the Franchise Agreement and Promissory Note. In the Promissory Note, you and your guarantors who signed the Guaranty and Assumption of Franchisee's Obligations attached to the Franchise Agreement must waive any defenses or other legal rights related to the balance of the initial franchise fee debt while still owing, and you and your guarantors who signed the Guaranty and Assumption of Franchisee's Obligations attached to the Franchise Agreement and the Financing Amendment to the Franchise Agreement are also barred from asserting any defenses. If you fail to timely pay the balance of the initial franchise fee debt plus the agreed amount of interest in the Promissory Note, we may issue a curable default notice under the Franchise Agreement and Financing Amendment to the Franchise Agreement and we may have the right to terminate the Franchise Agreement if you fail to timely cure the default after notice and the stated cure period (which will be no less than 10 days). If we terminate the Franchise Agreement based on a failure to timely pay the balance of the initial franchise fee due under the Promissory Note, the entire principal amount and interest due under the Promissory Note will be accelerated and become due immediately, your Franchise Agreement and other agreements with us will be subject to cross default and you and everyone who signed the Guaranty and Assumption of Franchisee's Obligations attached to the Franchise Agreement will owe us our attorneys' fees and costs related to the termination and any attempts to enforce our rights under any of your agreements with us. We will not sell, assign, or discount to a third party all or part of your financing arrangement with us. We are the direct lender if we defer your payment of the initial franchise fee such that, other your

repayment of the principal plus interest to us, neither we nor any affiliate receives any consideration for arranging this financing.

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

**Except as listed below, we are not required to provide you with any assistance.**

**Pre-Opening Obligations**

***Franchise Agreement***

Before you open your Franchised Business, we will:

1. Designate your Franchised Business as a Hometown Franchise or Full-Size Franchise, and designate your Territory (See Cover Page and Section 2.1.3 of the Franchise Agreement and Attachment 1 to the Franchise Agreement). Other than designating your Territory in which you will operate your Franchised Business, we do not approve a site for your Franchised Business.

2. Lend you one copy of our Brand Standards (Franchise Agreement – Section 5.1). We will provide you specifications for the minimum standards of the products, equipment (including your vehicles) and supplies you need for the development of the Franchised Business, but we do not provide any of these items directly and only provide you names of approved suppliers, and we do not deliver or install any of these items in your Franchised Business.

3. Provide our Initial Training Program (which is described below) to up to three people at no additional charge (Franchise Agreement – Section 5.3).

4. Approve or designate the particular computer hardware and peripheral equipment which you must use for your Franchised Business (Franchise Agreement – Section 5.6).

5. Approve or designate the service vehicle you wish to use for your Franchised Business (Franchise Agreement – Section 5.11).

6. Provide certain pre-opening and first year marketing advertising assistance in exchange for the Pre-Opening and First Year Marketing Package Fee (Franchise Agreement – Section 10.3).

**Continuing Obligations**

During your operation of the Franchised Business we will:

1. In addition to the training program, we may occasionally furnish you with instructions, forms or other information developed by us in connection with the operation of the System (Franchise Agreement – Section 5.2).

2. At all times during the term of the Franchise Agreement, provide information pertaining to sources of supply for products and services used in our System (Franchise Agreement – Section 5.5).

3. Maintain a National Marketing Fund for the benefit of all Fitness Machine Technicians FMT Businesses in the System (Franchise Agreement – Section 10.2).

4. Following the opening of your franchise, we will be available for consultation with you to discuss any problems in the operation of the business (Franchise Agreement – Section 5.3.3).

5. We may choose to provide you with continuing national, regional, or local workshops, seminars, and conferences, which we hold in our sole discretion. These programs are designed to support your ongoing success by providing system updates, sharing best practices, connecting you with other franchise owners, and offering training and resources to help you grow your business. You must pay all applicable workshop, seminar, and conference fees, if any, as well as all travel and living expenses incurred by you to attend such programs. Fees to attend a workshop, seminar, or conference will generally range from \$500 to \$5,000, which may include a conference registration fee currently expected to range from \$399 to \$999 per attendee. We may require that you attend certain workshops, seminars, or conferences. These events may be held at our Charlotte, North Carolina headquarters or at another location designated by us. If we elect to hold such an event, we will provide you with at least three (3) months' prior notice of the date, location, and expected costs (see Section 5.10 of the Franchise Agreement).

You are required to attend our annual system-wide conference each year (the “Annual Conference”). The Annual Conference is a mandatory component of the franchise system and is designed to provide critical system updates, training, and collaboration opportunities across the network. The Annual Conference may be held at our corporate headquarters or at another location selected by us (see Section 5.10 of the Franchise Agreement). Attendance must be by you or by an individual who is actively involved in the day-to-day management and operation of your Franchised Business and has decision-making authority. Attendance by other franchise owners, investors, or individuals not directly involved in your Franchised Business will not satisfy this requirement. We reserve the right to determine whether an attendee satisfies this requirement. If you or your qualifying representative fail to attend a required Annual Conference, you will be charged a non-attendance fee equal to the greater of (i) \$699 or (ii) the then-current standard registration fee for that year's Annual Conference.

6. Provide additional training as you may request at your Franchised Business, or as we may offer at our headquarters. Currently the per diem fee for this is \$500.00. (Franchise Agreement – Section 5.12).

7. Determine the minimum and/or maximum prices you may charge, to the extent allowed by applicable law (Franchise Agreement – Section 5.7).

8. Provide periodic refresher training for you and/or your personnel. We may designate that attendance at any refresher training program is mandatory unless the absence is excused by us. Currently the fees for mandatory refresher training range from \$200.00 to \$700.00, based on the length and nature of the training. This fee is per course, not per diem (Franchise Agreement – Section 5.4).

9. During your first year of operation, you may submit to us for our review the preventative maintenance estimates you prepare for your customers. Our reviews will be used as a tool to teach you and refine your operation of the Business (Franchise Agreement – Section 5.13). We reserve the right to require you to provide us with copies of preventative estimates at any time for our review, including if we receive a complaint from one of your customers.

### **Site Selection and Opening**

Because we expect that you will operate from a home office, we will not review or approve any location you choose to lease for your Franchised Business. If you choose to operate your Franchised Business from leased space, you will need up to 2,000 square feet of space in a garage or light industrial

building. We will not own or lease to you the premises for your home office or any leased office space you select. We do not have specific requirements for any site you may select and we will not assist you in locating a site.

We estimate that between 30 to 60 days will elapse from the date you sign the Franchise Agreement to the opening of your Franchised Business for business. Factors that may affect this timeframe include your ability to obtain financing or required licenses and permits, when you successfully complete our initial training program, or delayed installation of equipment, fixtures and signs. Your Franchised Business must be opened for business within 90 days after you sign the Franchise Agreement. You may not open your Franchised Business for business until: (1) the initial training program we provided has been completed to our satisfaction by all required persons; (2) the initial franchise fee and all other amounts due to us have been paid; (3) you have furnished us with all certificates of insurance required by the Franchise Agreement; (4) you have obtained all required governmental permits, licenses and authorizations necessary for the operation of your Franchised Business; and (5) you are in full compliance with all the terms of the Franchise Agreement.

### **Advertising and Promotion**

#### ***Pre-Opening and First Year Marketing Package***

As noted in Item 5, if you are opening your first Franchised Business, we will provide you an initial package of branded items, branded marketing materials and other pre-opening marketing materials and continuing assistance before you open and during the first year of your operations.

#### ***National Marketing Fund***

We have established a national marketing fund (“Fund”) to promote the System, Franchised Businesses and the products and services offered by Franchised Businesses. You must pay a non-refundable monthly National Marketing Fee in an amount up to 1% of Gross Sales. The current amount payable as a National Marketing Fee is 1% of Gross Sales, but we may modify or increase it up to 3% upon written notice to you. The Fund will be used for national and regional advertising, publicity and promotion relating to our business. We will determine, in our fully unrestricted discretion, the manner in which the Fund will be spent. Some portion of the Fund may be used for creative concept production, marketing surveys, test marketing and related purposes. We have the right to direct all advertising activities with sole discretion over creative concepts, materials and media used, as well as their placement and allocation. There is no requirement that we or the Brand Fund spend any amount on advertising in your area or territory.

We also have the right to determine, in our sole discretion, the composition of all geographic and market areas for the implementation of these advertising and promotional activities. The Fund is intended to maximize general public recognition in all media of the Proprietary Marks and patronage of Franchised Businesses, and we have no obligation to make sure that expenditures of the Fund in or affecting any geographic area are proportionate or equivalent to payments of the National Marketing Fee by franchisees operating in that geographic area, or that any Franchised Business will benefit directly or in proportion to the National Marketing Fees paid for the development of advertising and marketing materials or the placement of advertising. No amount of the Fund will be spent for advertising that is principally a solicitation for the sale of franchises, however printed materials and/or the system website may include the words “franchises available”, “own a Fitness Machine Technicians FMT franchise” or other words to this effect, with a link/tab or instructions for how those interested may obtain more information.

We have the right to reimburse ourselves out of the Fund for the total costs (including indirect costs) of developing, producing and distributing any advertising materials, the system website and

collecting the National Marketing Fee (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any National Marketing Fee). The Fund and its earnings will not otherwise inure to our benefit except that any resulting technology and intellectual property will be deemed our property.

Fitness Machine Technicians FMT Businesses owned by us or our affiliates will contribute to the Fund on the same basis as you. Funds from the National Marketing Fees paid will be kept separate and distinct and will be accounted for separately from our other funds. These funds will not be used to defray any of our general operating expenses, except as described in the paragraph above. Any sums paid to the Fund that are not spent in the year they are collected will carry over to the following year. We will prepare, and furnish to you upon written request, an annual, unaudited statement of funds collected and costs incurred.

The Fund was established during the 2018 fiscal year by our predecessor Proexco. In the most recent fiscal year ending December 31, 2025, Proexco's Fund expenditures were spent as follows: 37% Franchisee growth programs, 22% Trade show advertisement, 10% Print and Internet advertising and 3% Association memberships.

### ***Minimum Individual Local Advertising Expense and Special Campaigns***

You must spend a required minimum amount on local advertising for your Mosquito, Tick and Fly Control Specialty Business (the "Minimum Individual Local Advertising Expense"). The Minimum Individual Local Advertising Expense is currently the greater of \$7,800 00 or 5% of Gross Sales annually. You will spend this money with our approved marketing vendors, including pay per click and social media advertising vendors. All marketing must be approved by us before you use it.

We reserve the right to establish or designate specialized, or regional, or special-focused advertising, marketing or media campaigns ("Special Campaigns") that may or may not involve you and/or other Mosquito, Tick and Fly Control Specialty businesses. If we establish or designate a Special Campaign that is or will be applicable to you, you must participate in that campaign and contribute to the costs of the Special Campaign in the amounts and in the manner that we specify. Any amounts that you spend or contribute to or for the Special Campaign will be credited toward your required Minimum Individual Local Advertising Expense expenditure.

### ***Regional Marketing Programs***

We may, in our sole discretion, establish local or regional advertising programs, initiatives, or campaigns (each, a "Regional Marketing Program") designed to promote the Marks and the Franchised Business within designated geographic areas.

We will determine the structure, scope, timing, and administration of any Regional Marketing Program, including the development of advertising, media placement, and use of funds. You must comply with all requirements and standards established by Franchisor in connection with such programs.

We may require franchisees within a designated geographic area to contribute to a Regional Marketing Program upon prior written notice. Any such contributions will be used solely for marketing and advertising purposes within the applicable region and will be in addition to, and will not offset, the National Marketing Fee. Participation requirements and contribution levels, if any, will be communicated in advance, and you agree to comply with such requirements if participation is designated as mandatory.

## **Website / Intranet**

### **Website, Social Media, Digital Presence and Google Business Profiles**

We operate a national website and social pages that provides information about us and about FMT Businesses generally, and about our franchising program. If you own multiple Territories under one or more Franchise Agreements, you will be required to maintain at least one website per Territory in which you are responsible for. We have sole discretion and control over the website (including timing, design, contents and continuation). We currently require franchisees to provide us information on their FMT Businesses so that we can create and maintain custom local interior website pages containing information about our franchisees' specific FMT Businesses. We reserve the right to implement a local website and digital footprint fee. If implemented by us, you must pay to us or our selected vendors the then current monthly local website and digital footprint fee for creation and/or maintenance of your local website pages, inclusive of a digital marketing offer generator for organic inbound sales leads, review generator and search engine optimization (SEO). If implemented by us, you must also pay to us or our selected vendors a monthly social media fee to create and manage local posts on social media outlets and manage your reputation. We reserve the right to modify or increase these fees upon notice to you based on our then current costs.

We may offer and sell Products and Services through our National website or other websites, including in your Territory. You will have no right, license, or authority to use any of the Marks on or in connection with our website or any other website, except as we provide in the Franchise Agreement.

You shall not create, manage, or participate in any paid advertising, digital marketing campaigns, or sponsored content of any kind, including but not limited to search, social, display, or local service advertising, using the Marks or otherwise referencing the Franchised Business, the FMT Business, or the FMT System, except as expressly authorized and managed by us.

This restriction applies to all forms of Social Media and digital communication, whether for business or personal use. "Social Media" includes any current or future forms of electronic communication through which users create or participate in online networks or communities, including but not limited to Internet forums, blogs, social networking sites, content-sharing platforms, and similar outlets (such as Facebook, Instagram, Twitter/X, LinkedIn, TikTok, YouTube, Yelp, Snapchat, Wikipedia, or similar platforms).

We retain sole ownership and control of all advertising accounts, audiences, data, and integrations related to the Franchised Business. You are not granted, and must not attempt to obtain, direct access, administrative rights, or API integrations to such accounts or platforms.

In all cases, we retain sole discretion and control over any social media accounts, profiles, pages, or content that use or reference the Marks, the Franchised Business, the FMT Business, or the FMT System, or that otherwise relate to the Franchised Business (collectively, "Social Media Profiles").

We may, but are not obligated to, establish guidelines under which you may create or maintain Social Media Profiles. In such event, you must strictly comply with all standards, protocols, and restrictions imposed by us, and we may revoke any such permissions at any time, in our sole discretion.

We may establish, own, manage, modify, or remove any Social Media Profiles at any time. We may use all or a portion of the National Marketing Fee to fund or reimburse costs associated with the creation, management, maintenance, and updating of Social Media Profiles.

You must indemnify, defend, and hold us harmless from and against any and all losses, damages,

claims, liabilities, and expenses arising out of or related to your authorized or unauthorized use of Social Media.

We retain sole ownership, control, and administrative rights over all Google Business Profiles, Google Maps listings, and similar local business listings (collectively, "Business Listings") associated with or relating to the Marks, the Franchised Business, the FMT Business, or the FMT System.

You must not create, claim, verify, access, modify, transfer, or manage any Business Listings without our prior written approval. Any Business Listings created or maintained by or on behalf of Franchisee shall be deemed our sole property and must be transferred to us or our designated agents upon request.

We have the right, in its sole discretion, to create, claim, verify, manage, optimize, suspend, or remove any Business Listings at any time, and to control all content, information, reviews, images, and related data associated with such listings.

You will not be granted, and must not attempt to obtain, direct administrative access, ownership rights, or API integrations to any Business Listings except as expressly permitted by us.

You agree to comply with all standards, guidelines, and requirements established by us regarding Business Listings and will promptly provide any information or cooperation reasonably requested by us in connection with the creation, verification, or management of such listings.

You agree to indemnify, defend, and hold us harmless from and against any and all losses, damages, claims, liabilities, and expenses arising out of or related to your authorized or unauthorized actions with respect to any Business Listings.

### **Advisory Councils**

We may form one or more advisory councils to work with us to improve the System, the products and services offered, advertising conducted for the benefit of all Fitness Machine Technicians FMT Businesses, and other matters. If an advisory council is formed it will act in an advisory capacity only and will not have decision making authority. An advisory council will include our representatives and franchisee representatives. The franchisee representatives may be chosen by us or by other franchisees in the System. If you participate on any advisory council, you must pay for the costs you incur related to your involvement, such as travel, lodging and living expenses to attend advisory council meetings. We may form, change, merge or dissolve any advisory council at any time.

### **Computer System**

You must purchase or lease the computer system we specify in our Brand Standards, including hardware, software and peripheral equipment.

You must acquire and use all our then current operational software platforms, which currently includes the required ServiceMinder Field Service Management software that stores the data from all customer service activity of the Franchised Business. You must obtain the ServiceMinder software through us, and pay us the required Software Fee. Your Software Fee payments may include technical support. ServiceMinder software is currently mandatory and is the only approved FSM software for your Franchised Business, but you will not sign any separate license agreement to use the ServiceMinder software.

You must use the QuickBooks accounting program for your Franchised Business and are required to send certain financial reports when requested. Additionally, you must have a system to back up your files, which may be an on-line service such as Carbonite or IDrive. While we do not currently designate a specific type of computer you must purchase or lease, the computer must meet our minimum criteria. You may purchase the computer from the vendor of your choice. If you wish to use an existing computer system for your Franchised Business, this computer system must be approved by us first. We estimate that the cost of your computer system will be between \$1,200 and \$2,500.

We do not require you to obtain a maintenance contract for your computer system, although you may find it beneficial to have this contract. We estimate that a maintenance contract for your computer system could cost up to \$1,000 each year.

We may require you to purchase updates and/or upgrades for your computer system or the software you use in the Franchised Business. There is currently no contractual limitation on either the frequency or the cost for you to obtain these updates and/or upgrades. Neither we nor our Affiliate will provide you with any maintenance, updates or upgrades for your computer system or any required software.

You must at all times have a high speed internet connection for your computer system. We will have independent access to the information and data you collect at all times, as well as the right to download information related to your Franchised Business, and you must make sure that we have electronic access, at your expense. The information and data we obtain will include your revenues, the number of jobs you perform and the products and services provided, customer information, and similar data. There are no contractual limits on our access to the information and data on your computer system, and all data we download will become our property.

### **Confidential Brand Standards**

We will loan to you our confidential Brand Standards containing mandatory and suggested brand standards. The Table of Contents of our Brand Standards is attached as Exhibit C to this Disclosure Document. Our Brand Standards may be provided in written, digital, or other formats and may be updated, modified, or supplemented from time to time. Our current Brand Standards include videos and operational manual.

### **Training Program**

Within 60 days after the Franchise Agreement is signed, we will offer to you a training program to be conducted at our headquarters in Charlotte, North Carolina or at another location we designate for approximately five days. There is no additional fee to train the first three people. If you wish to send additional people to our training program, you must pay to us our then-current training fee (see Item 6). The training program will include training regarding the operational, management and marketing pertaining to the “Fitness Machine Technicians FMT” System. If you fail to complete the training program to our satisfaction, you may re-take the training program at your expense, including payment of our then-current training fee. If you fail to complete the training program to our satisfaction a second time, we may elect to terminate the Franchise Agreement.

We will not pay compensation for any services performed by you or any other trainee in the course of training. You will pay all expenses incurred in connection with and during training, including transportation, meals, lodging, applicable wages and other expenses.

We will provide additional advisory assistance and training that we feel is advisable in the operation of the System, on the terms and conditions as we set forth in our Brand Standards. We may periodically

telephone or visit you for the purposes of rendering advice and consultation with respect to the operation of the Franchised Business, assessing your overall performance and determining whether you are conducting the Franchised Business in compliance with the standards of the System.

We may train any number of individuals from any number of franchises at the same time. We may also change our training program at any time to suit the individual needs or experience of any particular trainee. The instructional materials we use in our training program include our Brand Standards, equipment manufacturer information, hand-outs and any other instructional materials that we believe will be beneficial to our franchisees. We do not currently have a set schedule for our training program. We will provide our training program on an “as-needed” basis. The following is a breakdown of the training program currently in effect:

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of Hands-On Training	Location
New Franchisee Training			
1. Introduction, history, values	6		Charlotte, NC
2. FMT operations and technology	20		Charlotte, NC
3. Marketing and sales	4		Charlotte, NC
4. National Accounts and manufacturers	8		Charlotte, NC
5. Accounting and financials	2		Charlotte, NC
Certified Fitness Equipment Technician Repair Training (online)	6		Charlotte, NC
Certified Fitness Equipment Technician Repair Training (hands on)		40	Charlotte, NC or Denver, CO
<b>Totals:</b>	<b>46</b>	<b>40</b>	

Our training program is conducted under the supervision of Pat Cahill (23 years of experience in training with us or our predecessors). The minimum experience of the instructors in the field that is relevant to the subject taught and our operations is from 6 to 10 years.

We may choose to provide you with continuing national, regional, or local workshops, seminars, and conferences, which we hold in our sole discretion. These programs are designed to support your ongoing success by providing system updates, sharing best practices, connecting you with other franchise owners, and offering training and resources to help you grow your business.

You must pay all applicable workshop, seminar, and conference fees, if any, as well as all travel and living expenses incurred by you to attend such programs. Fees to attend a workshop, seminar, or conference will generally range from \$500 to \$5,000, which may include a conference registration fee currently expected to range from \$399 to \$999 per attendee.

We may require that you attend certain workshops, seminars, or conferences. These events may be held at our Charlotte, North Carolina headquarters or at another location designated by us. If we elect to hold such an event, we will provide you with at least three (3) months’ prior notice of the date, location, and expected costs

You are required to attend our annual system-wide conference each year (the “Annual Conference”). The Annual Conference is a mandatory component of the franchise system and is designed

to provide critical system updates, training, and collaboration opportunities across the network. The Annual Conference may be held at our corporate headquarters or at another location selected by us.

Attendance must be by you or by an individual who is actively involved in the day-to-day management and operation of your Franchised Business and has decision-making authority. Attendance by other franchise owners, investors, or individuals not directly involved in your Franchised Business will not satisfy this requirement. We reserve the right to determine whether an attendee satisfies this requirement.

If you or your qualifying representative fail to attend a required Annual Conference, you will be charged a non-attendance fee equal to the greater of (i) \$699 or (ii) the then-current standard registration fee for that year's Annual Conference. We may require you and any of your employees that we specify to attend periodic refresher training and we may designate that attendance at any refresher training session is mandatory, unless your absence is excused by us. You must pay our then-current fee for any mandatory refresher training (see Item 6, currently \$200 to \$700 per course), as well as any expenses you and your trainees incur while attending refresher training, including travel, lodging, meals and applicable wages.

If you request that we provide additional training or assistance on-site at your Franchised Business, or if we determine that you require additional training or assistance, you must pay our then-current per diem fee (currently, \$500) for each representative we send to you to provide training or assistance, and you must reimburse each representative's travel, lodging and meals expenses while providing the additional on-site training or assistance.

In addition to our training and refresher training requirements, we strongly recommend that you obtain and maintain certification from each exercise equipment manufacturer, according to the manufacturer's requirements, in the maintenance and repair of that manufacturer's exercise equipment. Any fees related to recertification must be paid to the manufacturer or another third party supplier.

## **ITEM 12: TERRITORY**

### **Franchise Agreement**

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

You have the right to operate your Franchised Business at the single location designated in the Franchise Agreement, which we anticipate will be a home-based office, and will have the right to operate your Franchised Business within a designated territory ("Territory").

Notwithstanding, if we determine that you are unable or unwilling, or you notify us that you are unable or unwilling, to offer, sell or perform Products and Services for a prospective customer in your Territory, then we, our affiliates or other franchisees we designate may offer and sell Products and Services to the customer as we deem appropriate without any payment to you.

Our standard size Franchise is a Full-Size Franchise, and the minimum Territory we grant to you for a Full-Size Franchise is based on an area with a combined population of approximately 800,000 people based on the most recent U.S. Census data.

For Hometown Franchises, we take into account the number of combined population but we do not have any specific minimum level of total population in a specific geographic area for a Hometown Franchise since this type of Hometown Franchise is meant to serve a smaller community. We will use commercially

reasonable efforts, including the use of the most recent information available in the U.S. Census Data, or other statistical sources of our choosing, to determine these demographics. You will maintain rights to your Territory even though the population in your Territory may increase or decrease. We have the exclusive right to determine the boundaries of your Territory in our sole discretion.

We will not hold any area in reserve for you, and you are not granted a right of first refusal to any territory, including those territories that are adjacent to yours, however, you may purchase additional territories at the same time, as further detailed in Item 5.

You may not relocate your Franchised Business without our prior approval. We will not unreasonably withhold our approval, except that the new location must be within your Territory and must not have any adverse impact on the sales of franchisees in any adjoining Territory. If you wish to relocate your Franchised Business to a location outside of your Territory, the area to which you wish to relocate your Franchised Business must be available (not sold to another franchisee in the System) and you must be in compliance with your Franchise Agreement. If you operate the Franchised Business from a home office and you choose to sell your home and move to a new area, we reserve the right to require you to lease premises within your Territory for the Franchised Business.

You may sell our products and services to customers within your Territory. You may not engage in any promotional activities or sell our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the “Electronic Media”); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. While you may place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located within your Territory, and you will not be deemed to be in violation of the Franchise Agreement if those advertisements, because of the natural circulation of the printed media or reach of television and radio, are viewed by prospective customers outside of your Territory, you may not make any sales or deliver any products to customers located outside of your Territory, unless the customer is located in an area where there is not another Fitness Machine Technicians FMT Business in operation. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell any products at wholesale.

We and our affiliates may sell products under the Proprietary Marks within and outside your Territory through any method of distribution other than a dedicated Fitness Machine Technicians FMT Business, including sales through channels of distribution such as our toll-free number, the Internet, catalog sales, telemarketing or other direct marketing sales (together, “alternative distribution channels”). You may not use alternative distribution channels to make sales outside or inside your Territory except as described in the following paragraph and you will not receive any compensation for our sales through alternative distribution channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any other alternative distribution channel, including our toll-free number, and we receive orders for any products or services offered by a Fitness Machine Technicians FMT Business calling for delivery or performance in your Territory, then we will offer the order to you. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates or a third party we designate (including another franchisee) may fulfill the order, and you will not be entitled to any compensation in connection with this.

Except for the Fitness Machine Technicians FMT Business operated by our Affiliate, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned businesses which sell our products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

Continuation of your rights in the Territory do not depend on you achieving any certain sales volume, market penetration, or other contingency, and we do not have any right to modify or alter your Territory, but we may terminate your franchise if you breach your Franchise Agreement and you fail to timely cure the breach.


### ***National Account Program***

We also maintain National Account and Regional Account programs. A National Account is a customer that has multiple properties across multiple Territories and/or states. A Regional Account is a customer that has multiple properties in a single Territory and/or state. You may not negotiate any contract terms with a prospective National Account or Regional Account. We will have sole discretion to negotiate terms with the National Accounts and/or Regional Accounts. We anticipate that you will participate in the National Accounts program, which will require you to provide products and services to the National Account and/or Regional Account according to the agreement we have negotiated with them. We will collect all payments from the National Account for products and services provided by you and other franchisees in the System. If a National Account has centralized billing, you will invoice us each month for any parts and services you delivered to such National Account, less your share of the revenue after deduction of any fees owed to us (such as Royalty Fees and National Marketing Fees). You will be solely responsible for collecting all payments from the Regional Account for products and services provided by you and other franchisees in the System. Upon receipt of payment by any Regional Account, you will be required to remit payment to any Regional Account salesperson, as we may designate. If you collect monies inadvertently that belong to us or another franchisee, you must promptly alert us and comply with our instructions for routing the monies to the correct party.

If you choose not to participate in the National Account or Regional Account program, or if you are unable or unwilling to provide products and services to the National Account or Regional Account as requested, we, our affiliate or a third party (which may be another franchisee) may enter your Territory and service the National Account or Regional Account, and you are not entitled to any portion of the revenue in these circumstances. We also reserve the right to terminate your participation in the National Account or Regional Account program if you are not providing products and services according to the terms we have negotiated or your participation is not otherwise in compliance with our policies.

### **ITEM 13: TRADEMARKS**

We own the Proprietary Marks after taking an assignment of them from Powersmith in September 2025. You are granted the right to use the Proprietary Marks under the terms of the Franchise Agreement. Certain of the Proprietary Marks are registered (collectively, the “Registered Marks”) on the Principal Register of the United States Patent and Trademark Office (USPTO) (“Principal Register”), as follows:

Mark	Registration Date	Registration Number	Register
	07/19/2016	5003053	Principal
FMT	07/19/2016	5,003,056	Principal

There are no agreements in effect that significantly limit our rights to use or to license the use of the Marks in any manner material to the Franchised Business.

There are no effective determinations of the USPTO, the Trademark Trial and Appeal Board, the Trademark Administrator of any State, or any Court; nor is there any pending infringement, opposition or cancellation proceeding or any pending material litigation involving the above-referenced service marks which is relevant to their use in this State or any state in which the Franchised Business may be located.

None of the above mentioned Registered Marks have come up for renewal. Therefore, we have not yet renewed any of the above mentioned Registered Marks. However, we intend to renew the Registered Marks when renewal(s) are due.

We have filed all required affidavits to maintain our rights in the Proprietary Marks.

We do not know of either superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks in this state or the state in which the Franchised Business is to be located.

#### **ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

##### **Patents and Copyrights**

There are no patents that are material to the Franchised Business. We deem all work appearing in a tangible medium of expression, whether published or unpublished, to fall within the class of our copyrights, including our Brand Standards, all advertisements, video tapes, documents and audio tapes. We have not filed any copyrights. Our right to use or license these copyrights is not materially limited by any agreement or known infringing use.

There are no current material determinations of the United States Patent and Trademark Office, the United States Copyright Office, or a court regarding any patent or copyright material to the franchise and the Franchised Business.

There are no material proceedings pending in the United States Patent and Trademark Office or any court regarding any patent or copyright material to the franchise and the Franchised Business.

There are no agreements that limit the use of any patent, patent application, or copyright material to the franchise and the Franchised Business.

We have no obligation to protect any patent, patent application, or copyright material to the franchise and the Franchised Business; or to defend you against claims arising from your use of any patented or copyrighted items material to the franchise and the Franchised Business.

We do not know of any patent or copyright infringement that could materially affect the franchise and the Franchised Business.

The Brand Standards is described in Item 11 and below. Although we have not filed an application for a copyright registration for the Brand Standards, we claim a copyright and the information in it is proprietary and confidential. You must also promptly tell us when you learn about unauthorized use of this proprietary and confidential information. We are not obligated to take any action, but will respond to this information as we think appropriate.

### **Confidential Information**

You must not, during the term of your Agreement or after the term of your Agreement, communicate, divulge or use for the benefit of any other person, partnership, association, or corporation any confidential information, knowledge or know-how concerning the methods of operation of the Franchised Business which may be communicated to you or which you may learn because of your operation under the terms of your agreement with us. You may divulge this confidential information only to those of your employees who have access to and who operate your Franchised Business. Any and all information, knowledge, know-how, techniques and other data which we designate as confidential will be deemed confidential for purposes of your Agreement.

At our request, you must have your manager and any personnel having access to any of our confidential information sign agreements that say that they will maintain the confidentiality of information they receive in connection with their employment by you at your Franchised Business. The agreements must be in a form satisfactory to us, including specific identification of us as a third party beneficiary of the covenants with the independent right to enforce them and that they prohibit any direct or indirect ownership in a competing business.

## **ITEM 15: OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

### **Franchise Agreement**

You must at all times faithfully, honestly, and diligently perform your contractual obligations. System Standards may regulate the staffing levels and employee and/or independent contractor's qualifications, training, dress, and appearance of the Franchised Business. For the first six months of operation, you are required to oversee the daily operations of the Franchised Business. Thereafter, we expect that you will participate full-time in the day-to-day operation of the Franchised Business. If you do not participate in the daily operations after the first six months of operation, you must hire a manager to oversee the Franchised Business' daily operation with our prior consent. You and the manager must satisfactorily complete our initial training. The manager need not have an equity interest in the Franchised Business but must agree in writing to preserve confidential information to which he or she has access. We may regulate the form of agreement that you use and be a third-party beneficiary of that agreement with independent enforcement rights.

After the first 3 months of operation, you are required to hire a trained professional to perform the administrative duties required to properly operate your business. This administrative professional's duties will vary but he or she will handle several day-to-day operational duties outside of what you or your general manager may handle. These duties will be determined based on the capacity and skill of your administrative professional.

If you are a corporation, limited liability company, or partnership, your owners must personally guarantee your obligations under the Franchise Agreement and must be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. If we do not require one of your owners to sign the full Guaranty, that owner still must comply with all non-monetary obligations, including the covenant not to compete, as if he or she were the franchise owner.

**ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

Each component of the System is vital to us, to other franchisees of the System and to the operation of the Franchised Business. Therefore, you must operate your Fitness Machine Technicians FMT Business in compliance with the System.

You must operate the Franchised Business in an efficient and professional manner, following the highest ethical and moral standards. You must comply with all standards of quality and service prescribed by us.

Due to changes in competitive circumstances, we may periodically change the System to better serve our interests, our franchisees and the System. We may change the components of the System, including revising the services, policies and procedures of the System, and modifying products, materials, and services which you are authorized to offer. There are no limits on our right to change the types of goods and services you must offer, and you must comply with these modifications. However, these changes will not increase your obligations under the Franchise Agreement.

We may determine the prices you may charge your customers, where permitted by applicable law. We do not guarantee that by following our pricing requirements you will earn any specific level of Gross Sales or achieve any level of profitability.

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

**THE FRANCHISE RELATIONSHIP**

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

Provision	Article in Franchise Agreement	Summary
a. Term of the franchise	Article 4	10 years

Provision	Article in Franchise Agreement	Summary
b. Renewal or extension of the term	Article 4	If you are in good standing, and subject to contractual requirements, you may sign a successor agreement for two separate additional terms of 10 years each unless we have determined, in our sole discretion, to withdraw from the geographical area where your Franchised Business is located.
c. Requirements for franchisee to renew or extend	Article 4	<p>You must provide notice that you wish to sign a successor agreement (delivered to us less than 9 months, but more than 6 months, prior to the end of the Initial Term of the Franchise Agreement); you must be current in all payments and not in default of your Franchise Agreement; if we require, you must upgrade equipment; you must sign release, sign renewal Franchise Agreement and pay the Successor Agreement fee</p> <p>You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same, and the fees in the successor agreement will not be greater than the fees that we then impose on similarly situated franchisees with successor agreements</p>
d. Termination by franchisee	None	You may seek termination upon any grounds available by state law
e. Termination by franchisor without cause	Not Applicable	The Franchise Agreement will terminate upon your death or permanent disability and the Franchised Business must be transferred within ninety days to a replacement franchisee that we approve.
f. Termination by franchisor with cause	Article 16	We can terminate only if you default

Provision	Article in Franchise Agreement	Summary
g. "Cause" defined – curable defaults	Article 16	Includes failure to pay fees; obtain approvals; comply with standards; use of unapproved products or services; improper use of the Marks or other confidential information; participation in a competing business; failure to maintain required insurance
h. "Cause" defined – non-curable defaults	Article 16	Non-curable defaults include: bankruptcy; assignment for the benefit of creditors; abandonment; conviction of a felony; material misrepresentation in obtaining the franchise; violation of law; failure to complete training; violation of confidentiality, non-competition provisions; impermissible transfers; repeated defaults; maintain false books and records; three insufficient funds fees in any 12 month period; violation of anti-terrorism laws
i. Franchisee's obligations on termination/ non-renewal	Article 17	Includes stop using Marks and System; cancel trade names; assign telephone and internet listings to us; comply with post-term covenants not to compete; return Brand Standards and other confidential information; pay amounts owed
j. Assignment of contract by franchisor	Article 15	There are no restrictions.
k. "Transfer" by franchisee – definition	Article 15	The actual or purported transfer of more than 50% of the Franchised Business
l. Franchisor approval of transfer by franchisee	Article 15	We have the right to approve all proposed transfers, but our prior written consent will not be unreasonably withheld
m. Conditions for franchisor approval of transfer	Article 15	Buyer qualifies; obligations satisfied; buyer completes training program; releases are signed; transfer fee is paid; new Franchise Agreement is signed by the buyer
n. Franchisor's right of first refusal to acquire franchisee's business	Article 15	We can match any offer to purchase

Provision	Article in Franchise Agreement	Summary
o. Franchisor’s option to purchase franchisee’s business	Article 17	We may purchase all or a portion of items containing the Marks after termination or expiration of the Franchise Agreement
p. Death or disability of franchisee	Article 15	Upon your death or disability, the Franchised Business must be transferred within 90 days (180 days in the State of Washington) to a replacement franchisee that we approve. If not timely transferred, we may terminate the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	Article 14	No involvement in a competing business
r. Non-competition covenants after the franchise is terminated or expires	Article 14	No involvement in a competing business for two years within 20 miles of any “Fitness Machine Technicians FMT” Business or within 20 miles of any Fitness Machine Technicians FMT customer location
s. Modification of the agreement	Article 19	Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with our Brand Standards, as it may be amended
t. Integration/merger clause	Section 19.4.1	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state and/or federal law). No other representations or promises will be binding. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Article 20	Subject to applicable state law and except for certain claims, all disputes must be arbitrated in North Carolina
v. Choice of forum	Articles 19 and 20	Subject to applicable state law, Arbitration must be in North Carolina (see state specific addenda)
w. Choice of law	Article 19	Subject to applicable state law, North Carolina law applies (see state specific addenda)

## **ITEM 18: PUBLIC FIGURES**

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

## **ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to 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.

This Item contains a historic performance representation of existing outlets in 2024 and/or 2025. The information generated for this Financial Performance Representation was generated by using financial reports submitted to us.

In the calendar year 2025, we had a total of 48 franchisees and a total of 141 outlets, of which 7 were affiliate-owned and 134 were franchise-owned.

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**Part I**  
**Powersmith Inc. (“Affiliate Operations”)**

In the calendar year 2025, we had a total of 48 franchisees and a total of 141 outlets, of which 7 were affiliate-owned and 134 were franchise-owned.

The table below represents the performance for the 2024 and 2025 fiscal years for our affiliate, Powersmith, Inc., which was in operation during the entire year in Malvern, Pennsylvania:

	2024		2025	
<b>Gross Sales</b>	<b>\$1,085,647</b>		<b>\$ 1,184,605</b>	
Direct Costs				
Parts & Equipment	216,997		236,350	
Service Technicians	241,879		244,236	
Outside Services	26,851		21,498	
<b>Total Direct Costs</b>	<b>\$485,727</b>		<b>\$ 502,084</b>	
<b>Gross Profit (Margin)</b>	<b>\$599,920</b>	<b>55%</b>	<b>\$ 682,521</b>	<b>58%</b>
Payroll, Taxes, Benefits	201,773		193,451	
Facility Costs	26,793		29,592	
Auto/Truck	61,790		62,399	
Utilities	16,975		12,092	
Supplies	12,841		6,403	
Professional Fees	3,000		3,600	
Insurance	11,259		5,706	
Advertising	23,475		18,636	
Merchant Service Fees	10,843		12,363	
All Other	12,730		14,077	
Royalty/Brand Fund	68,347		80,213	
<b>Total Indirect Costs</b>	<b>449,826</b>		<b>438,532</b>	
<b>EBITDA (Margin)</b>	<b>\$150,094</b>		<b>\$ 243,989</b>	
Usual expenses due to Company operations:				
Facility costs	26,793	*	29,592	*
Utility costs (Electric, trash)	5,412	**	1,569	**
General Manager expense	70,000	***	70,000	***
Employee benefits	20,000	****	20,000	****
<b>Adjusted EBITDA (Margin)</b>	<b>\$ 272,299</b>	<b>25%</b>	<b>\$ 365,150</b>	<b>31%</b>

(1) Gross Sales include all money received in the operation of the business, less sales taxes and customer refunds/adjustments.

\*Facility rent

\*\* “True” utilities such as Electricity, Water, Gas, Waste

\*\*\*General Manager

\*\*\*\* Full employee benefits

Notes regarding the above financial performance representation:

1. These results are unaudited.
2. These results represent sales of services which will be available for franchisees to sell.
3. Powersmith has been in business since 2002.

## **Part II Main Line Brands, LLC (“Franchised Business Operations”)**

Part II of this financial performance representation reflects franchised Business operating information for the fiscal year of January 1, 2025 through December 31, 2025.

As of December 31, 2025, there were 48 Fitness Machine Technicians franchisees owning 134 Fitness Machine Technicians franchised Businesses. Of the 48 franchisees that owned and operated 134 franchised Businesses as of December 31, 2025, 41 of these franchisees operating 129 franchised Businesses were in *continual* operation for the entire calendar years of 2024 and 2025. The figures set forth below are based upon these 41 franchisees, and the figures are taken directly from Gross Revenues reports made by these franchised businesses to us. Financial information concerning franchisees that were not Fitness Machine Technicians franchisees for the entire 2024 and 2025 calendar years is not included in this representation.

The average Gross Revenue of the 41 franchisees that operated 129 franchised Businesses during the 2025 fiscal year was \$489,562.

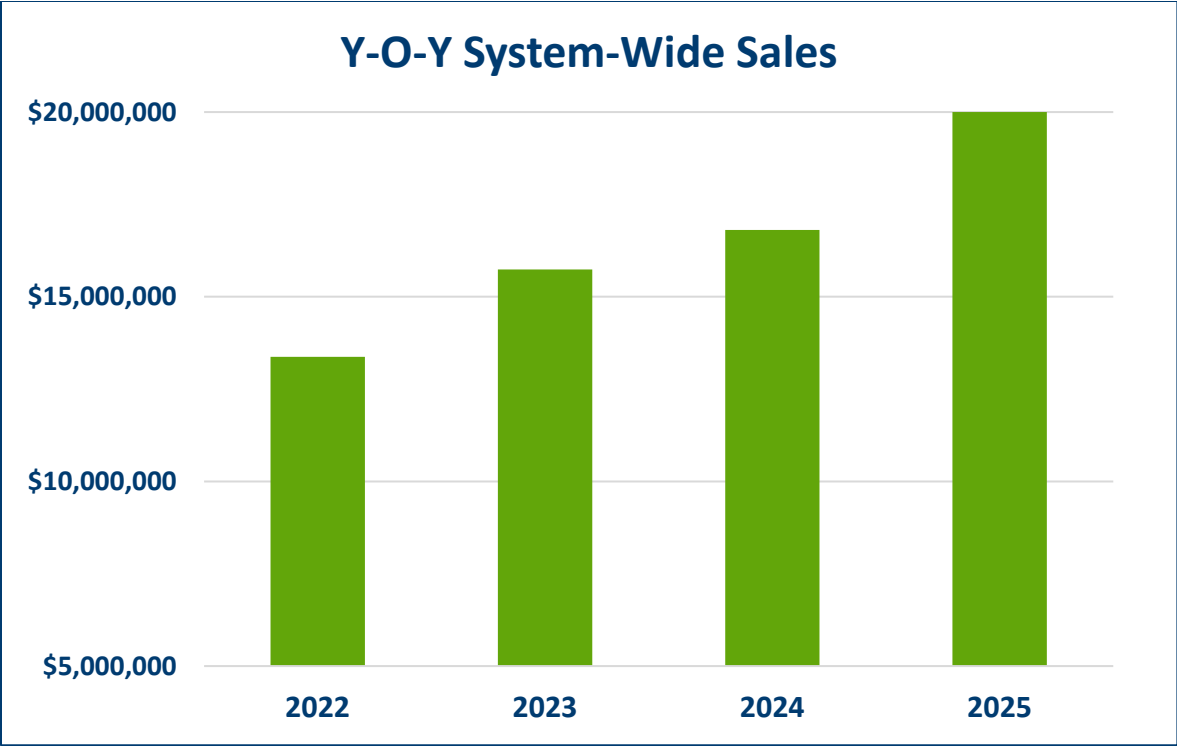
The following information is included based on the 2025 year:

- System-Wide Gross Revenue by Year
- Gross Revenue Group Metrics
- Gross Revenue Group Metrics by Years in Operation
- Gross Revenue Metrics by Quartile
- Divisional Gross Revenue Groups

### **Fitness Machine Technicians -Wide Gross Revenue January 1, 2022 – December 31, 2025**

<b>Year</b>	<b>Gross Revenue</b>
2022	\$13,373,592
2023	\$15,740,233
2024	\$16,808,744
2025	\$20,072,023

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## 2025 Gross Revenue Metrics

2025 Gross Revenue	Number of Franchisees	Number of Franchisees (%)	Number of Franchised Units Owned & Operated by Franchisees	Number of Franchised Units Owned & Operated by Franchisees (%)	
1,000,001+	5	12%	39	30%	
\$500,001-\$1,000,000	9	22%	31	24%	
\$250,001-\$500,000	10	24%	27	21%	
\$100,000-\$250,000	13	32%	23	18%	
Less than \$100,000	4	10%	9	7%	
<b>Total Franchisees</b>	41		129		
2025 Gross Revenue	Low Number of Franchised Units Owned Per Franchise	Median Number of Franchised Units Owned Per Franchise	High Number of Franchised Units Owned Per Franchise	Average Number of Franchised Outlets Owned Per Franchise	# of Franchisees that Exceed Average
1,000,001+	3	8	12	8	3
\$500,001-\$1,000,000	1	3	7	3	3
\$250,001-\$500,000	1	2.5	5	3	5
\$100,000-\$250,000	1	2	4	2	7
Less than \$100,000	1	2	4	2	1
2025 Gross Revenue	Min Length of Time Franchisee Has Owned Franchise In Years	Median Length of Time Franchisee Has Owned Franchise In Years	Max Length of Time Franchisee Has Owned Franchise In Years	Average Length of Time Franchisee Has Owned Franchise In Years	# of Franchisees that Exceed Average
1,000,001+	3.3	6.4	10.0	6.5	2
\$500,001-\$1,000,000	5.2	6.8	7.6	6.8	4
\$250,001-\$500,000	5.5	6.9	13.7	7.4	3
\$100,000-\$250,000	2.0	3.3	7.1	3.6	3
Less than \$100,000	2.2	3.4	7.3	4.1	1

## 2025 Gross Revenue by Years Active

	Low Revenue	High Revenue	Average Revenue	Median Revenue	# of Franchisees	# of Outlets	# of Franchisees Who Exceed Average
<b>At Least 2 Full Years</b>	\$30,391.16	\$176,591.70	\$126,694.44	\$145,459.51	8	13	6
<b>At Least 3 Full Years</b>	\$248,617.63	\$1,180,573.69	\$714,595.66	\$714,595.66	2	10	1
<b>At Least 4 Full Years</b>	\$65,769.31	\$102,738.21	\$84,253.76	\$84,253.76	2	5	1
<b>At Least 5 Full Years</b>	\$161,436.09	\$887,952.98	\$372,106.00	\$257,523.08	5	12	2
<b>At Least 6 Full Years</b>	\$117,198.97	\$1,773,296.72	\$716,922.29	\$659,374.34	13	58	5
<b>At Least 7+ Full Years</b>	\$39,018.62	\$1,253,549.43	\$534,530.35	\$422,701.43	11	31	5

This is a historic financial performance representation. The representation only relates to the subset of franchised outlets identified above and does not relate to the performance of all of the System's existing franchisees or franchised outlets.

No franchised outlets included in this Item 19 received any services that were not generally available to other Fitness Machine Technicians franchised outlets, and each outlet offered similar products and services as would generally be offered by a typical Fitness Machine Technicians franchised outlet.

**Some outlets have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.**

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

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 Jason Pritchard at 2359 Perimeter Pointe Parkway, Suite 250, Charlotte, North Carolina 28208 and 1-980-556-7079, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For years 2023 to 2025**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised*	2023	103	121	+18
	2024	121	132	+11
	2025	132	134	+2
Company-Owned**	2023	3	4	+1
	2024	4	8	+4
	2025	8	7	-1
<b>Total Outlets</b>	<b>2023</b>	<b>106</b>	<b>125</b>	<b>+19</b>
	<b>2024</b>	<b>125</b>	<b>140</b>	<b>+15</b>
	<b>2025</b>	<b>140</b>	<b>141</b>	<b>+1</b>

\* The Item 20 charts reflect the number of franchised territories instead of the number of specific franchisees since several franchisees have multiple franchise agreements for multiple territories.

\*\*The Company-Owned territories in the above chart are or were owned and operated by us (Nebraska) and our affiliate Powersmith, Inc. See Item 1.

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2023 to 2025**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
California	2023	0
	2024	0
	2025	0
Florida	2023	0
	2024	0
	2025	1
Georgia	2023	0
	2024	4
	2024	0
Kansas	2023	0
	2024	2
	2025	0
Kentucky	2023	0

State	Year	Number of Transfers
	2024	0
	2025	0
Massachusetts	2023	0
	2024	2
	2025	0
Nebraska	2023	1
	2024	0
	2025	1
Nevada	2023	0
	2024	2
	2025	0
New Mexico	2023	0
	2024	0
	2025	1
North Carolina	2023	2
	2024	0
	2025	0
Ohio	2023	0
	2024	0
	2025	0
Pennsylvania	2023	0
	2024	4
	2025	0
South Carolina	2023	0
	2024	0
	2025	0
Utah	2023	0
	2024	0
	2025	0
<b>Totals</b>	<b>2023</b>	<b>3</b>
	<b>2024</b>	<b>14</b>
	<b>2025</b>	<b>2</b>

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

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Arizona	2023	0	0	0	0	0	0	0
	2024	0	4	0	0	0	0	4
	2025	4	1	2	0	0	0	3
California	2023	16	0	0	0	0	0	16
	2024	16	0	0	0	0	0	16
	2025	16	0	0	0	0	0	16
Colorado	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Connecticut	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Delaware	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Florida	2023	7	1	0	0	0	0	8
	2024	8	5	0	0	0	0	13
	2025	13	2	0	0	0	2	13
Georgia	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Iowa	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Idaho	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Illinois	2023	0	4	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Indiana	2023	2	2	0	0	0	0	4
	2024	4	0	0	0	2	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2025	2	3	0	0	0	0	5
Kansas	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	1	0	0	0	2
Kentucky	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Massachusetts	2023	2	0	0	0	0	0	2
	2024	2	2	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Maryland	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
Michigan	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Minnesota	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Missouri	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Nebraska	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	1	0	0
	2025	0	0	0	0	0	0	0
Nevada	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
New Jersey	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
	2025	6	0	0	0	0	0	6
New Mexico	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	1	0	0	0	1	1
New York	2023	7	0	0	0	0	0	7

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2024	7	0	0	0	0	0	7
	2025	7	0	0	0	0	0	7
North Carolina	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
	2025	4	0	0	0	0	0	4
Ohio	2023	5	2	0	0	0	0	7
	2024	7	0	0	0	0	0	7
	2025	7	0	1	0	0	0	6
Oregon	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Pennsylvania	2023	8	2	0	0	0	0	10
	2024	10	1	0	0	0	0	11
	2025	11	0	0	0	0	0	11
South Carolina	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
	2025	3	0	0	0	0	0	3
Tennessee	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Texas	2023	9	2	0	0	0	0	11
	2024	11	0	0	0	0	0	11
	2025	11	0	0	0	0	0	11
Utah	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
	2025	3	0	0	0	0	0	3
Virginia	2023	0	2	0	0	0	0	2
	2024	2	3	0	0	0	0	5
	2025	5	0	0	0	0	0	5
Washington	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
Wisconsin	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Totals	2023	106	19	0	0	0	0	125
	2024	125	17	0	0	2	0	140
	2025	140	9	4	0	0	4	141

\*We reacquired 1 Franchised Business in Nebraska in 2023 and directly operated it until it closed in 2025.

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

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Pennsylvania	2023	3	0	0	0	0	3
	2024	3	0	4	0	0	7
	2025	7	0	0	0	0	7
Nebraska	2023	0	0	1	0	0	1
	2024	1	0	0	0	0	1
	2025	1	0	0	1	0	0
<b>Total</b>	<b>2023</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>4</b>
	<b>2024</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>8</b>
	<b>2025</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>7</b>

The Company-Owned territories in the above chart are owned and operated by our affiliate Powersmith (Pennsylvania), except that we owned and operated the Nebraska location while it was open.

**Table No. 5**  
**Projected Openings as of December 31, 2025, for 2026**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	1	1	0
Arizona	0	2	0
California	0	4	0
Florida	0	2	0
Illinois	0	2	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
New York	0	1	0
Oklahoma	0	2	0
Pennsylvania	0	1	0
South Carolina	0	1	0
Texas	1	0	0
Virginia	1	0	0
<b>Totals</b>	<b>3</b>	<b>16</b>	<b>0</b>

A list of the names of all franchisee and the addresses and telephones numbers of their Businesses is contained in Exhibit D to this Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a Business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under its agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document will be listed on Exhibit E to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Fitness Machine Technicians FMT System.

There are no trademark-specific organizations formed by our franchisees that are associated with the Fitness Machine Technicians FMT System.

## **ITEM 21: FINANCIAL STATEMENTS**

Attached to this Franchise Disclosure Document as Exhibit F are the following financial statements:

1. Our interim, unaudited financial statements for the three-month period ended March 31, 2026.
2. Our audited financial statements for the years ended December 31, 2025 and 2024.
3. Our audited financial statements for the year ended December 31, 2024 and 2023.

Our fiscal year end is December 31st of each year.

**ITEM 22: CONTRACTS**

The following agreements are attached as exhibits to this Disclosure Document:

Franchise Agreement – Exhibit B  
Form of General Release – Exhibit G

**ITEM 23: RECEIPTS**

Attached are two copies of an acknowledgment of receipt by you, acknowledging receipt of this Disclosure Document by you, together with accompanying documents. Please sign and date both, keeping one for your files.

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY

**EXHIBIT A TO THE DISCLOSURE DOCUMENT**  
**AGENTS FOR SERVICE OF PROCESS/STATE ADMINISTRATORS**

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505 or (866) 275-2677 Website: <a href="http://www.dfpi.ca.gov/">http://www.dfpi.ca.gov/</a> Email: <a href="mailto:Ask.DFPI@dfpi.ca.gov">Ask.DFPI@dfpi.ca.gov</a>	Commissioner of Financial Protection and Innovation, Department of Financial Protection and Innovation, 320 West 4th Street, Suite 750, Los Angeles, California 90013, (213) 576-7505 or (866) 275-2677, Website: <a href="http://www.dfpi.ca.gov/">http://www.dfpi.ca.gov/</a> , Email: <a href="mailto:Ask.DFPI@dfpi.ca.gov">Ask.DFPI@dfpi.ca.gov</a>
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Department of Commerce and Consumer Affairs 1010 Richard Street Honolulu, Hawaii 96813	Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registrations Division, 335 Merchant Street, Room 205, Honolulu, Hawaii 96813
ILLINOIS	Illinois Attorney General Franchise Division 500 South Second Street Springfield, Illinois 62706	Illinois Attorney General, 500 South Second Street, Springfield, Illinois 62706
INDIANA	Indiana Secretary of State Franchise Section 302 West Washington Room E-111 Indianapolis, Indiana 46204	Secretary of State 201 State House 200 W. Washington Street
MARYLAND	Maryland Securities Commissioner Franchise Section 200 St. Paul Place 20th Floor Baltimore, Maryland 21202-2020	Maryland Securities Commissioner Office of the Attorney General 200 St. Paul Place Baltimore, Maryland 21202
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing Michigan 48913	Department of Labor & Economic Growth, Commercial Services & Corporations Bureau, 611 W. Ottawa Street, Lansing, Michigan 48909

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 Saint Paul, MN 55101 (651) 539-1600	Minnesota Dept. of Commerce, 85 7th Place East, Suite 280, St. Paul, MN 55101-2198, (651) 539-1500
NEW YORK	New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222	Secretary of State of New York 99 Washington Avenue Albany, NY 12231 (518) 473-2492
NORTH DAKOTA	North Dakota Insurance & Securities Department 600 East Boulevard Avenue, Dept. 401 Bismarck, North Dakota 58505  Phone 701-328-2910	Insurance Commissioner North Dakota Insurance & Securities Department 600 East Boulevard Avenue, Dept. 401 Bismarck, North Dakota 58505 Phone 701-328-2910
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director, Department of Consumer and Business Services, Division of Finance and Corporate Securities, Labor and Industries Building, Salem, Oregon 97310
RHODE ISLAND	Division of Securities 233 Richmond Street, Suite 232 Providence, Rhode Island 02903	Director, Department of Business Regulation, 233 Richmond Street, Suite 232, Providence, Rhode Island 02903
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre SD 57501 (605) 773-3563	Division of Insurance, Securities Regulation, 124 S. Euclid, Suite 104, Pierre SD 57501, (605) 773- 3563
VIRGINIA	State Corporation Commission 1300 East Main Street, 9th Floor Richmond, Virginia 23219	Clerk of the State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, Virginia 23219
WASHINGTON	Securities Division, Department of Financial Institutions PO Box 41200 Olympia, WA 98504-1200	Director of Financial Institutions Securities Division 150 Israel Rd. S.W. Tumwater, Washington 98501
WISCONSIN	Securities and Franchise Registration Wisconsin Securities Commission P.O. Box 1768 Madison, Wisconsin 53701-1768	Commissioner of Securities, Fourth Floor, 345 West Washington Avenue, Madison, Wisconsin 53703

**EXHIBIT B TO THE DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**



**MAIN LINE BRANDS LLC**

**FRANCHISE AGREEMENT**

**Type of Franchise:**

**Full-Size Franchise** \_\_\_\_\_

**Hometown Franchise** \_\_\_\_\_

\_\_\_\_\_  
**FRANCHISEE**

\_\_\_\_\_  
**DATE OF AGREEMENT**

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### ATTACHMENTS:

1	Territory
2	Confidentiality (and Non-Competition) Agreement
3	Internet Website and Listings Agreement; Telephone Listings Agreement
4	Guaranty
5	Multi-State Addendum
6	Electronic Funds Transfer Authorization
7	Transfer of Franchise to a Corporation or Limited Liability Company
8	Accounts Program Participation Agreement
9	Sample Financing Amendment to Franchise Agreement and Promissory Note

**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (“**Agreement**”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_, (the “**Effective Date**”) by and between Main Line Brands LLC, a Delaware limited liability company (“**Franchisor**”, “**we**”, “**us**” or “**our**”), having its principal place of business located at 2359 Perimeter Pointe Parkway, Suite 250, Charlotte, North Carolina 28208, \_\_\_\_\_ (“**Franchisee**”, “**you**” or “**your**”), whose principal place of business is located at \_\_\_\_\_, and \_\_\_\_\_ (“**Principal(s)**”).

**W I T N E S S E T H:**

**WHEREAS**, we, our affiliate and our predecessor have developed, and we are in the process of further developing, a unique, proprietary and evolving system (“**System**”) relating to the establishment and operation of a business that provides maintenance and repair products and services for exercise equipment using the Proprietary Properties, Copyrights, Confidential Information, and Proprietary Marks, all as defined in further detail below;

**WHEREAS**, you desire to enter into the business of owning and operating an “Fitness Machine Technicians FMT” Franchised Business (“**FMT Business**” or “**Franchised Business**”) in accordance with the System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance provided by us in connection therewith;

**WHEREAS**, you understand and acknowledge the importance of and benefits to be derived from the System, as well as our high standards of quality and service and the necessity of operating the Franchised Business in conformity with our standards and specifications;

**WHEREAS**, you desire to obtain a Franchise to use the System and the Proprietary Marks at the location described in Attachment 1 pursuant to the provisions of this Agreement, and you have had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Franchise Agreement by counsel of your own choosing, and you represent and warrant that you have the business experience and financial ability to operate an FMT Business;

**WHEREAS**, you acknowledge that you have read this Agreement and our Disclosure Document and that you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain uniform high standards of quality at all locations and to protect the goodwill of the Proprietary Marks;

**WHEREAS**, you acknowledge that this Agreement places detailed and substantial obligations on you including strict adherence to our reasonable present and future requirements regarding facilities, equipment, suppliers, operating procedures, licensing requirements, management protocols and procedures, merchandising strategies, sales promotion programs and related matters. You acknowledge that future improvements, changes and developments in the System may require additional expense to be undertaken by you, but shall not be unreasonably imposed by us.

**NOW, THEREFORE**, for and in consideration of the mutual undertakings, covenants, premises and commitments contained above and below, and other good and valuable consideration-, the receipt and sufficiency of which are hereby acknowledged, **IT IS AGREED**, as follows:

## **ARTICLE 1: DEFINITIONS**

1.1 In addition to any other terms defined in this Agreement, the following definitions shall govern this Agreement:

1.1.1 “**Agreement**” means this document, including all exhibits hereto and documents referenced and incorporated herein, and any properly executed documents or agreements modifying the System.

1.1.2 “**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.

1.1.3 “**Artificial Intelligence**” means a field of science concerned with building computers and machines that can reason, learn, and act in such a way that would normally require human intelligence or that involves data whose scale exceeds what humans can analyze.

1.1.4 “**Brand Standards**” means, but is not limited to, collectively, all directives, books, pamphlets, bulletins, memoranda, order forms, packing slips, 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 us or on our behalf for use by the franchisees generally or for you in particular, setting forth information, advice and standards, requirements, marketing information and procedures, operating procedures, instructions or policies relating to the operation of the FMT Business or the operation of franchises, as same may be added to, deleted or otherwise amended by us from time to time.

1.1.5 “**Confidential Information**” means our: (a) trade secrets and know-how, whether existing now or created during the term of this Agreement by us, our affiliates and/or one (1) or more of our franchisees (and assigned back to us), as conveyed to you, that relate to, *inter alia*, our products and/or processes, marketing practices, and business methods, affairs, tools and techniques, as well as including our client lists and trade relationships including pricing information, which tends to give us and our network of franchisees a competitive edge over others who provide the same or similar products or services in the field of exercise equipment maintenance and repair; (b) inventions that may be protected by the filing of U.S. patent applications under Title 35 of the United States Code and/or foreign statutory counterparts; and (c) all unpublished or otherwise confidential work that has been rendered and “work made for hire” protected under Title 17 of the United States Code and other applicable foreign copyright statutes. Confidential Information need not take the form of any particular tangible medium of expression, but may also be found or contained in the form of records, magnetic media, papers, photographs, catalogs, books, cassettes, videotapes, computer files, or stored or fixed on computer hard or soft disks or diskettes.

1.1.6 “**Copyrights**” means all work rendered in a tangible medium of expression as defined under U.S. Copyright Law, 17 U.S.C. Sec. 101, *et seq.*, that relates to the FMT Business, whether published or unpublished, whether confidential or not, whether created by us, our affiliates or one (1) or more of our franchisees, assigned hereunder to and owned by us and licensed for use by you as part of the FMT Business under this Agreement, including without limitation, the Brand Standards.

1.1.7 “**Franchised Business**” or “**FMT Business**” means the business that you are licensed to conduct in the Territory.

1.1.8 “**Proprietary Marks**” means all the Proprietary Marks, service marks, logos, emblems, and indicia of origin used or contemplated to be used by us and/or one (1) or more of our franchisees and other such trade names, service marks and Proprietary Marks as may be designated now or hereafter by us.

1.1.9 “**Proprietary Properties**” means the Copyrights, Confidential Information, and Proprietary Marks.

1.1.10 “**Social Media**” means any and all existing or future forms of electronic communication, whether for business or personal use (including via Internet forums, weblogs, social blogs, wikis, podcasts, pictures and videos) through which users create or use online networks or communities (including but not limited through online communities such as Facebook, Twitter, Instagram, SnapChat, LinkedIn, YouTube, Yelp or Wikipedia and other similar content sharing outlets) to share information, ideas, personal messages, and other online content.

1.1.11 “**System**” means the conglomerate of Proprietary Properties created as a result of the expenditure of time, skill, effort, and money, for the provision of exercise equipment maintenance and repair services, consisting of all services provided and the marketing of such services.

1.1.12 “**Territory**” means and constitutes the territorial limits of the exclusive license granted to you hereunder (geographically defined in Attachment 1) to use the Proprietary Marks, Confidential Information, Copyrights, and any other Proprietary Properties as part of the System in connection with the Franchised Business, in accordance with the definitions and terms of this Agreement. A typical Territory will include an area containing a population of approximately eight hundred thousand (800,000) people.

1.1.13 “**Website**” means an Internet website that we may develop and maintain to advertise and promote ourselves and FMT Businesses generally, and the Products and Services offered by FMT Businesses, and to facilitate the sale of Franchises for a FMT Business.

## **ARTICLE 2: GRANT OF FRANCHISE AND LICENSE**

### **2.1 Grant of Franchise**

Subject to the provisions of this Agreement and all documents or other agreements ancillary thereto:

2.1.1 We hereby grant to you, and you hereby accept, the exclusive franchise and license to operate an FMT Business within your Territory, in accordance with our specifications and this Agreement, and subject to our approval. This license is not sub-licensable, sub-contractable, nor assignable, except as may be set forth in this Agreement.

2.1.2 You agree to use the Proprietary Properties solely for the Franchised Business in your Territory, and for no other purpose.

2.1.3 The Initial Franchise Fee for a Full-Size Franchise is \$45,000, which is based on an area with a combined population of up to approximately 800,000 people based on the most recent U.S.

Census data. The Initial Franchise Fee for a Hometown Franchise is \$25,000. See the Cover Page of this Agreement.

## **2.2 Relocation of the Franchised Business**

You may not relocate your Franchised Business without our prior approval. We will not unreasonably withhold our approval, except that the new location must be within your Territory and must not have any adverse impact on the sales of franchisees in any adjoining Territory. If you wish to relocate your Franchised Business to a location outside of your Territory, the area to which you wish to relocate your Franchised Business must be available (not sold to another franchisee in the System) and you must be in compliance with this Agreement. If you operate the Franchised Business from a home office and you choose to sell your home and move to a new area, we reserve the right to require you to lease premises within your Territory for the Franchised Business.

## **ARTICLE 3: TERRITORIAL SCOPE, RESTRICTIONS ON YOU AND OUR RESERVED RIGHTS**

### **3.1 Restriction on Use of Proprietary Properties**

Your right to operate the Franchised Business and the right to use and display the Proprietary Marks and other Proprietary Properties is restricted to the Territory described in Attachment 1. No use of any part or all of the Proprietary Properties is permitted outside of the Territory, unless in accordance with this paragraph.

### **3.2 Limitations on Your Activities**

Your activities are limited to offering and selling those products and services permitted by way of this Agreement under the System from the approved location(s) in the Territory. You have been granted no right of ownership in and/or to any part or all of the Proprietary Properties.

### **3.3 Rights Reserved to Us**

We reserve the right: (i) of ownership in, and control over the Proprietary Properties; (ii) to grant additional franchises, whether similar or dissimilar to the franchise granted by this Agreement, outside of the Territory; (iii) to engage fully and freely and without limitation in each and every aspect of the business of selling related services, products and equipment; (iv) to offer to the public-at-large, separately, jointly or with others, all related services and/or products of every type and kind; and (v) to employ and exploit the Proprietary Marks, Copyrights, and Confidential Information in connection therewith. Notwithstanding, if we determine that you are unable or unwilling, or you notify us that you are unable or unwilling, to offer, sell or perform products and services for a prospective customer in the Territory, then we, our Affiliates or another franchisee designated by us may offer, sell and perform such products and services to the customer as we deem appropriate without any payment to you.

### **3.4 National and Regional Account Programs**

We maintain National Account and Regional Account programs. A National Account is a customer that has multiple properties across multiple Territories and/or states. A Regional Account is a customer that has multiple properties in a singly Territory and/or state. You may not negotiate any contract terms with a prospective National Account or Regional Account. We will have sole discretion to negotiate terms with the National Accounts and/or Regional Accounts. We anticipate that you will participate in the National Accounts program, which will require you to provide products and services to the National Account and/or Regional Account according to the agreement we have negotiated with them. We will

collect all payments from the National Account for products and services provided by you and other franchisees in the System. You will invoice us each month for any parts and services you delivered to such National Account, less your share of the revenue after deduction of any fees owed to us (such as Royalty Fees and National Marketing Fees). You will be solely responsible for collecting all payments from the Regional Account for products and services provided by you and other franchisees in the System. Upon receipt of payment by any Regional Account, you will be required to remit payment to any Regional Account salesperson, as we may designate. If you collect monies inadvertently that belong to us or another franchisee, you must promptly alert us and comply with our instructions for routing the monies to the correct party.

If you choose not to participate in the National Account or Regional Account program, or if you are unable or unwilling to provide products and services to the National Account or Regional Account as requested, we, our affiliate or a third party (which may be another franchisee) may enter your Territory and service the National Account or Regional Account, and you are not entitled to any portion of the revenue in these circumstances. We also reserve the right to terminate your participation in the National Account or Regional Account program if you are not providing products and services according to the terms we have negotiated or your participation is not otherwise in compliance with our policies. Should you choose to participate in the National Account and Regional Account programs, you shall execute the Accounts Program Participation Agreement, annexed hereto as Attachment 8.

#### **ARTICLE 4: TERM AND SUCCESSOR OPTION**

##### **4.1 Initial Term**

The term of this Agreement shall be ten (10) years commencing on the date of this Agreement, unless sooner terminated in accordance with the provisions of this Agreement (the "Initial Term").

##### **4.2 Successor Option**

Subject to the provisions of this Section, you shall have an option (exercisable only by written notice delivered to us less than nine (9) months, but more than six (6) months, prior to the end of the Initial Term of this Agreement) to enter into a new franchise agreement with other agreements and legal instruments and documents customarily employed by us and in the form then generally being offered to prospective franchisees in the state in which the Franchised Business is located (the "Successor Franchise Agreement") for additional periods of ten (10) years each, if:

4.2.1 you have been, throughout the Initial Term of this Agreement, in substantial compliance, and at the expiration of such Initial Term are in full compliance, with this Agreement, the lease and all other agreements between you and us or companies associated or affiliated with us;

4.2.2 you enter into our then-current Franchise Agreement and all other ancillary agreements, instruments and documents then customarily used by us in the granting of franchises (which then-current Franchise Agreement may materially differ from this Agreement, including a higher rate of fees, different methods of calculating fees due, and different payment methods, which shall be the same as those set out in the franchise agreements being executed at the time of the successor term);

4.2.3 at the time the successor option is exercised and at the time such successor term commences, all monetary obligations to us and any affiliate of ours must be current and must have been current at all times during the preceding twelve (12) months;

4.2.4 you execute a general release running in favor of us, our affiliates and our respective officers, directors and shareholders releasing all claims against us, our officers, directors and shareholders; and

4.2.5 you pay to us a Successor Agreement fee equal to \$3,500.

#### **4.3 Refusal to Grant a Successor Franchise Agreement**

We may refuse to extend your rights to operate the FMT Business if you have:

4.3.1 Permitted to occur any breach under Section 16 of this Agreement or failed to remedy any breach of this Agreement specified by us in a written notice to you under Section 16 of this Agreement; or

4.3.2 Committed and received notice of two or more breaches of this Agreement in the 24 months prior to the end of the current Initial Term, even if such breaches were timely remedied; or

4.3.3 You have not given us a written notice of intent to extend your rights to operate the FMT Business no less than 6 months or more than 9 months prior to expiration of the Initial Term, which shall be deemed an election not to extend your rights to operate the FMT Business; or

4.3.4 The Franchisee is not current in payment obligations to us or to your trade creditors.

#### **4.4 Successor Term Under Law**

Even if we decline to grant you a successor term for your franchise, it is possible that we can be required to grant you a successor term under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the concerned law, rule, regulation, statute, ordinance or order, your successor term will be subject to the conditions of the Franchise Agreement we are using for new franchisees at the time the successor term begins. If we are not then offering new franchises, your successor term will be subject to the terms in the Franchise Agreement that we indicate. If for any reason that is not allowed, the successor term will be governed by the terms of this Agreement.

#### **4.5 Your Election Not to Sign a Successor Franchise Agreement**

For the purposes hereof, you shall be deemed to have irrevocably elected not to sign a Successor Franchise Agreement hereunder (and the option to do so shall thereupon terminate) if you fail to execute and return to us our then-standard Franchise Agreement and other ancillary documents required by us for a successor franchise within thirty (30) days after we have delivered them to you.

### **ARTICLE 5: OUR DUTIES**

#### **5.1 Brand Standards**

We will, in conjunction with our training program and in conformity with the terms and conditions of this Agreement, loan to you for the Initial Term our Brand Standards in hardcopy or electronic form as we deem appropriate in our sole discretion. Use of any part or all of the Brand Standards shall be only as permitted under this Agreement, and during its term.

## **5.2 Additional Documentation**

In addition to any other training offered to you, we will from time to time furnish to you other documents and things comprising the Copyrights or Confidential Information, including instructions, data, materials, forms or other information to the extent developed by us in connection with the operation of the System. We have the right to reasonably incorporate such matters in the Brand Standards and you are required to conduct the operations of the Franchised Business in accordance therewith.

## **5.3 Initial Training Program and Additional Assistance**

With respect to all franchisees, within sixty (60) days after signing this Agreement, we will offer and you will be required to complete to our satisfaction a training program (the "Training Program") of such duration as we deem necessary at our headquarters or at such location(s) as we designate. The Training Program will include training regarding operational, management and marketing training pertaining to the FMT System for you and up to two (2) additional persons, for a maximum of three (3) trainees. You shall pay for all of the expenses your trainees incur while attending training, including, but not limited to, travel, lodging, meals and applicable wages.

5.3.1 We will pay no compensation for any services performed by the trainees in the course of training.

5.3.2 We reserve the right to determine and change the subject matter and content of the Training Program.

5.3.3 We will provide such additional advisory assistance and training as we deem advisable in the operation of the System, on such terms and conditions as we determine and set forth in the Brand Standards or otherwise. We may, in our sole and exclusive discretion, cause our representatives to telephone or visit you from time to time for the purpose of rendering advice and consultation with respect to the operation of the Franchised Business, assessing your overall performance and determining whether you are conducting the Franchised Business in compliance with the standards of the System. You will comply with all such requests and visitations, and provide all information requested upon reasonable notice. If we generate an inspection report as a result of any such telephone call or visit, then we shall supply a copy of that inspection report to you, upon your reasonable written request.

5.3.4 We may, at your reasonable request, enroll additional individuals in the Training Program, provided that you pay us our then-current training fee (as set forth in the Brand Standards), as well as the expenses of the additional trainees, including travel, lodging, meals and applicable wages. Such requests will be honored in accordance with the availability of our training staff.

5.3.5 We reserve the right to elect or decline to train any number of individuals representing any number of franchises individually, or at the same time. Every trainee must sign a Confidentiality and Non-Compete Agreement in advance of receiving any such training.

## **5.4 Refresher Training**

We may hold periodic refresher training classes, and we may designate that attendance at such refresher training is mandatory for all franchisees unless absence is excused by us. We may charge a fee for refresher training, and you must pay all expenses you and your trainees incur while attending any refresher training, including travel, lodging, meals and applicable wages.

## **5.5 Purchases of Materials; Approved Suppliers**

In order to maintain uniformity of concept, color and quality, all proprietary materials and forms, the FMT equipment and materials bearing the Proprietary Marks (including letterhead, business cards, brochures, labels, uniforms, etc.) that are used by you in the operation of your Franchised Business must be purchased from us, our affiliates or the suppliers we designate. We and our affiliate, if an approved supplier of any item, reserve the right to earn a profit on the sale of such items to you. The use or sale of unapproved products or services constitutes a material and incurable breach of this Agreement unless such use or sale occurs as a consequence of an extreme situation and does not constitute a normal business activity.

We will, at all times during the term of this Agreement, provide information pertaining to sources of supply of those proprietary and non-proprietary products and services which may be used in this System. A list of approved suppliers for the System will be included in the Brand Standards and may be modified or updated by us at any time upon written notice to you. If you wish to use a supplier or product that has not previously been approved by us, you must make a request to us in writing for our approval of the supplier or product, including any pertinent information we require. We will notify you in writing within thirty (30) days if and when a supplier or product is approved, and our approval will not be unreasonably withheld. You or the supplier must reimburse us for our costs related to evaluating the proposed supplier or product. We reserve the right to re-inspect any supplier or product to ensure that the supplier or product continues to conform to our reasonable specifications and standards. If a supplier or product fails to conform to our reasonable specifications and standards, we may revoke our approval of the supplier or product, and you must discontinue using the unapproved product or purchasing from the unapproved supplier after notice from us.

## **5.6 Computer System**

We reserve the right to specify the particular required or approved computer hardware, software and peripheral equipment which you must purchase or lease in order to effectively operate your Franchised Business.

## **5.7 Pricing**

We may advise you in writing, from time to time and to the extent permitted by applicable law, concerning the minimum and/or maximum prices which you shall charge your customers for services provided or goods sold under the System. You understand and acknowledge that you are required to adhere to our pricing requirements, but nothing contained herein shall be deemed a representation by us that if you comply with our requirements you will, in fact, generate or optimize profits.

## **5.8 National Marketing Fund**

We will administer the National Marketing Fund, as described in Article 10 hereof.

## **5.9 Force Majeure**

Delays in the performance by either party of any obligations that are not the fault of nor within the reasonable control of the delayed or non-performing party, including fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders, do not give rise to a default by the other party. Rather, the other party will be required to extend the time of performance of any such obligations for the period of such delay or for such other reasonable period of time as may be appropriate in the circumstances. In no event shall any "force majeure" event as described herein include your lack of sufficient operating capital.

## **5.10 Meetings of Franchisees**

At Franchisor's discretion, Franchisor may hold periodic conferences, seminars and workshops to discuss sales techniques, new product developments, bookkeeping, training, accounting, inventory control, performance standards, advertising programs, merchandising procedures and other topics, some or all of which may be mandatory. Franchisee must pay all applicable workshop, seminar, and conference fees, if any, as well as all travel and living expenses incurred by Franchisee to attend such programs. Fees to attend a workshop, seminar, or conference will generally range from \$500 to \$5,000, which may include a conference registration fee currently expected to range from \$399 to \$999 per attendee. Franchisor may require that Franchisee attend certain workshops, seminars, or conferences. These events may be held at Franchisor's then current headquarters or at another location designated by Franchisor.

Franchisee must attend Franchisor's annual system-wide conference each year (the "Annual Conference"). The Annual Conference may be held at Franchisor's then current corporate headquarters or at another location selected by Franchisor. Attendance must be by Franchisee or by an individual who is actively involved in the day-to-day management and operation of the Franchised Business and has decision-making authority. Attendance by other franchise owners, investors, or individuals not directly involved in the Franchised Business will not satisfy this requirement. Franchisor reserves the right to determine whether an attendee satisfies this requirement. If Franchisee or its qualifying representative fail to attend a required Annual Conference, Franchisee will be charged a non-attendance fee equal to the greater of (i) \$699 or (ii) the then-current standard registration fee for that year's Annual Conference.

## **5.11 Service Vehicles**

We shall approve each vehicle you propose to use in connection with your Franchised Business, which shall include the signage and/or vehicle wrap we require. We will not unreasonably withhold our approval of a service vehicle you propose, provided that it meets our specifications and requirements. We reserve the right to designate a specific make and model of vehicle that you must use in the operation of the Franchised Business. Each vehicle you obtain for your Franchised Business must be wrapped according to our specifications and must be in excellent condition (including no visible rust or body damage). If you have more than one service vehicle, you are permitted to have branded magnets on the body of the vehicle in lieu of wrapping for a period of 6 months. All additional vehicles operated for the benefit of your Franchised Business must be wrapped to our specifications no later than 6 months after obtaining the vehicle.

## **5.12 Additional Assistance or Training**

During the term of this Agreement, if you request that we provide additional training or assistance on-site at your Franchised Business, or if we determine that you require additional training or assistance (including, without limitation, related to a mystery shop as described in Section 9.18 below), you must pay our then-current per diem fee for each representative we send to you to provide training or assistance, and you must reimburse each representative's travel, lodging and meals expenses while providing the additional on-site training or assistance. We require you to pay a deposit to us of a portion of the estimated costs related to such additional assistance or training, and the balance due is payable by you to us within seven (7) days after your receipt of our invoice.

## **5.13 Preventative Maintenance Estimate Review**

During your first year of operation, we strongly encourage you to forward to us for our review the preventative maintenance estimates you prepare for your customers. Our review of any estimates you forward to us will assist us in providing training to you to refine your operation of the Franchised Business.

We reserve the right to require you to provide us with copies of your preventative maintenance estimates at any time for our review, including if we receive a complaint from one of your customers.

## **ARTICLE 6: CONFIDENTIAL BRAND STANDARDS**

### **6.1 Operation of Franchised Business in Accordance with Brand Standards**

In order to protect the reputation and goodwill of the Franchisor, the System, and the Proprietary Properties, and to maintain requisite operating standards under the Proprietary Marks, you will conduct your Franchised Business in accordance with the provisions, standards, and procedures set forth in this Agreement and in the Brand Standards, which governs solely operational issues. We reserve the right to provide the Brand Standards electronically, such as via a CD-ROM or a password-protected intranet website.

### **6.2 Confidentiality**

You will at all times treat the Brand Standards, and any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained therein as Confidential Information, and shall use all efforts to maintain such information as secret and confidential in accordance with the terms and conditions governing Confidential Information and Copyrights, including the following. You will not, at any time, without our prior written consent, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person. The persons who are authorized include your owners and management personnel who have executed the Confidentiality (and Non-Competition) Agreement, annexed hereto as Attachment 2.

### **6.3 The Brand Standards Remain Our Property**

The Brand Standards will at all times remain our sole property, and shall be returned to us immediately upon the expiration or termination of this Agreement.

### **6.4 Revisions to the Brand Standards**

We may, from time to time, revise the contents of the Brand Standards when we reasonably consider such revisions to be necessary to improve or maintain the standards of the System and you expressly agree to comply with each new or changed standard, provided, however, that such revisions relate solely to operational matters, are made for all franchisees, are reasonable in nature, and comply with the conditions of Section 5.2 above. Any such revisions to the contents of the Brand Standards are deemed effective seven (7) days after the date of notification to you unless otherwise specified by us.

### **6.5 Precedence of Terms**

You acknowledge the contents of the Brand Standards, and any revisions or modifications made to the Brand Standards, constitute additional provisions of and modifications to this Agreement as if fully set forth in this Agreement. Should any term of the Brand Standards not be consistent with any term of this Agreement, then this Agreement will take precedence over the inconsistent term in the Brand Standards, the inconsistent term of the Brand Standards will not be followed, and the inconsistent term of the Brand Standards, once brought to our attention, will be promptly changed to conform with the term of this Agreement.

### **6.6 Brand Standards Kept Up to Date**

You will at all times insure that your copy of the Brand Standards is kept current and up to date, and in the event of any dispute as to the contents of the Brand Standards, the terms of the master copy of

the Brand Standards maintained by us at our home office is controlling. All changes and revisions will be dated and numbered by us. You will receive one (1) copy of the Brand Standards on loan from us for operations purposes.

### **6.7 Improvements to the System**

To the extent that any improvements, inventions or discoveries are made by you or your employees or agents during the course of this Agreement and relating to the Proprietary Properties or System (“improvements”), such improvements are deemed assigned to, and owned by us for the purpose of improving the entirety of the franchised network, and the provision of goods and services in accordance with the System. All documents and other information concerning any such improvements will be disclosed to us promptly after creation or invention. We will, in our sole reasonable discretion, determine whether such improvements are worthy of inclusion in the System, and the best and most practical method of implementation and protection. You will execute all documents reasonably necessary to perfect our ownership in and to any such improvements, and will cooperate with us in the creation, implementation, use and protection thereof.

## **ARTICLE 7: PROPRIETARY MARKS, TRADE NAMES AND COPYRIGHTED MATERIALS**

### **7.1 No License to the Proprietary Properties**

The license granted in Section 2.1 does not grant you any right, title or interest, at law or in equity, in or to any of the Proprietary Properties, including the Proprietary Marks, Copyrights, and Confidential Information, beyond the license. Further, the license applies only to those portions of the Proprietary Properties which have been or may in the future be designated in writing by us for use by you in conjunction with the operation of the Franchised Business. You will not represent to others, or conduct yourself in any manner that might indicate to others, that you possess any other legal or equitable rights in or to the Proprietary Properties by virtue of the license granted hereunder. The execution of this Agreement by you further establishes your consent that the Proprietary Marks, Copyrights and Confidential Information are valid and enforceable (without defense or recourse), and owned by us or our affiliates. You represent and warrant that you will not attack the validity or, enforceability or ownership of any of the Proprietary Properties, or assist another in any such attack, during the course of this Agreement or thereafter. The terms of this Section shall survive termination or expiration of this Agreement for any reason, in addition to any of the other remedies or survival provisions otherwise contained in this Agreement.

### **7.2 No Act in Derogation**

You will not do or permit any act in derogation of any of the rights of us or our affiliates to the Proprietary Properties.

### **7.3 No Contest or Dispute**

You will not contest or dispute our or our affiliates’ title to any part or all of the Proprietary Properties.

### **7.4 Use of Proprietary Properties**

You shall use the Proprietary Properties solely in accordance with this Agreement and the Brand Standards.

### **7.5 Restriction on Use of Proprietary Properties**

You shall not use the Proprietary Properties, or any words, phrases, symbols, trade dress, colors, logos or materials which we deem confusingly similar thereto, in your trade name (or for any other purpose) without our prior written approval. In that connection, you will identify yourself to the public as an independent contractor using such language as we shall specify.

### **7.6 Discontinuance of Use; Telephone Numbers**

In addition to all post-termination provisions contained in this Agreement, you agree that after the expiration or termination of this Agreement, you will discontinue the use of the telephone number(s) of the Franchised Business and any internet websites or domain names, whether or not established with our consent; you will not advertise in any telephone directory under the name "FMT" or any other name, phrase or logo used by the System; you will discontinue the use of any or all of the Proprietary Properties; and you will not use any words, phrases, logos, designs, colors, trade dress or the like that in any manner may cause customer confusion, or resemble, be confusingly similar to, or be a colorable imitation of the Proprietary Properties. Additionally, upon our demand, you will direct your local telephone company and internet service provider(s) to transfer the telephone number(s) and any internet websites, domain names or listings to us or our designee by utilization of the forms annexed hereto as Attachment 4, to be signed by you concurrently with signing this Agreement. If you fail promptly to direct your telephone company and internet service provider(s) to effect such transfer, you hereby irrevocably appoint us as your attorney-in-fact to so act.

### **7.7 Notification of Claim**

If you receive notice or learn of any actual or potential claim, suit or demand that has been or may be asserted against you or us involving any alleged infringement, unfair competition, or similar matter relating to the use of the Proprietary Properties, you will promptly notify us of any such actual or potential claim, suit or demand (a "Claim") and provide complete disclosure of all information concerning or relating to such Claim, including, if requested, affidavit or other sworn testimony as we shall reasonably request to evaluate the Claim. Thereupon, we will promptly take such action as we may deem necessary in our sole discretion to address the Claim. We shall have the sole right to defend, compromise or settle the Claim using attorneys of our own choosing, and you agree to cooperate fully with us in connection with the defense of the Claim. We shall protect, defend and indemnify you in connection with the Claim unless it arises out of or relates to your use of the Proprietary Properties in violation of this Agreement, the Brand Standards, the Training Program or otherwise.

### **7.8 Notification of Unauthorized Use**

If you learn of any unauthorized use of the Proprietary Properties, you will promptly notify us of the facts relating to such alleged infringing use. We will, in our discretion, determine whether or not to take any action with respect to such information. You have no right to take any action with respect to any unauthorized use of the Proprietary Properties without our prior written consent. We will exercise our discretion based upon, among other things, a cost/benefit analysis of the specific situation as well as the status of any cost sharing agreements that exist or may be arranged with the franchisees to support the subject litigation. We have no obligation, expressed or implied, to take any action with respect to any unauthorized use of the Proprietary Properties when such action does not, at our sole discretion, satisfy our cost/benefit requirements.

You expressly consent and agree that representation of you (or any other franchisee, including its principals) in any Claim by our legal counsel is not substantially related to any issue that may arise between you and us under this Agreement, and that any conflict of interest, actual or implied, as a result of the representation of you in any such Claim by our designated legal counsel is hereby waived. You expressly

agree that you will take no action whatsoever to attempt to create any such conflict of interest, nor shall you seek the disqualification of our legal counsel as a consequence of the representation of you in any such Claim. Violation of this provision governing the status of our designated legal counsel shall result in automatic and incurable breach of this Agreement.

## **7.9 No Ownership; Modification of Proprietary Properties (including Proprietary Marks)**

You understand and agree that the limited license to use the Proprietary Properties granted by this Agreement applies only to such properties as are designated by us, together with those which may hereafter be designated by us in writing. You expressly understand and agree that you are bound not to represent in any manner that you have acquired any ownership or equitable rights in any of the Proprietary Properties by virtue of the limited license granted under this Agreement, or by virtue of your use or creation of any of the Proprietary Properties, or upon any other basis.

7.9.1 If it becomes advisable at any time, in our discretion, to modify or discontinue use of any aspect of the Proprietary Properties and/or to adopt or use one or more additional or substitute items, then you shall be obligated to comply with any such instruction by us, at your own expense. We shall have no obligation in such event to reimburse you for any expenses of compliance, such as changing signs, stationery, uniforms, advertising, etc., and you waive any claim arising from or relating to any change, modification or substitution to the Proprietary Properties. You covenant not to commence or join in any litigation or other proceeding against us for any of these expenses.

7.9.2 We represent and warrant that we own the Proprietary Marks free and clear from any liens or encumbrances.

7.9.3 Neither we nor you shall take any steps or actions that would in any manner impair, dilute or devalue the Proprietary Marks, and such action shall constitute a material breach of this Agreement. For the purposes of this Subsection, dilution shall be *prima facie* demonstrated by a use of the Proprietary Marks in connection with any other word, phrase or logo confusingly similar with, or otherwise not authorized or licensed under this Agreement.

## **7.10 Website**

7.10.1 We have established and plan to maintain the Website to provide information about ourselves, about FMT Businesses generally, about the Products and Services offered and sold by FMT Businesses and about our franchising program. Franchisee must provide Franchisor information on the FMT Business so that we can create and maintain custom local interior website pages containing information about your FMT Business. You must pay us or our selected vendors the then current monthly local website pages and digital footprint fee for creation of your local website pages, inclusive of a digital marketing offer generator for organic inbound sales leads, review generator and search engine optimization (SEO). If implemented by us, you must also pay us or our selected vendors a monthly social media fee to create and manage local posts on social media outlets and manage your reputation. We reserve the right to modify or increase these fees upon notice based on our then current costs. If you have multiple Territories under one or multiple franchise agreements with us, you will be required maintain at least one website per Territory in which you are responsible for paying the monthly website fees to us or our affiliates.

7.10.2 Unless we agree in writing, neither you nor any of your owners, employees or agents may use the Marks or otherwise mention the FMT Business or the FMT System in connection with any business or personal uses of Social Media. In all cases, we have sole discretion and control over any profiles using or relating to the Marks, the FMT Business or the FMT System, or that display the Marks

that are maintained or posted on Social Media. We may (but need not) establish guidelines pursuant to which you may establish profiles or otherwise establish a presence on Social Media. In such event, you will comply with the standards, protocols and restrictions that we impose, and we can revoke any prior permissions. If implemented, we may use part of the Fund monies to pay or reimburse the costs associated with the development, maintenance and update of profiles on Social Media. In all cases, we will indemnify you, your Affiliates and their respective officers, directors and employees with respect to any losses or expenses incurred arising from third-party claims with respect to any such authorized or unauthorized use of Social Media.

7.10.3 You must participate in programs and/or adhere to any then current policies or specifications we develop, maintain or require from time to time with respect to the use of Artificial Intelligence in connection with the development and operation of Franchised Businesses generally or the Franchised Business.

## **ARTICLE 8: PAYMENTS TO US**

### **8.1 Initial Franchise Fee**

5.1 Upon the execution of this Agreement, as set forth in Section 2.1 of this Agreement, the Franchisee shall pay the sum of [\$45,000 – select if a Full-Size Franchise] or [\$25,000 - select if a Hometown Franchise] as a non-recurring initial franchise fee (“Initial Franchise Fee”) to the Franchisor, subject to a 15% discount for all honorably discharged veterans of American and Canadian armed forces, as deemed qualified by Franchisor. The Initial Franchise Fee shall be paid by means of cashier's check, money order or wire transfer, is not refundable in whole or in part and is deemed fully earned by us upon execution of this Agreement.

### **8.2 Royalty Fee**

In addition to the Initial Franchise Fee and in accordance with the report required under Section 8.6, you shall pay to us a monthly royalty fee (“Royalty Fee”) equal to six percent (6%) of the first \$499,999 of Gross Sales of the Franchised Business (as defined below) each calendar year; five percent (5%) of Gross Sales in excess of \$500,000 each calendar year.

Franchisees shall have their financials reconciled by the fifth (5th) day of each month so that Royalty Fees to be collected by the Franchisor can be collected on the eighth (8th) business day of the month.

Royalty Fees are subject to a monthly minimum of five hundred dollars (\$500) beginning in your thirteenth (13<sup>th</sup>) month, and continuing through the term of the Agreement and any successor terms

### **8.3 National Marketing Fee**

In addition to the Initial Franchise Fee and Royalty Fee, and in accordance with the report required under Section 8.6, you shall pay to us a National Marketing Fee (to be expended as provided in Section 10.2) in an amount up to three percent (3%) of Gross Sales, as defined below, into the National Marketing Fund (“National Marketing Fee”). The National Marketing Fee is payable to us at the same time and in the same manner as the Royalty Fee.

### **8.4 Technology and Software Systems Fee**

Beginning on your 13<sup>th</sup> month of operation of your Franchised Business, you shall pay to us, or the third party provider we designate, a monthly software fee (“Technology and Software Systems Fee”) of up to Fifteen Hundred Dollars (\$1500). The Technology and Software Systems Fee is payable at the same

time and in the same manner as the Royalty Fee, unless we designate a third party provider and require you to pay such third party provider directly.

<b>Franchisee’s Gross Sales in Prior 12 Months</b>	<b>Monthly Technology and Software Systems Fee</b>
\$0 to \$100,000.00	\$100.00
\$100,000.01 to \$200,000.00	\$200.00
\$200,000.01 to \$300,000.00	\$300.00
\$300,000.01 to \$400,000.00	\$400.00
\$400,000.01 to \$500,000.00	\$500.00
\$500,000.01 to \$600,000.00	\$600.00
\$600,000.01 to \$700,000.00	\$700.00
\$700,000.01 to \$800,000.00	\$800.00
\$800,000.01 to \$900,000.00	\$900.00
\$900,000.01 to \$1,000,000.00	\$1,000.00
\$1,000,000.01 to \$1,500,000.00	\$1,100.00
\$1,500,000.01 to \$2,000,000.00	\$1,200.00
\$2,000,000.01 to \$2,500,000.00	\$1,300.00
\$2,500,000.01 to \$3,000,000.00	\$1,400.00
\$3,000,000.01 and above	\$1,500.00

### **8.5 Definition of Gross Sales**

The term “Gross Sales” means all monies received by you (including actual deposits in your bank accounts as well as undeposited cash receipts) from, through, by or on account of the operation of your Franchised Business, whether received in cash, in services or in kind, less: (i) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers; and (ii) the amount of any documented refunds, credits and allowances given in good faith to customers by you.

### **8.6 Report of Gross Sales**

You will submit to us, and we will receive, not later than the fifth (5<sup>th</sup>) day of each month, a report of your Gross Sales for the preceding calendar month. Such reports shall be transmitted by you to us in the manner specified by us (*i.e.*, by e-mail, facsimile or by a computer-generated report). You represent and warrant that you shall use your best efforts to provide the information, that we are relying upon such provision, and that errors may jeopardize the franchise or other rights granted under this Agreement. If we have not received the report of your Gross Sales for the preceding month by the (15<sup>th</sup>) day of any month, we reserve the right to charge you a late fee of one hundred dollars (\$100).

If you do not report your Gross Sales, we may debit your account for one hundred twenty percent (120%) of the last Royalty Fee and National Marketing Fee (described below) that we debited. If the Royalty Fee and National Marketing Fee we debit are less than the Royalty Fee and National Marketing Fee you actually owe us, we will debit your account for the balance on a day we specify. If the Royalty Fee and National Marketing Fee we debit are greater than the Royalty Fee and National Marketing Fee you

actually owe us, we will credit the excess against the amount we otherwise would debit from your account for the next payment.

### **8.7 Obligation to Pay Fees**

Except as otherwise specified herein, your obligation to pay the Royalty Fee and the National Marketing Fee accrues on the day that you commence operation of the Franchised Business. "Commencement of the Business" is defined as the first (1<sup>st</sup>) day on which the Franchised Business receives revenues, offers services, or conducts any of the activities contemplated by this Agreement.

### **8.8 Electronic Funds Transfer**

Unless a different method is designated by us, all amounts due and owing under this Agreement will be payable on the eighth (8<sup>th</sup>) day of each month (or the next business day, if applicable) by electronic funds transfer. You agree to execute and deliver to us any documents required by us, our bank or your bank to permit us to initiate debit and credit entries to your operating account, including, but not limited to, the form of authorization attached hereto as Attachment 7.

### **8.9 Interest on Overdue Amounts**

In the event you fail to pay to us any amounts owed by you hereunder to us or any of our affiliates, you shall pay, in addition to such overdue amounts, interest on the overdue amount at the rate of eighteen percent (18%) per annum or the highest legal contract interest rate we can charge, whichever amount is less. Any default by you in the timely payment of any indebtedness of you owing to us, or to any affiliate of ours, or your default in the payment of any indebtedness of yours with respect to which we or any of our affiliates is a guarantor, co-signer, endorser or obligor, shall constitute a breach of this Agreement, rendering the same subject to termination in accordance with the provisions of Article 16.

### **8.10 Payment of Taxes and Assessments**

You agree to pay promptly, when due, all taxes and assessments that may be assessed or otherwise due against your income, premises, equipment and/or supplies used in connection with your Franchised Business, to discharge all liens and encumbrances of every kind and character created or placed upon or against any of said property and to pay all accounts and other indebtedness of every kind incurred by you in the conduct of your Franchised Business. In the event you should default in making any such payment and have failed to stay enforcement through a proper legal contest, we shall be authorized, but not required, to pay the same on your behalf, and you covenant promptly to reimburse us for any such payment. We shall also maintain the right of set off, to permit deductions of any such amounts from payments that may be due to you hereunder. Any such amounts advanced by us shall be due and payable immediately on your receipt of written demand from us, and if not paid within five (5) days shall be subject to interest as set forth in Section 8.9 of this Agreement.

### **8.11 Waiver of Claims; Application of Payments**

You waive any and all existing and future claims and set offs against any amounts due us under this Agreement, which amounts shall be paid when due regardless of any other claims which you may have against us. However, we shall be entitled to apply or cause to be applied against amounts due to us any amounts which may from time to time be held by us on your behalf or be owed to you by us. Notwithstanding any designation by you, we shall use sound business judgment and be reasonable in applying any payments received from you, whether designated as payable to us, the National Marketing Fund or otherwise, to any past due or other indebtedness of yours for fees, purchases, late fees, interest or otherwise. We may set off from any amounts that may be owed to you any amount that you owe to us or with respect to any payment overdue for over thirty (30) days. In particular, we may retain any amounts

we have received for your account (whether rebates or other funds and whether paid by or due from suppliers or otherwise) as a credit and payment against any amounts that you owe or will owe to us, should you be then overdue in any payments due to us for at least thirty (30) days. We may do so without notice at any time.

You understand and acknowledge that you do not have the right to offset or withhold payments owed to us for amounts purportedly due to you from us. We may condition your participation in any program (including, but not limited to, the National Account program or any program involving payments from third party suppliers or otherwise) as we determine in our reasonable discretion, including, but not limited to, your being an “FMT” franchisee in good standing and not in default under this or any other agreement with us. You agree that you will not withhold any amounts otherwise due us as a result of any dispute of any nature, but will pay such amounts to us and only thereafter seek reimbursement.

#### **8.12 Credit Card Processing.**

You must accept all major credit cards and other forms of payment specified by us in the Brand Standards as payment. You must comply with all terms and pay all fees that may be due under a software license agreement for any software Franchisee is required to use in the operation of your Franchised Business as prescribed by us.

### **ARTICLE 9: YOUR OBLIGATIONS**

#### **9.1 Compliance with System**

Each component of the System is vital to us, to the network of other franchisees of the System and to the operation of the Franchised Business, as well as to the members of the purchasing public who have come to rely upon us and our network of FMT Businesses for prompt and efficient services. Compliance with each such component is of the essence to this Agreement. Hence, you undertake to conduct the Franchised Business at all times in full compliance with the System and each of its components, including any services as may be offered by us to the System from time to time, in your Territory, pursuant to Section 18.1.

9.1.1 You shall operate the Franchised Business in an efficient and professional manner in accordance with the highest ethical and moral standards. You shall, as well, comply with all recommendations and standards of quality and service prescribed from time to time by us in the Brand Standards or otherwise.

9.1.2 You may operate your Franchised Business from your home (“Approved Location”), if you are so permitted under applicable law and zoning regulations. If you elect to operate your Franchised Business from a leased premises, such leased premises shall be within your Territory. We will not review any location you propose to use for your Franchised Business, and we do not represent, warranty or guarantee that you will be successful at the Approved Location or at any other location you select for your Franchised Business.

#### **9.2 Development and Opening of the Franchised Business**

After execution of this Agreement and payment of the Initial Franchise Fee, you shall equip the Franchised Business, complete the Training Program (as required by Section 5.3 of this Agreement), and commence operation of the Franchised Business not later than ninety (90) days after the Effective Date of this Agreement. You may not open your Franchised Business for business until: (1) the Training Program we provided has been completed to our satisfaction by all required persons; (2) the Initial Franchise Fee and all other amounts due to us have been paid; (3) you have furnished us with all certificates of insurance

required by this Agreement; (4) you have obtained all required governmental permits, licenses and authorizations necessary for the operation of your Franchised Business; and (5) you are in full compliance with all the terms of this Agreement.

You are excused from the timely performance of your obligations under this Section if the cause of delay is beyond your reasonable control. Such cause includes strikes, fires and acts of God or other causes which you could not, by the exercise of due diligence, have reasonably avoided.

### **9.3 Operation in Compliance with Applicable Laws**

You will operate the Franchised Business in strict compliance with all applicable laws. You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided herein.

### **9.4 Supervision**

You are required to personally and directly operate and exercise adequate and substantial supervision over the operation of the Franchised Business unless otherwise permitted in writing by us. Our approval of the operation of your Franchised Business by a manager will not be unreasonably withheld; provided, however, that both you and your manager have satisfactorily completed our Training Program and have otherwise met our requirements.

### **9.5 Service Vehicles**

You shall be obligated to use a vehicle in the operation of your Franchised Business that has been approved by us. Each service vehicle used in the operation of your Franchised Business shall be lettered and/or decaled to our specifications and shall be in excellent condition according to our specifications (including that there is no visible rust or body damage on the vehicle). We reserve the right to specify the make and/or model of vehicle that you shall purchase or lease to be used in the operation of the Franchised Business.

### **9.6 Technology**

The following terms and conditions shall apply with respect to the Computer System and Required Software:

9.6.1 We shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among FMT Businesses, including without limitation: (a) back office and point of sale systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at FMT Businesses, between or among FMT Businesses, and between and among your Franchised Business and us; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; and (e) internet access mode and speed (collectively, the "Computer System").

9.6.2 We shall have the right, but not the obligation, to develop or have developed for us, or to designate: (a) computer software programs and accounting system software that you must use in connection with the Computer System (“Required Software”), which you shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which you shall install; (c) the tangible media upon which you shall record data; and (d) the database file structure of your Computer System.

9.6.3 You acknowledge that we currently require you to purchase and use ServiceMinder to store the data from all customer service activity of your Franchised Business. We will have independent access to the information generated and stored in the Computer System and Required Software. The Computer System and Required Software store the data from all customer service activity in the Franchised Business. You acknowledge and agree that all data and information generated and stored by the Computer System and Required Software is owned by us, and you will not export or store information from the Computer System and Required Software on any external hardware or software. You shall record all sales and other information required by us on your Computer System and/or by means of the Required Software.

9.6.4 You shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as we may request in writing (collectively, “Computer Upgrades”).

9.6.5 You shall comply with all specifications issued by us with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. You shall also afford us unimpeded access to your Computer System and Required Software as we may request, in the manner, form, and at the times requested by us.

9.6.6 We may, from time to time, specify in the Brand Standards or otherwise in writing the information that you shall collect and maintain on the Computer System, and you shall provide to us such reports as we may reasonably request from the data so collected and maintained. All data pertaining to the Franchised Business, and all data created or collected by you in connection with the System, or in connection with your operation of the Franchised Business (including without limitation data pertaining to or otherwise concerning your customers) or otherwise provided by you (including, without limitation, data uploaded to or downloaded from your Computer System or via the Required Software) is and will be owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. Copies and/or originals of such data must be provided to us upon our request. We hereby license use of such data back to you for the Initial Term, at no additional cost, solely for your use in connection with the operation of the Franchised Business.

9.6.7 You shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding customers or other individuals (“Privacy”), and shall comply with our standards and policies pertaining to Privacy. If there is a conflict between our standards and policies pertaining to Privacy and applicable law, you shall: (a) comply with the requirements of applicable law; (b) immediately give us written notice of said conflict; and (c) promptly and fully cooperate with us and our counsel as we may request to assist us in our determination regarding the most effective way, if any, to meet our standards and policies pertaining to Privacy within the bounds of applicable law.

9.6.8 You shall comply with our requirements (as set forth in the Brand Standards or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Intranet (as defined below), if any, and/or such other computer systems as we may reasonably require.

9.6.9 We may establish a website providing private and secure communications between us, you, other franchisees, and other persons and entities as determined by us, in our sole discretion (an “Intranet”). You shall comply with our requirements (as set forth in the Brand Standards or otherwise in writing) with respect to connecting to the Intranet, and utilizing the Intranet in connection with the operation of the Franchised Business. The Intranet may include, without limitation, the Brand Standards, other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Intranet.

9.6.10 You shall not use the Proprietary Marks or any abbreviation or other name associated with us and/or the System as part of any e-mail address, domain name, and/or other identification of you in any electronic medium, except for any e-mail address and/or web page we may establish for you and your Franchised Business. You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without our prior written consent as to your plan for transmitting such advertisements and the content of such advertisements.

9.6.11 You and we acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree that you shall abide by those reasonable new standards established by us as if this Section 9.6 were periodically revised by us for that purpose. You acknowledge and understand that this Agreement does not place any limitations on either our right to require you to obtain Computer Upgrades or the cost of such Computer Upgrades.

## **9.7 Purchases from Approved Suppliers**

Any products, supplies and materials required for the operation of the FMT Franchised Business must be purchased only from us, our designees or from suppliers approved in writing by us. The procedures for your obtaining approval of alternate suppliers are set forth in the Brand Standards. In addition, you understand and agree that you shall purchase replacement parts only from the applicable equipment manufacturer, unless a replacement part has been discontinued in which event you may purchase the replacement part from any supplier or we have provided you with our prior approval for you to purchase such replacement part from a supplier other than the manufacturer.

## **9.8 Approved Products and Services**

You shall offer and sell only those products and services which are part of the System or have received our prior written approval, which approval shall not be unreasonably withheld.

## **9.9 Administrative Professional.**

You shall be required, after the first three (3) months of operation, to hire an administrative professional who will assist with the internal tasks required to operate your Franchised Business properly.

## **9.10 Employees and Independent Contractors**

You are required to comply with the policies and procedures for the selection of employees and independent contractors as set forth in the Brand Standards.

## **9.11 Training Programs**

You will offer such continuing training programs to your personnel as are specified in the Brand Standards, in accordance with Section 5.3.

## **9.12 Advertising**

You will comply with all of the obligations regarding advertising set forth in Article 10.

## **9.13 Inspections**

We or any of our authorized agents or representatives may, upon reasonable notice, inspect the Franchised Business during normal business hours to determine whether it is in compliance with this Agreement and with the System. Unannounced spot checks will be conducted from time to time, although discretion will be used so as not to interfere or disrupt the normal course of business. All records will be kept confidential.

Further, you understand and consent to our ability to access all files, data, accounts, reports and the like resulting from or relating to your transmission of any required reports to us via computer.

## **9.14 Reports**

You shall submit to us such reports regarding the Franchised Business as we prescribe in the Brand Standards, in addition to those required under Section 8.6. All records will remain confidential, except as required by the franchise laws.

## **9.15 Insurance**

To afford you and us protection against insurable risks, we shall prescribe in the Brand Standards minimum standards and limits for insurance coverage which must be purchased by you. Your failure to purchase such insurance coverage before commencement of business or to maintain such coverage throughout any Term is a ground for termination of this Agreement.

9.15.1 All insurance purchased by you must name us, our affiliates and their respective officers, directors and shareholders as additional named insureds and must provide that we be given at least thirty (30) days' prior written notice of any termination, amendment, cancellation, or modification. All insurance shall require the insurer to defend you and us in any action based on personal injury or property damage suffered as a result of or arising out of the operation of the Franchised Business.

9.15.2 You must provide us with Certificates of Insurance for all required insurance before you complete our initial training program and thereafter upon renewal of each policy during the Initial Term.

9.15.3 If you fail or refuse to purchase or maintain the prescribed insurance coverage, or to comply with any other requirement set forth in this Section 9.15, we shall have the right, without waiver of any other remedies, to secure such insurance on your behalf, at your expense, through agents and insurance companies of our choosing, and to take all other action necessary to protect our interests under this Agreement.

9.15.4 You are obligated to obtain and maintain, at your expense, insurance coverage. Our System may regulate the types, amounts, terms and conditions of insurance coverage required for your Franchise and standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims. The following are the insurance requirements as of the date of this Agreement:

(a) commercial liability insurance with coverage of not less than Two Million Dollars (\$2,000,000) per occurrence, Four Million Dollars (\$4,000,000) aggregate;

(b) automobile insurance, including hired and non-hired vehicle coverage and uninsured/underinsured motorist coverage, in amounts not less than One Million Dollars (\$1,000,000) combined single limit;

(c) workers' compensation, employer liability and any other insurance required by law or statute for the state in which the Franchised Business is located, but not less than Five Hundred Thousand Dollars (\$500,000); and

(d) any insurance required by the terms of your lease, if you choose to lease space for your Franchised Business, or that may be required by us in the future.

9.15.5 You must purchase your insurance policies from insurers that are qualified to sell insurance in the state in which your Franchised Business is located and that are rated at least A- by A.M. Best Company. Each insurance policy must name us, our officers, directors, parent, subsidiaries and affiliates as additional insureds, and must provide us with 30 days prior written notice of any change to or cancellation of any insurance policy. In each case in which we are required to be an additional insured the endorsement for the additional insured status must be worded and have such coverage as specified by us and the additional insured endorsement may not have any exclusions or limitations not allowed by us.

9.15.6 Nothing contained herein shall be deemed to constitute an undertaking or representation by us that any such insurance will insure you against any or all insurable risks of loss which may or can arise out of or in connection with the operation of the Franchised Business.

## **9.16 Good Faith**

Each of the parties hereto will act in good faith and use its best efforts to comply with its obligations under this Agreement, and will cooperate with the other in accomplishing the purposes of this Agreement. Further, you shall not directly or indirectly engage in any activities which would be detrimental to or interfere with the operation or reputation of the Franchised Business, us, the System, or the operations of any other franchisee.

## **9.17 Guaranty**

Upon execution of this Agreement, your majority owners (if a corporate entity), the General or Managing Partner (if a limited partnership) or the individual partners (if a standard partnership) shall each execute the Guaranty in the form annexed hereto as Attachment 4 of all obligations, including payment of money under this Agreement. We agree that unless you are guilty of having misappropriated trust money or otherwise unjustifiably or willfully breached any material term of this Agreement, we will not seek enforcement of our right to money damages against the primary residence of any guarantor under this Subsection.

## **9.18 Manufacturer Certification**

We strongly recommend, but do not require, that you become certified by each applicable exercise equipment manufacturer to perform maintenance and repair services for such manufacturer's equipment. You understand and acknowledge that obtaining such certification shall be at your own expense and that the manufacturer may require you to be recertified from time to time, also at your expense. You understand and acknowledge that we cannot guarantee that any specific manufacturer will award you such certification.

### **9.19 Mystery Shopping Service**

We reserve the right to establish and use a mystery shopping service to assist us in verifying that each FMT Business is providing products and services according to our requirements and standards. If we elect to use such a service we will pay the expenses related to any mystery shops related to your Franchised Business; provided, however, that such mystery shops reflect a minimum score as determined by us. In the event a mystery shop of your Franchised Business reflects less than the required minimum score, then you shall (a) reimburse us for the costs related to said mystery shop; and (b) participate, at your expense, in additional training as may be required by us.

## **ARTICLE 10: ADVERTISING**

### **10.1 Advertising to be Approved by Us**

You shall use for your advertising and promotional activities only those materials, concepts and programs which have been furnished or approved in advance by us by specification in the Brand Standards or otherwise. Our approval will not be unreasonably withheld. Any materials, concepts and/or programs submitted to us for our review shall become our property.

If you would like to use advertising that we have either not prepared or not approved within the immediately preceding 12 month period, you must submit the proposed materials to us for our review. We will have 15 days after receipt of the proposed materials to notify you whether the materials are approved. Unless we provide our specific approval of your proposed advertising materials, they are deemed not approved. At our request, all advertising shall include the language “Franchises Available” and our Website address and telephone number.

### **10.2 National Marketing Fund**

Recognizing the value of uniform advertising and promotion to the goodwill and public image of the System, you agree that we or our designee shall have the right to establish, maintain and administer a brand development fund (hereinafter referred to as the “National Marketing Fund”) for such national and regional advertising programs as we may deem necessary or appropriate, in our sole discretion, as follows:

10.2.1 We shall direct all national and regional advertising programs with sole discretion over the creative concepts, materials, endorsements and media used therein, and the placement and allocation thereof. You understand and acknowledge that the National Marketing Fund is intended to maximize general public recognition and acceptance of the System and the Proprietary Marks for the benefit of all FMT Businesses operating under the System, and that we undertake no obligation in administering the National Marketing Fund to ensure that expenditures from the National Marketing Fund are proportionate or equivalent to your contributions made for your Franchised Business, or that any particular FMT Business or franchisee benefits directly or pro rata from the placement of any such advertising;

10.2.2 You agree that the National Marketing Fund may be used to meet any and all costs of maintaining, administering, directing and preparing national and/or regional advertising materials, programs and public relations activities (including, without limitation, the cost of preparing and conducting television, radio, magazine, billboard, newspaper, direct mail and other media programs and activities, for conducting marketing surveys, test marketing, employing advertising agencies to assist therewith, and providing promotional brochures, coupons and other marketing materials to all franchisees of the System). The National Marketing Fund shall be accounted for separately from our other funds and shall not be used to defray any of our general operating expenses, except we have the right to reimburse ourselves out of the

National Marketing Fund for the total costs (including indirect costs) of developing, producing and distributing any advertising materials and collecting the National Marketing Fee (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any National Marketing Fee);

10.2.3 an unaudited statement of the operations of the National Marketing Fund shall be prepared annually by our accountants and shall be made available to you on written request. The cost of the statement shall be paid by the National Marketing Fund. Except as expressly provided in this Section 10.2, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the National Marketing Fund;

10.2.4 Each FMT Business owned by us or our affiliates shall make contributions to the National Marketing Fund as are required to be contributed by franchisees generally within the System. Any sums paid to the National Marketing Fund that are not spent in the year they are collected will carry over to the following year.

### **10.3 Pre-Opening and First Year Marketing Package**

We will provide you with an initial package of branded items, branded marketing materials and other pre-opening marketing materials and continuing assistance before you open and during the first year of your operations. You will pay to us the Pre-Opening and First Year Marketing Package Fee of between \$12,000 and \$14,000 concurrent with the execution of this Agreement (the "Pre-Opening and First Year Marketing Package Fee").

### **10.4 Local Advertising**

You acknowledge that the proper conduct of all promotion programs is not only necessary to the success of the Franchised Business, but is also likely to affect the goodwill and reputation of us, the Proprietary Marks, and that of the System. It is therefore agreed as follows:

10.4.1 In addition to participation in the National Marketing Fund, the Franchisee must expend a minimum amount (the "Minimum Individual Local Advertising Expense") on approved advertising for the Business annually. The Minimum Individual Local Advertising Expense is currently the greater of \$7,800 or 5% of Gross Revenues annually. All marketing to be purchased and applied to the Minimum Individual Local Advertising Expense must be approved by the Franchisor before use.

10.4.2 We reserve the right to establish or designate specialized, or regional, or special-focused advertising, marketing or media campaigns ("Special Campaigns") that may or may not involve you and/or other FMT Businesses. If we establish or designate a Special Campaign that is or will be applicable to you, you must participate in that campaign and contribute to the costs of the Special Campaign in the amounts and in the manner that we specify. Any amounts that you spend or contribute to or for the Special Campaign will be credited toward your required Minimum Individual Local Advertising Expense expenditure.

10.4.3 You shall not use any advertising or sales promotion materials of any kind other than those approved and/or produced and distributed by us, or conduct any print or broadcast advertising, or any promotion, without first obtaining our approval in the manner described in Section 10.1.

10.4.4 You are solely responsible for learning, understanding and complying with all laws, rules or regulations that regulate marketing communications and/or electronic communications to current or prospective customers of the Business, including but not limited to the CAN-SPAM Act, the Telephone Consumer Protection Act (TCPA) and "Do Not Call" or "Do Not Text" laws rules and

regulations, information security regulations and any other similar consumer protection and privacy laws related to any such marketing and advertising communications, and you shall hold harmless and indemnify the Indemnitees for any losses or expenses arising from any such marketing and advertising communications as set forth in Section 12.3 of this this Agreement.

### **10.5 Regional Marketing Programs**

We may, in our sole discretion, establish local or regional advertising programs, initiatives, or campaigns (each, a “Regional Marketing Program”) designed to promote the Marks and the Franchised Business within designated geographic areas. We will determine the structure, scope, timing, and administration of any Regional Marketing Program, including the development of advertising, media placement, and use of funds. You must comply with all requirements and standards established by Franchisor in connection with such programs. We may require franchisees within a designated geographic area to contribute to a Regional Marketing Program upon prior written notice. Any such contributions will be used solely for marketing and advertising purposes within the applicable region and will be in addition to, and will not offset, the National Marketing Fee. Participation requirements and contribution levels, if any, will be communicated in advance, and you agree to comply with such requirements if participation is designated as mandatory.

### **10.6 Advisory Council**

We may form one or more advisory councils to work with us to improve the System, the products and services offered, advertising conducted for the benefit of all FMT Businesses, and other matters. If an advisory council is formed it will act in an advisory capacity only and will not have decision making authority. An advisory council will include our representatives and franchisee representatives. The franchisee representatives may be chosen by us or by other franchisees in the System. If you participate on any advisory council, you must pay for the costs you incur related to your involvement, such as travel, lodging and living expenses to attend advisory council meetings. We may form, change, merge or dissolve any advisory council at any time.

## **ARTICLE 11: REPORTING AND FINANCIAL MANAGEMENT REQUIREMENTS**

### **11.1 Records Retention**

You shall keep true and accurate records, including those which may be specified by us from time to time, from which all sums payable under this Agreement and the dates of accrual thereof may be readily determined. You shall keep such records on your business premises at all times, unless we permit them to be kept at another location. In any event, you shall at all times inform us of any change in the location of your records. You will make these records available to us at the business premises during normal business hours. All records relating to the Franchised Business shall be retained by you at all times during the Initial Term (and any Successor Term), and for a period of three (3) years after this Agreement or any Successor Franchise Agreement expires or is terminated.

### **11.2 Reporting Systems**

You agree to utilize such reporting and financial control systems as we may reasonably direct.

11.2.1 You will maintain on forms approved or provided by us a monthly sales report and profit and loss statement accurately reflecting the operations and condition of the Franchised Business.

11.2.2 You will employ such methods of filing, record-keeping, bookkeeping, accounting and reporting as we may from time to time reasonably require.

11.2.3 You will be required to utilize a Bookkeeping firm that we specify. This Bookkeeping firm that we will require will be utilized for Education as well as Account adjustments within the Bookkeeping software we require. The fee to utilize for this Bookkeeping service shall be equal to Five Hundred Dollars (\$500) which shall be paid one time directly to the Bookkeeping firm we specify at the time of initially setting up the service.

11.2.4 You will adopt and shall strictly adhere to such methods for control and protection of cash receipts (and of records pertaining thereto) as we may from time to time direct.

### **11.3 Annual Reports**

You will have prepared and furnished to us each year your annual financial statements, consisting of a balance sheet, statement of earnings or loss, and statement of changes in financial position, including all notes to all such statements and any schedules of partners' or shareholders' capital. The annual statements must be furnished to us no later than one hundred twenty (120) days following the close of your fiscal year. We reserve the right to require you to use the same fiscal year end that we use. All accounting must be on a cash basis. If you are unable, for any reason, to provide such statements in a suitable format or if we have a reasonable suspicion that such statements are inaccurate, we may require such statements to be compiled and/or reviewed by a certified public accountant ("CPA") admitted to practice accountancy in the state in which the Territory is situated, and be published on the stationery of, and signed by, the CPA. Should you be deemed by us to have under-reported or improperly reported or paid any amount (as determined under Section 11.4 or Subsections 11.4.1 or 11.4.2), we may, at our sole discretion, require that all future statements provided you be audited by the CPA.

In addition to the reports described above, you shall also provide to us copies of all federal, state and local tax returns (including, without limitation, sales tax returns and income tax returns). You agree to provide us with copies of such tax returns within fifteen (15) days after such returns are filed.

Reports shall be deemed timely made if personally delivered to our offices, electronically transmitted to and received by us, or postmarked by the U.S. Postal Service (with proper first-class postage prepaid) on or before the required date.

### **11.4 Inspections**

We and our authorized representatives shall have the right at all times during the business day to enter your Franchised Business or any other location where books and records relative to the Franchised Business are kept, and to inspect, copy and audit such books and records, including your state and federal income tax returns and state sales and use tax and personal property tax returns, and you waive any privileges with regard to any tax returns. You will cooperate completely and in good faith with the audit, and will provide and explain all records requested by the auditor or necessary to provide information sought by the auditor. All records produced will be maintained by us in confidence, except for the uses intended under this Agreement.

11.4.1 If an audit or inspection discloses that you have underpaid any sums due us under this Agreement, you will pay the amount underpaid immediately. Any such underpayment amounts shall also be subject to applicable interest as set forth in Section 8.9. If an audit or inspection reveals any overpayment by you, the amount of the overpayment will be credited against Royalty Fees and National Marketing Fees next falling due.

11.4.2 If any audit of your books and records reveals that you have underpaid and/or understated any amount paid and/or reported to us by two percent (2%) or more, then in addition to paying such understated amount with interest thereon as set forth in Section 8.9, you agree to reimburse us for any fees and expenses related to the audit, including, but not limited to, auditor's fees and travel, lodging, meals and local transportation expenses, plus an additional one and one-half percent (1.5%) charge per month for underreporting.

## **ARTICLE 12: INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

### **12.1 No Fiduciary Relationship**

It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them (unless otherwise stated), that you are, and shall at all times be and remain an independent contractor, and that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

### **12.2 Notice of Independent Contractor**

During the Initial Term and Successor Term of this Agreement, you shall hold yourself out to the public as an independent contractor operating the business pursuant to a Franchise granted by us. You will take such affirmative action as may be necessary to indicate same, including exhibiting a notice of that fact in a conspicuous place within the Approved Location, the content of which we reserve the right to specify.

### **12.3 Indemnification by You**

You agree at all times to defend, at your own cost, and indemnify and hold harmless to the fullest extent permitted by law, us, our corporate parent, the corporate subsidiaries, affiliates, successors, assigns, and designees of either entity and the respective directors, officers, employees, agents, shareholders, designees, and representatives of each (collectively, the "Indemnitees") from all losses and expenses (as hereinafter defined) incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether reduced to judgment) or any settlement thereof which arises out of or is based upon any of the following: your infringement or any other violation of any patent, trademark or copyright or other proprietary right owned or controlled by third parties; your violation or breach of any contract, federal, state, or local law, regulation, ruling, standard, or directive or of any industry standard; libel, slander or any other form of defamation by you; your violation or breach of any warranty, representation, agreement, or obligation in this Agreement; any acts, errors, or omissions of you or any of your agents, servants, employees, contractors, partners, proprietors, affiliates, or representatives at the Approved Location or in any manner in connection with the Franchised Business; the inaccuracy, lack of authenticity, or non-disclosure of any information by you or any customer or client of yours; any service provided by you at, from, or related to the operation at the Approved Location; any services provided by any affiliated or non-affiliated participating entity; and any action by any customer or client of yours. For the purpose of this Section, the term "losses and expenses" is deemed to include all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, attorneys' fees, experts' fees, court costs, settlement amounts, judgments, compensation for damages to our reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting, or replacing same, and any and all expenses of recall, refunds, compensation, public notices, and other such amounts incurred in connection with the matters described. You agree to give us notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. The foregoing indemnification shall not apply to losses or expenses arising from our gross negligence or willful acts.

12.3.1 At your expense and risk, we may elect to assume (but under no circumstance are obligated to undertake) the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation, provided that we will seek your advice and counsel and shall keep you informed with regard to any such proposed or contemplated settlement(s). Such an undertaking by us shall in no manner or form diminish your obligation to indemnify us and to hold us harmless.

12.3.2 All losses and expenses incurred under this Section 12.3 shall be chargeable to and paid by you pursuant to your obligations of indemnity under this Section, regardless of any actions, activity or defense undertaken by us or the subsequent success or failure of such actions, activity or defense.

12.3.3 The Indemnitees do not assume any liability whatsoever for acts, errors, or omissions of those with whom you may contract, regardless of the purpose. You hold harmless and indemnify the Indemnitees for all losses and expenses that arise out of any acts, errors, or omissions of these third parties.

12.3.4 Under no circumstances will the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against you. You agree that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by the Indemnitees from you.

#### **12.4 Indemnification by Us**

We agree at all times to defend, at our own cost, and to indemnify and hold harmless to the fullest extent permitted by law, you, your corporate parent, the corporate subsidiaries, affiliates, successors, assigns, and designees of either entity, and the respective directors, officers, employees, agents, shareholders, designees, and representatives of each from all losses and expenses (as hereinafter defined) incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether reduced to judgment) or any settlement thereof which arises out of or is based upon any of the following: our infringement or any other violation of any patent, trademark, or copyright or other proprietary right owned or controlled by third parties; our violation or breach of any contract, federal, state, or local law, regulation, ruling, standard, or directive or of any industry standard; libel, slander, or any other form of defamation by us; our violation or breach of any warranty, representation, agreement, or obligation in this Agreement; any acts, errors, or omissions of us or any of our agents, servants, employees, contractors, partners, proprietors, affiliates, or representatives at the Approved Location. For the purpose of this Section, "losses and expenses" are deemed to include all losses, compensatory, exemplary, or punitive damages, fines, charges, costs, expenses, lost profits, attorneys' fees, experts' fees, court costs, settlement amounts, judgments, compensation for damages to your reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting, or replacing same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described. We agree to give you notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. The foregoing indemnification shall not apply to losses or expenses arising from your gross negligence or willful acts.

### **ARTICLE 13: CONFIDENTIAL INFORMATION**

#### **13.1 Non-Disclosure of Confidential Information**

You will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation any confidential information or Confidential Information concerning, as well as the methods of operation of, the FMT

Business hereunder which may be communicated to you or of which you may become apprised by virtue of the operation at the Approved Location under this Agreement. You will divulge such confidential information only to such of your employees or officers and directors who must have access to it in order to operate the Franchised Business. All information, knowledge and know how, including, without limitation, the materials, equipment, specifications, techniques, and other data which we designate as confidential shall be deemed confidential for purposes of this Agreement, except information which you can demonstrate came to your attention prior to disclosure thereof by us; or which, at the time of disclosure by us to you, had become a part of the public domain through publication or communication by others; or which, after disclosure to you by us, becomes a part of the public domain through publication or communication by others. For the avoidance of doubt, you are not precluded by this Agreement from contacting or otherwise engaging with governmental authorities regarding the franchise. However, if/when you receive a valid legal order or is otherwise required by applicable laws to disclose any of our Confidential Information to any governmental agency or court, you should promptly notify us in writing regarding such receipt of the request and provide a copy of the request and all relevant information regarding the request as it pertains to our Confidential Information, including any specific required date for dissemination. Before complying with the request, subject to any specific disclosure deadline in the request, you should provide us at least 14 days' time to review the request and, at our election and cost, permit us to seek a protective order or other remedy with the requesting party. You must provide us with reasonable assistance with any such action we elect to undertake. If we elect not to contest the request or if we are unsuccessful with our efforts and you remain legally compelled to make such disclosure, then you may do so, but you should: (a) only disclose that portion of the Confidential Information that it is required to disclose; (b) use reasonable efforts to ensure that such Confidential Information is afforded confidential treatment; and (c) concurrently provide us a copy of all information provided to the governmental authority.

### **13.2 Covenants**

Prior to any disclosure of Confidential Information, you will require all personnel having access to any Confidential Information or confidential information provided by us, or otherwise playing a role in the solicitation or provision of services to customers, to sign covenants that they will maintain the confidentiality of information they receive in connection with their employment or engagement by you, in accordance with the form provided as Attachment 2 hereto. It is expressly understood that we are designated as a third party beneficiary of such covenants with the independent right to enforce them.

### **13.3 Failure to Comply**

You acknowledge that any actual or threatened failure to comply with the requirements of this Article 13 will cause us to suffer immediate and irreparable injury, non-compensable by the payment of mere money damages, permitting us with or without notice to seek immediate injunctive relief. The losing party agrees to pay all court costs and reasonable attorneys' fees incurred by the prevailing party when we seek to obtain specific performance or an injunction against violation of the requirements of this Article 13, and succeed.

## **ARTICLE 14: COVENANTS NOT TO COMPETE**

### **14.1 In-Term Covenants**

You specifically acknowledge that, pursuant to this Agreement, you shall receive valuable training and confidential information, including, without limitation, information regarding the promotional, operational, sales, and marketing methods and techniques of us and the System, and that the covenants not to compete set forth below are fair and reasonable and will not impose any undue hardship on you, since you have other considerable skills, experience, and education which afford you the opportunity to derive income from other endeavors. You covenant that during the term of this Agreement and for a period of

two (2) years thereafter, except as otherwise approved in writing by us, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

14.1.1 Divert or attempt to divert any member, business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System;

14.1.2 Knowingly employ or seek to employ any person who is at that time employed by us, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment; or

14.1.3 Own, maintain, advise, help, invest in, make loans to, be employed by, engage in, or have any interest in any business specializing, in whole or in part, in the activities conducted by you under this Agreement, and any other type of service which you have rendered under this Agreement and sell any other products and services which you have sold under this Agreement.

## **14.2 Post-Term Covenants**

You covenant that, except as otherwise approved in writing by us, you shall not, for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, or upon transfer of this Agreement or the Franchised Business pursuant to Article 15 of this Agreement, and continuing for two (2) years thereafter (and in case of any violation of this covenant, for two (2) years after the violation ceases), either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, advise, help, invest in, make loans to, be employed by, engage in, or have any interest in any business that is substantially the same as an FMT Business:

14.2.1 Within your Territory;

14.2.2 Within a radial distance of twenty (20) miles of the perimeter of the Territory; or

14.2.3 Within a radial distance of twenty (20) miles of the location of any business using the System and/or the Proprietary Marks, whether franchised, licensed or owned by us or any subsidiary or affiliated companies of ours; or

14.2.4 Within a radial distance of twenty (20) miles of any FMT customer location.

## **14.3 Unenforceability**

The parties agree that each of the foregoing covenants are construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Article is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made part of this Article 14.

## **14.4 Modification of Covenants**

You understand and acknowledge that we shall have the right, in our sole discretion, to reduce the scope of any covenant set forth in Sections 14.2 and 14.3, or any portion thereof, without your written consent, effective immediately upon receipt by you of written notice. You agree that you shall comply

forthwith with any covenant as so modified, which will be fully enforceable notwithstanding the provisions of this Article.

#### **14.5 Claim is Not a Defense**

You expressly agree that the existence of any claim that you may have against us, regardless of whether arising from this Agreement, shall not constitute a defense to our enforcement of the covenants in this Article. Your remedies, should we default, consist of specific performance and damages arising from the default, but such remedies do not constitute a defense to enforcement of this Article.

#### **14.6 Failure to Comply**

You acknowledge that any threatened or actual failure to comply with the requirements of this Article would cause us to suffer immediate and irreparable injury for which no adequate remedy at law may be available, and you hereby accordingly consent to the *ex parte* entry of an injunction prohibiting any conduct by you in violation of the terms of this Article. We may further avail ourselves of any other legal or equitable rights and remedies which we may have under this Agreement, statute, common law or otherwise.

#### **14.7 Covenants from Key Persons**

At our request, you will require and obtain execution of covenants identical in scope to those set forth in this Article (including covenants applicable upon the termination of a person's relationship with you) from any or all of the following persons:

14.7.1 Any key person employed or engaged by you who has been given access to or otherwise receives knowledge of the Confidential Information;

14.7.2 All officers, directors and holders of a beneficial interest of five percent (5%) or more of your securities, and of any corporation or limited liability company directly or indirectly controlling you, if you are a corporation or limited liability company;

14.7.3 The general partners and any limited partners (including any corporation, and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general or limited partner), if you are a partnership; and

14.7.4 Each covenant required to be signed pursuant to this Section 14.7 shall be on a form supplied by us, including specific identification of us as a third party beneficiary of such covenants with the independent right to enforce them. Your failure to obtain execution of a covenant required by this Section 14.7 shall constitute a default under Section 16.2.

### **ARTICLE 15: ASSIGNMENT AND RIGHT OF FIRST REFUSAL**

#### **15.1 Our Right to Assign**

We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of our functions the assignee shall expressly assume and agree to perform such obligations.

You expressly affirm and agree that we may sell our assets, our rights to the Proprietary Marks or to the System outright to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Proprietary Marks (or any variation thereof) and/or the loss of association with or identification of “Main Line Brands LLC” as Franchisor. Nothing contained in this Agreement shall require us to remain in the same business or to offer the same products and services, whether or not bearing the Proprietary Marks, in the event that we exercise our right to assign our rights in this Agreement.

## **15.2 Assignment by You**

Neither your interest in this Franchise Agreement nor any of your rights or privileges under this Agreement, nor the Franchised Business nor any interest therein, may be assigned, transferred, shared or divided, voluntarily or involuntarily, directly or indirectly, without our prior written consent, which shall not be unreasonably withheld, and without your first complying with this Section 15.2. (The use of the term “assignment” encompasses any actual or purported assignment, sale, transfer or other arrangement having the purpose or effect of shifting ownership or control in the Franchised Business.) Any actual or purported assignment of this Agreement or of the Franchised Business in violation of the terms is null and void and constitutes an incurable breach of this Agreement. The actual or purported transfer in the aggregate of more than fifty percent (50%) of the Franchised Business shall be deemed to be an “assignment” under this Agreement. Under no circumstances may you transfer or attempt to transfer the Franchised Business or all or substantially all of the assets associated with the Franchised Business to a third-party who will operate a Competitive Business or other similar business but not under the System and the Proprietary Marks, and not under a franchise agreement with us. We may, in our sole discretion, set limits from time to time as to the number of Franchised Businesses any franchisee or its affiliates (or prospective transferee and its affiliates) may own and operate at any given time, may prohibit or condition sale leaseback transactions and/or may withhold its consent to the proposed sale of all then franchisee or affiliate-owned Franchised Businesses to a single prospective transferee via one or more transfer transactions.

### **15.2.1 Our consent to any assignment is subject to the following conditions:**

(a) The proposed assignee must demonstrate that it has the skills, qualifications and economic resources necessary, in our reasonable judgment, to conduct the Franchised Business and to fulfill its obligations to you and to us.

(b) The assignee must expressly assume in writing all of your obligations under the most current version of our Franchise Agreement in existence at the time of assignment (the “new Franchise Agreement”), which will be the prevailing agreement.

(c) As of the date of any such assignment, you shall have fully complied with all of your obligations to us, whether under this Agreement or any other agreement, arrangement or understanding with us.

(d) The assignee must execute the new Franchise Agreement in the form and on the terms and conditions then being offered by us to franchisees (except that the assignee shall not be obligated to pay another Initial Franchise Fee and the term of such new Franchise Agreement shall expire on the expiration date of this Agreement).

(e) We shall be paid a transfer fee equal to \$7,500 if the transferee does not have any existing relationship with us (for Mosquito Authority, Pest Authority or Fitness Machine Technicians) or \$3,500 if the transferee has an existing relationship with us (for Mosquito Authority, Pest Authority or Fitness Machine Technicians).

(f) The assignee must satisfactorily complete the training then required of all new franchisees, unless otherwise waived by us.

(g) We will be furnished copies of the signed contract between you and any such assignee and all related documentation in advance of the assignment, and for our prior written approval, which contract shall be contingent upon our approval, which shall not be unreasonably withheld.

(h) You must have executed a general release in a form satisfactory to us of any and all claims against us, our subsidiaries, affiliates, and designees, and their respective officers, directors, shareholders and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances. At your request, we will sign a general release running in your favor having the same scope as the release signed by you, except for those matters which survive termination.

(i) The assignee shall not be affiliated in any way with a competitor of ours.

15.2.2 The grant of rights under this Agreement is personal to you and on the death or permanent disability of you or any of your Principals, the executor, administrator, conservator or other personal representative of yours or of the deceased principal, as the case may be, shall be required to transfer your or your principal's interest in this Agreement within ninety days (90) from the date of death or permanent disability to a third party approved by us. Failure to transfer in accordance with the foregoing will constitute a material default and the franchise granted by this Agreement will terminate. For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from providing continuous and material supervision of the operation of the Franchise business during the ninety (90) day period from its onset.

(a) The heirs, legatees, personal representatives, conservators, or surviving owner(s) meet our standards for qualification of new franchisees and agree in writing to be bound by the terms and conditions of this Agreement.

(b) Within ninety (90) days after your death or permanent disability, a person designated by your heirs, legatees, personal representative(s), conservator(s), or surviving owner(s) shall have satisfactorily completed our then-current Training Program. If at the time of such death or permanent disability you have employed a manager who has satisfactorily completed any version of our Training Program, this requirement shall be deemed satisfied for the duration of that manager's management of the Franchised Business.

(c) In the event that the conditions in this Section 15.2.2 are not satisfied, we shall have the right in our sole discretion to terminate this Agreement by notice, in the case of death, to your estate and, in the case of your permanent disability, to you.

### **15.3 Transfer to a Corporate Entity**

If you desire to transfer your interests in this Agreement to a corporate entity formed by you solely for the convenience of ownership, you must obtain our prior written consent of such transfer, which consent shall be granted if:

15.3.1 You are the owner of all the voting interests of the entity or, if you are comprised of more than one (1) individual, each such individual has the same proportionate ownership interest in the entity as it held in the Franchised Business before the contemplated transfer; and

15.3.2 Appropriate forms of corporate resolutions and minutes, which have been duly adopted, are furnished to us before the transfer.

A transfer pursuant to this Section 15.3 may occur one (1) time only without payment of the transfer fee described in Section 15.2.1 above.

### **15.4 Our Right of First Refusal**

Your right to assign, transfer or sell your interest in this Agreement (voluntarily or by operation of law) and/or the Franchised Business, as provided above, is subject to our right of first refusal. (We maintain the option of waiving this right, in writing.) That is, we have the right to be offered by you the opportunity to purchase such interest in the Franchise Agreement and/or the Franchised Business on the terms and conditions which have been offered to and accepted by a bona fide third party in a wholly arms-length transaction. Our right of first refusal will be exercised in the following manner:

15.4.1 You shall serve upon us a written notice setting forth all of the terms and conditions of the proposed assignment specifying the purchase price established by the parties and including reasonably complete information concerning the identity, financial standing and character of the proposed purchaser. You will attach to the notice a copy of a binding agreement between you and the proposed purchaser, which agreement is subject to cancellation if we exercise our right of first refusal or disapprove of the proposed transfer under Section 15.2.

15.4.2 Within fifteen (15) days after our receipt of such notice (or, if we shall request additional information, within fifteen (15) days after receipt of such additional information), we may, at our option, purchase the Franchised Business upon the terms and conditions specified in the notice and the agreement.

15.4.3 If we elect not to exercise our right of first refusal and consent to an assignment, you are, subject to the provisions of this Article 15, free to assign this Franchise Agreement and/or the Franchised Business to the proposed assignee on the terms and conditions specified in the notice and the agreement. If, however, the terms of the agreement are materially modified after submission to us, we have the right to evaluate the modified agreement for an additional thirty (30) days and, if we choose to do so, to exercise our right of first refusal on the modified terms.

### **15.5 No Right to Pledge**

You do not have the right to pledge, encumber, hypothecate or otherwise give any third party any security interest in this Agreement or in the Proprietary Properties or the Franchised Business in any manner whatsoever without our express written permission, which permission may be withheld for any reason. The foregoing does not apply to the lease, financing, or purchase money security interest granted to a lender in connection with the procurement of equipment or service vehicles by you for the Franchised Business.

## **ARTICLE 16: DEFAULT AND TERMINATION**

### **16.1 Automatic Termination**

You shall be in default under this Agreement, and all rights granted to you herein shall automatically terminate without notice to you, if you, or any of your partners, if you are a partnership, or any of your officers, directors, shareholders, or members, if you are a corporation or limited liability company, shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; if you are adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver or other custodian for you or your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a *supersedeas* bond is filed); if you are dissolved; if execution is levied against your business or property; if suit to foreclose any lien or mortgage against the premises or equipment of the Franchised Business is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

### **16.2 Termination Upon Notice – No Right to Cure**

Upon the occurrence of any of the following events, you are deemed to be in default and we may, in our sole and exclusive discretion, terminate this Agreement and all rights granted hereunder without affording you any opportunity to cure the default. Termination under this Section shall be effective immediately upon the earlier of the occurrence of any of the following or receipt of notice you:

16.2.1 If you abandon the Franchised Business by failing to operate such business for a period of five (5) consecutive days, or any shorter period after which it is reasonable for us to conclude that you do not intend to continue to operate the Franchised Business, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond your reasonable control; provided, however, that your lack of adequate financing shall not be considered beyond your reasonable control;

16.2.2 If you are or any of your owners is convicted of a felony, a fraud, a crime involving moral turpitude or any other crime or offense that is reasonably likely to have an adverse effect on the System, the Proprietary Marks, or the goodwill associated therewith;

16.2.3 If you make any material misrepresentation relating to the creation, acquisition or operation of the Franchised Business or engage in conduct which reflects materially and unfavorably upon the operation and reputation of the Franchised Business, us or the System;

16.2.4 If you fail, for a period of ten (10) days after notification of non-compliance by any duly constituted authority, to comply with any federal, state or local law, regulation or requirement applicable to the operation of the Franchised Business and fail promptly to notify us of such notification and to satisfy us of the steps taken to cure any such non-compliance;

16.2.5 If you repeatedly fail (i.e., at least three (3) or more times) to comply with any one requirement of this Agreement, whether or not such failures are ultimately corrected;

16.2.6 If your default under this Agreement is by its very nature incapable of being cured;

16.2.7 If you fail to attend and successfully complete our Training Program or fail to attend any mandatory refresher training course or meeting of franchisees unless such requirement is waived by us;

16.2.8 If you (or any of your shareholders, directors, officers, managers, members, partners or employees) acquire any interest in a business similar to or competitive with the Franchised Business, except that you or such other persons may own less than five percent (5%) of the shares of any company listed on any national or regional securities exchange and may own more than one (1) FMT Business pursuant to a valid Franchise Agreement with us;

16.2.9 If you engage in the unauthorized use or duplication of any aspect of our business, services or products;

16.2.10 If you engage in the unauthorized use or disclosure of any confidential information or Confidential Information relating to us, the Franchised Business or the System;

16.2.11 If you sell, sublicense, assign or transfer any interest in this Agreement or the Franchised Business in violation of this Agreement, or if your representatives fail to nominate a manager for the Franchised Business upon your death or disability;

16.2.12 If you violate any covenant not to compete set forth in Article 14 of this Agreement;

16.2.13 If you misrepresent, substitute or “palm off” non-authentic services and/or products for or as our services and/or products;

16.2.14 If you knowingly maintain false books or records or submit any false reports to anyone;

16.2.15 If you purport to transfer any rights or obligations under this Agreement or any interest in you to any third party without our prior written consent or otherwise in violation of the terms of this Agreement;

16.2.16 If you violate any state or federal law or ordinance that in any manner relates to or impacts upon the provision of or ability to provide any of the services that you are required to offer and provide hereunder by the Franchised Business as an entity, or by any individuals who exercise any level of dominion or control over the operations of the Franchised Business, including, without limitation, a conviction based upon such a violation, allegation or charge of such violation without explanation that we shall deem to be reasonably satisfactory, or failure on your part to inform us of the existence of, threat of, charge or allegation of, or conviction of such violation;

16.2.17 If you or any of your owners violate any Anti-Terrorism Law;

16.2.18 If you incur three (3) insufficient funds fees in any twelve (12) month period during the Initial Term;

16.2.19 If you fail to comply with any other provision or requirement of this Agreement or the Brand Standards after written notice and an opportunity to cure, under Section 16.3; or

16.2.20 If you fail to timely open and commence business before the required opening date in this Agreement.

### **16.3 Notice of Termination – Right to Cure**

Except as provided in Sections 16.1 and 16.2 of this Agreement, you shall have ten (10) days (for monetary defaults) and thirty (30) days (for non-monetary defaults) after receipt from us of a written notice of termination in which to remedy the default (or, if the default cannot reasonably be cured within such period, to initiate within that time substantial and continuing action to cure the default) and to provide evidence of such cure to us. If any default is not cured within that time (or if substantial and continuing action to cure the default is not initiated within that time), or such other period as applicable law may require, this Agreement shall terminate without further notice to you effective immediately upon expiration of the cure period, or such longer period as applicable law may require. Defaults under this Section include the occurrence of any of the following events:

16.3.1 If you fail, refuse or neglect promptly to pay when due any monies owed to us (or our affiliates, subsidiaries or designees) or fail, refuse or neglect promptly to submit financial or other information required by us under this Agreement, or make any false statements in connection therewith;

16.3.2 If you fail to maintain and operate the Franchised Business in accordance with the provisions or requirements of this Agreement or the Brand Standards;

16.3.3 If you fail to obtain our prior written approval or consent where the same is required pursuant to this Agreement;

16.3.4 If you misuse, or use in an unauthorized manner, any of the Proprietary Marks, Confidential Information, Copyrights or materially impair the goodwill associated therewith or our rights therein;

16.3.5 If you participate in any business or in the marketing of any service or product under a name or mark which, in our reasonable opinion, is confusingly similar to or a colorable imitation of any of the Proprietary Marks;

16.3.6 If you offer or sell, as part of the Franchised Business, any unapproved product or service or fail to offer or provide on a regular basis all products and services which comprise part of the System;

16.3.7 If you, by act or omission, knowingly permit a violation of any law, ordinance, rule or regulation of any governmental entity to remain uncorrected in the absence of a good faith dispute over its applicability or legality and without promptly resorting to an appropriate administrative or judicial forum for relief therefrom; or

16.3.8 If you fail to obtain and maintain all required insurance policies or fail to name us and other required parties as an additional insured thereunder in accordance with the terms of this Agreement.

### **16.4 Cross Default**

Any default by you (or any person/company affiliated with you) under this Agreement may be regarded as a default under any other agreement between us (or any of our affiliates) and you (or any of your affiliates). Any default by you (or any person/company affiliated with you) under any other agreement, including, but not limited to, any lease and/or sublease, between us (or any of our affiliates) and you (or any person/company affiliated with you), and any default by you (or any person/company affiliated with you) under any obligation to us (or any of our affiliates) may be regarded as a default under this Agreement.

Any default by you (or any person/company affiliated with you) under any lease, sublease, loan agreement, security interest or otherwise, whether with us, any of our affiliates and/or any third party may be regarded as a default under this Agreement and/or any other agreement between us (or any of our affiliates) and you (or any of your affiliates).

In each of the foregoing cases, we (and any of our affiliates) will have all remedies allowed at law, including termination of your rights (and/or those of any person/company affiliated with you) and our (and/or our affiliates') obligations. No right or remedy which we may have (including termination) is exclusive of any other right or remedy provided under law or equity and we may pursue any rights and/or remedies available.

#### **16.5 Amendment Pursuant to Applicable Law**

Notwithstanding anything to the contrary contained in this Article, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this franchise and the parties hereto shall limit our rights of termination under this Agreement or shall require longer notice periods than those set forth above, this Agreement is deemed amended to satisfy the minimum notice periods or restrictions upon such termination required by such laws and regulations; provided, however, that such constructive amendment shall not be deemed a concession by us that the grounds for termination set forth in this Agreement do not constitute "good cause" for termination within the meaning ascribed to that term by any applicable law or regulation. We shall not be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or proceeding relating to this Agreement or the termination of this Agreement.

#### **16.6 Our Right to Discontinue Services to You**

If you are in breach of any obligation under this Agreement, and we deliver to you a notice of termination pursuant to this Article 16, we have the right to suspend our performance of any of our obligations under this Agreement including, without limitation, the sale or supply of any services or products for which we are an approved supplier to you and/or suspension of your website and/or access to our Website, until such time as you correct the breach.

### **ARTICLE 17: FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION OR EXPIRATION**

#### **17.1 Discontinuance of Use of Proprietary Properties**

Upon the termination or expiration of this Franchise Agreement, you shall forthwith discontinue the use of the Proprietary Marks, Confidential Information, Copyrights and Brand Standards, and you will not thereafter operate or do business under any name or in any manner that might tend to give the general public the impression that you are in any manner affiliated with us or an "FMT" Business, or any business similar thereto, or any words, phrases or logos confusingly similar thereto or colorable imitations thereof, and you shall not thereafter use, in any manner, or for any purpose, directly or indirectly, any of our confidential information, knowledge or Confidential Information concerning the operation, products, services, trade secrets, procedures, policies, techniques or materials or customers acquired by you by virtue of the relationship established by this Agreement, including the following:

17.1.1 Standards, specifications or descriptions of our products and services;

17.1.2 Our Brand Standards and any supplements thereto;

17.1.3 Any forms, advertising matter, marks, devices, signs, insignia, slogans or designs used from time to time in connection with the Franchised Business;

17.1.4 Any copyrights, Proprietary Marks, trade names and patents now or hereafter applied for or granted in connection therewith, or any marks, logos, words or phrases confusingly similar thereto or colorable imitations thereof;

17.1.5 Any telephone number listed in any telephone directory under the name "FMT" or any similar designation or directory listing which relates to the Franchised Business;

17.1.6 Any internet Websites, listings, advertisements and/or domain names, whether or not established in accordance with this Agreement; and

17.1.7 Any and all of the systems, procedures, techniques, criteria, concepts, designs, advertising and promotional techniques, products or service specifications, and all other components, specifications and standards which comprise (or in the future may comprise) part of the System.

## **17.2 Cancellation of Assumed Names**

Upon termination or expiration of this Agreement, you will take such action as may be necessary to cancel any assumed name or equivalent registration which contains any name or mark identical or similar to "FMT" or any other name, trademark or service mark of ours, or colorable imitations thereof, and you shall furnish us with proof of discharge of this obligation within thirty (30) days following the termination or expiration of this Agreement.

## **17.3 We are Attorney-In-Fact**

We may, if you fail or refuse to do so, sign in your name and on your behalf any and all documents necessary to cause discontinuation of your use of the name "FMT" or any other related or similar name or use thereunder, and we are hereby irrevocably appointed by you as your attorney-in-fact to do so.

## **17.4 Survival of Obligations**

The expiration or termination of this Agreement shall be without prejudice to the rights of one party against the other party, and such expiration or termination shall not relieve a party of any of its obligations to the other party existing at the time of expiration or termination or terminate those obligations of a party which by their nature survive the expiration or termination of this Agreement.

## **17.5 Telephone and Internet Listings**

Upon termination or expiration of this Agreement, you will cease and desist from using (or renewing the listing for) any telephone number(s) listed in the "Yellow Pages" or "White Pages" of any telephone directory under the name "FMT" or any other name similar thereto and, upon our demand, shall direct the telephone company servicing the Franchised Business to transfer said telephone number(s) to us, or to such other person or persons at such location or locations as we shall direct. You shall likewise cease and desist from using (or renewing the listing for) any internet Websites, advertising, domain names or the like under the name "FMT" or any other name similar thereto, whether or not established in compliance with this Agreement, and upon our demand shall direct the appropriate companies to transfer said Websites, advertising, domain names and the like to us or to such other person or persons we designate.

### **17.6 Payment of Monies Owed**

Upon termination or expiration of this Agreement, you will promptly pay all sums owing to us (and our subsidiaries, affiliates or designees). In the event of termination based upon a default by you, such sums shall include all damages, costs and expenses (including actual attorneys' fees) incurred by us as a result of the default. The obligation created under this Section shall give rise to and remain, until paid in full, a lien in our favor against any and all of the personal property, furnishings, equipment, signs, inventory, fixtures or other assets owned by you at the time of default.

### **17.7 Compliance with Post-Term Covenants**

Upon termination or expiration of this Agreement, you will comply with the post-term covenants not to compete set forth in Article 14 hereof.

### **17.8 Our Right to Repurchase Trademarked Items**

Upon termination or expiration of this Agreement for any reason whatsoever, you will immediately return to us all materials which bear any of the Proprietary Marks, trade names or copyrighted material. To the extent that we may make use of these materials, we will pay to you your documented and verified costs for those useful materials. You will destroy any and all materials not otherwise required to be returned to us in accordance with this Agreement or the Brand Standards. Contemporaneously, you will return to us all copies in your possession of materials and documents (including, among other things, the Brand Standards, corporate records and files, correspondence, brochures, agreements, and disclosure statements) relating to the grant or operation of the Franchised Business.

You agree fully to cooperate with us in effectuating any repurchase transaction contemplated hereunder, and you undertake to use your best efforts to provide us and our designees with all data and documentation as reasonably may be required to give effect to the purposes of this Section.

### **17.9 No Right to Proprietary Properties**

Upon expiration or termination, you shall immediately discontinue the use of each and every aspect of the Proprietary Properties, including the Proprietary Marks and trade dress, and Confidential Information, and thereafter shall no longer use or have the rights to use the Proprietary Properties, or any colorable or confusingly similar variations thereof, or any word, logo or figure similar to the Proprietary Marks, or Confidential Information. In the event of any litigation between the parties hereto with respect to the subject matter hereof, the party in any such litigation in whose favor a judgment is entered shall be entitled to have and recover, and the other party agrees to pay, its reasonable attorneys' fees, court costs, collection fees and expenses, with interest, in addition to any award to which the prevailing party may be otherwise entitled.

## **ARTICLE 18: MODIFICATION OF SYSTEM**

18.1 You understand and agree that the System must not remain static if it is to meet (without limitation) presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other market place variables, and if it is to best serve the interests of us, you, the network of all other franchisees, and FMT customers. Accordingly, you expressly understand and agree that we may, from time to time, change the components of the System including altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which your Franchised Business is authorized and required to offer modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color

schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which you are required to observe hereunder; and changing, improving, modifying or substituting the Proprietary Properties. You expressly agree to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase your obligations under this Agreement.

18.2 You shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was signed.

18.3 We shall not be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated hereby. You hereby covenant not to commence or join in any litigation or other proceeding against us or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, you expressly waive any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

## **ARTICLE 19: GENERAL PROVISIONS**

### **19.1 Sums of Money**

All references in this Agreement to sums of money shall be deemed to refer to lawful money of the United States of America.

### **19.2 Severability**

Except as otherwise stated in this Agreement, each provision of this Agreement, and any portion of any provision, is severable and the remainder of this Agreement will continue in full force and effect. To the extent that any provision restricting your competitive activities is deemed unenforceable, you and we agree that such provisions will be enforced to the fullest extent permissible under governing law. This Agreement is deemed automatically modified to comply with governing law if such law requires: (a) a greater time period for notice of the termination of, or refusal to renew, this Agreement; or (b) the taking of some other action not described in this Agreement. We may modify any invalid or unenforceable provision to the extent required to be valid and enforceable and you will be bound by the modified provisions.

### **19.3 Waiver**

A party's waiver of any breach(es) under this or any other agreement (whether by failure to exercise a right available, failure to insist on strict compliance with the terms of any agreement, development of a custom or practice which is at variance with the terms of any agreement, acceptance of partial or other payments or otherwise) will not affect the party's rights with regard to any breach by the other party or anyone else. The rights and remedies provided in this Agreement are cumulative and neither party will be prohibited from exercising any rights or remedies provided under this Agreement or permitted under law or equity.

### **19.4 Acknowledgments**

You and we agree that there does not exist any fiduciary, trust or similar relationship between you and us, that the relationship between you and us is a normal commercial relationship between independent businesspeople intended for mutual but independent economic benefit and is not in any sense nor is intended to be a fiduciary, trust or similar relationship.

19.4.1 You and we, each agreeing on the critical practical business importance of our relationship being governed solely by written documents signed by you and us (including any concurrently executed written personal guarantees, Confidentiality (and Non-Competition) Agreements, Franchisee Disclosure Acknowledgment Statement and/or exhibits, schedules, addenda, promissory note(s), security agreement(s) or other written documents signed by the party to be bound thereby, all of which will be deemed to be part of this Agreement for the purposes of this Subsection) and not wishing to create misunderstandings, confusion and possible conflict through reference to any alleged prior and/or contemporaneous oral and/or written representations, understandings, agreements or otherwise, jointly intend and agree that (i) this Agreement contains the final, complete and exclusive expression of the terms of the parties' agreement and entirely supersedes and replaces any and all prior and/or concurrent understandings, agreements, inducements, prior course(s) of dealing, representations (financial or otherwise), promises, options, rights of first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) between you and us, (ii) there are no prior and/or concurrent understandings, agreements, inducements, course(s) of dealing, representations (financial or otherwise), promises, options, rights of first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) which are not fully expressed in this Agreement, and (iii) no prior and/or concurrent understandings, agreements, inducements, course(s) of dealing, representations (financial or otherwise), promises, options, rights of first refusal, guarantees, warranties (express or implied) or otherwise (whether oral or written) of any kind or nature whatsoever have been made by us or anyone else, nor have been relied upon by you nor will have any force or effect. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the representations made by us in the Disclosure Document that was furnished to you by us.

19.4.2 You acknowledge and represent that you have not been promised, nor have we or any of our representatives, employees or agents made any promises, representations and/or warranties, nor have you received or relied on any promises, representations or warranties, that (i) any payments by you are refundable at your option, (ii) we will repurchase any rights granted under this Agreement (or any associated business) or will be able to assist you in any resale, (v) you will have any exclusive rights of any type other than as specifically set forth in this Agreement, or (vi) you will receive any level of advertising (television or otherwise), marketing assistance, site location, development or other services, operational assistance or otherwise other than as expressly set forth in this Agreement. No contingency, condition, prerequisite, prior requirement, or otherwise (including obtaining financing, obtaining a site or otherwise) exists with respect to your fully performing any or all of your obligations under this Agreement.

19.4.3 You acknowledge that you and each person signing this Agreement as Franchisee (and/or having any investment and/or interest in the Franchised Business) have received, reviewed, understood and fully read and all questions have been answered regarding a copy of our Disclosure Document with all exhibits at least fourteen (14) calendar days before the earlier of you and/or any such person (a) signing any binding documents or (b) paying any sums.

19.4.4 You acknowledge and agree that in all of your dealings with us, our officers, directors, employees, and agents act only in a representative capacity and not in an individual capacity. You further acknowledge that this Agreement, and all business dealings between you and such individuals as a result of this Agreement, are solely between you and us. You further represent to us, as an inducement to our entry into this Agreement, that you have made no misrepresentations in obtaining the Franchised Business.

19.4.8 You are aware of the fact that some present or future franchisees of ours may operate under different forms of Franchise Agreements and, consequently, that our obligations and rights

in respect to our various franchisees may differ materially in certain circumstances. This fact will not be used to unfairly discriminate against you.

### **19.5 Notices**

Except as otherwise provided in this Agreement, any notice, demand or communication provided for in this Agreement shall be in writing, signed by the party giving the same, and personally delivered or sent by overnight courier as set forth in the introductory paragraph of this Agreement, or at such other address or addresses as the parties may from time to time designate in writing.

Either party may change its address for notice purposes by giving the other party written notice of such change.

### **19.6 Gender**

Reference to you as male, female, or no gender shall include male or female franchisee, general or limited partnership, joint venture, corporation, limited liability company, trust, or any other association or business entity, as relevant in the context.

### **19.7 Headings**

Headings and captions in this Agreement are for convenience of reference only and shall not be taken into account in construing or interpreting this Agreement.

### **19.8 References**

Any reference in this Agreement to any paragraph or other part of this Agreement shall be deemed to include a reference to every subordinate part and/or subparagraph.

### **19.9 Delays in Performance**

It is acknowledged and agreed by both parties that any delay in the performance of its obligations under this Agreement would irreparably and irrevocably injure the other party in the conduct of its business and the value of its property. The parties agree that time is of the essence of this Agreement. Except as otherwise specifically permitted in this Agreement, no extension of time shall be implied, nor any delay allowed, in the timely and complete performance of all covenants contained in this Agreement.

### **19.10 Variances**

Complete and detailed uniformity under many varying conditions may not be possible or practicable, and we therefore reserve the right and privilege, in our sole and absolute discretion and as we may deem in the best interest of all concerned in any specific instance, to vary standards to accommodate special needs of you, or those of any other franchisee, based upon the peculiarities of a particular site or location, density of population, business potential, population of trade area, existing business practices, requirements of local law or local custom, or any other condition which we deem to be of importance to the successful operation of such franchisee's business. Further, we may from time to time allow certain franchisees to depart from normal System standards and routines in certain respects in order to experiment with or test new products or services, equipment, service vehicles, designs, procedures and the like. In no event shall such variance, or such testing, be deemed a waiver of any of our rights, or an excuse from performance of any of your duties hereunder. We may at any time require you to commence full compliance with all of our standards and procedures. We shall not under any circumstances be required to grant any variance to you. Nothing contained in this Article is intended to confer on you any right to compel us to grant a variance to you or to grant, withdraw or modify any variance given to any other franchisee. Such matters shall at all times remain within our sole and absolute discretion.

### **19.11 Resolution of Conflicts**

The parties are urged, but are not required, to discuss and seek resolution of any conflicts that may arise under this Agreement prior to resorting to litigation. The foregoing notwithstanding, in any instance in which we demonstrate by affidavit evidence to a court of competent jurisdiction that we will suffer immediate and irreparable injury as a consequence of your violation of this Agreement, then you agree to the entry of *ex parte* injunctive relief.

### **19.12 Provisions are Self-Executing**

Each provision of this Article and those provisions in this Agreement relating to covenants against post-termination/expiration use of the Proprietary Marks, Confidential Information, and Copyrights will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, termination, setting aside, cancellation, rescission, unenforceability or otherwise of this Agreement (or any part of it) for any reason, and will survive and will govern any claim for rescission or otherwise. Each party reserves the right to challenge any law, rule or judicial or other construction which would have the effect of varying or rendering ineffective any provision of this Agreement.

### **19.13 Acceptance of Agreement**

This Agreement becomes valid when signed and accepted by us at our headquarters.

### **19.14 Binding Effect; No Modification**

This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified except by written agreement signed by both parties.

### **19.15 Construction**

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. Except where this Agreement expressly provides otherwise, we have the right to condition, withhold and/or refuse, in our sole and absolute discretion, any request by you and our approval of, or consent to, any action or omission by you. The headings of the several articles and sections hereof are for convenience only and do not define, limit, or construe the contents of such articles or sections. The term “attorneys’ fees” will include, without limitation, legal fees, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand or claim, action, hearing or proceeding to enforce the obligations of this Agreement. References to a “controlling interest” in you will mean more than fifty percent (50%) of the voting control of you if you are a corporate entity. The term “Franchisee” as used herein is applicable to one or more persons, a corporation, limited liability company or a partnership, as the case may be. The singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time the Franchisee under this Agreement, whether or not as partners or joint venturers, their obligations and liabilities to us will be joint and several. This Agreement will be executed in multiple copies, each of which will be deemed an original. Each of the provisions of this Article shall apply to any claim brought (or which could be brought) by any principal of yours or by you or on your behalf.

### **19.16 You Shall Not Withhold Sums**

If you in good faith believe that we have or any other person/entity has violated any legal duty to you, you will nevertheless not withhold any sums due us, any affiliate or any National Marketing Fee until such matter has been finally determined.

### **19.17 Governing Law**

Except to the extent 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 shall be interpreted under the laws of the State of North Carolina, and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of North Carolina, which laws shall prevail in the event of any conflict of law. We and you have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving you, your officers or directors and us, our officers, directors, shareholders, members, employees or Affiliates both parties agree that the exclusive venue for disputes between them shall be in the State of North Carolina and each waive any objection either may have to the personal jurisdiction of or venue in the State of North Carolina. You irrevocably submit to the jurisdiction of such courts and waives any objection you may have to either the jurisdiction or venue in such court.

### **19.18 Operation in the Event of Absence or Disability**

In order to prevent any interruption of the Franchised Business operations which would cause harm to the Franchised Business, thereby depreciating the value thereof, you authorize us, who may, at our option, in the event that you are absent for any reason or are incapacitated by reason of illness and are unable, in our sole and reasonable judgment, to operate the Franchised Business, operate the Franchised Business for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement. All monies from the operation of the Franchised Business during such period of operation by us shall be kept in a separate account, and the expenses of the Franchised Business, including reasonable compensation and expenses for our representative, shall be charged to said account. If, as herein provided, we temporarily operate the Franchised Business franchised herein for you, you agree to indemnify and hold harmless us and any representative of ours who may act hereunder, from any and all acts which we may perform, as regards the interests of you or third parties.

### **19.19 Step-In Rights**

If we determine in our sole judgment that the operation of your Franchised Business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby lessen its value, you authorize us to operate your Franchised Business for as long as we deem necessary and practical, and without waiver of any other rights or remedies which we may have under this Agreement. In our sole judgment, we may deem you incapable of operating the Franchised Business if, without limitation, you are absent or incapacitated by reason of illness or death; you have failed to pay when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against your Franchised Business; or we determine that operational problems require that we operate your Franchised Business for a period of time that we determine, in our sole discretion, to be necessary to maintain the operation of the Franchised Business as a going concern.

We shall keep in a separate account all monies generated by the operation of your Franchised Business, less the expenses of the Franchised Business, including reasonable compensation and expenses for our representatives. In the event of our exercise of the Step-In Rights, you agree to hold harmless us and our representatives for all actions occurring during the course of such temporary operation. You agree to pay all of our reasonable attorneys' fees and costs incurred as a consequence of our exercise of the Step-In Rights. Nothing contained herein shall prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination.

### **19.20 Required NASAA Statement.**

The following only applies in *California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin*: 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.

## **ARTICLE 20: DISPUTE RESOLUTION**

### **20.1 Arbitration**

20.1.1 Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the franchise or this Agreement shall be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall 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 shall be held in Charlotte, North Carolina. However, arbitration will not be required to be used for any dispute which involves the Franchisee's continued unauthorized usage of any of the Marks or the System, business concept or any issue involving injunctive relief against you 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 North Carolina. The parties expressly consent to personal jurisdiction in the State of North Carolina and agree that such court(s) will have exclusive jurisdiction over any such issues not subject to arbitration.

20.1.2 The proceedings will be held by a single arbitrator agreed upon by the parties from a panel of neutral arbitrators provided by the American Arbitration Association and shall be chosen by the striking method. The parties each shall bear all of their own costs of arbitration; provided, however, the fees of the arbitrator shall be divided equally between the parties. The arbitrator shall have no authority to amend or modify the terms of this Agreement. The award or decision by the arbitrator shall be 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 such courts and to the propriety of venue of such courts for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning such matters.

20.1.3 Parties to arbitration under this Agreement shall include, by consolidation, joinder or in any other manner, any person other than you and any person in privity with or claiming through, in the right of or on behalf of you or us, unless both parties consent in writing. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between us and you or any person in privity with or claiming through, in the right of or on behalf of us or you.

20.1.4 The parties agree that any arbitration, court action or other matter between the parties will be conducted on an individual basis, and not as part of a common, consolidated or class action.

**20.1.5 YOU EXPRESSLY ACKNOWLEDGE THAT YOU HAVE READ THE TERMS OF THIS BINDING ARBITRATION PROVISION AND AFFIRM THAT THIS PROVISION IS ENTERED INTO WILLINGLY AND VOLUNTARILY AND WITHOUT ANY FRAUD, DURESS OR UNDUE INFLUENCE ON OUR PART OR ANY OF OUR AGENTS OR**

## **EMPLOYEES.**

### **20.2 Prior Notice of Claims by You**

Prior to your taking any legal or other action against us, whether for mediation, arbitration, damages, injunctive, equitable or other relief (including but not limited to rescission) and whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise, based on any alleged act or omission of ours, you will first give us sixty (60) days' prior written notice and opportunity to cure such alleged act or omission.

### **20.3 Periods In Which to Make Claims**

20.3.1 The parties agree that, except as provided below, no arbitration proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise) by either party will lie against the other (nor will any action or suit by you against any person and/or entity affiliated with us), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such arbitration proceeding, action or suit before the expiration of the earlier of:

(a) One hundred eighty (180) days after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or

(b) One (1) year after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

20.3.2 Notwithstanding the foregoing limitations, where any federal, state or provincial law provides for a shorter limitation period than above described, whether upon notice or otherwise, such shorter period will govern.

20.3.3 The foregoing limitations may, where brought into effect by our failure to commence an action within the time periods specified, operate to exclude our right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent us from terminating your rights and our obligations under this Agreement as provided herein and under applicable law nor prevent us from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination.

20.3.4 The foregoing limitations shall not apply to our claims arising from or related to: (1) your under-payment or non-payment of any amounts owed to us or any affiliated or otherwise related entity; (2) indemnification by you; (3) your confidentiality, non-competition or other exclusive relationship obligations; and/or (4) your unauthorized use of the Proprietary Properties.

### **20.4 Withholding Consent**

In no event will you make any claim, whether directly, by way of setoff, counter-claim, defense or otherwise, for money damages or otherwise, by reason of any withholding or delaying of any consent or approval by us. Your sole remedy for any such claim is to submit it to arbitration as described in this Agreement and for the arbitrator to order us to grant such consent.

## **20.5 Survival and Construction**

Each provision of this Article 20, together with the provisions of Article 19, will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, termination, setting aside, cancellation, rescission, unenforceability or otherwise of this Agreement (or any part of it) for any reason, will survive and will govern any claim for rescission or otherwise. Each provision of this Agreement will be construed as independent of, and severable from, every other provision; provided that if any part of this Agreement is deemed unlawful in any way, the parties agree that such provision will be deemed interpreted and/or modified to the minimum extent necessary to make such provision lawful or, if such construction is not permitted or available, the remainder of this Agreement will continue in full force and effect. Each party reserves the right to challenge any law, rule or judicial or other construction which would have the effect of varying or rendering ineffective any provision of this Agreement.

## **20.6 Costs and Attorneys' Fees**

Except as expressly provided otherwise in this Agreement with respect to appeal of an arbitration award, each party will each bear their respective costs of enforcement and/or defense (including but not limited to attorneys' fees) in any claim or dispute between the parties (including your and/or our affiliates, related persons/entities, etc.) and will make no claim against the other with regard thereto.

## **20.7 Waiver of Punitive Damages; Waiver of Jury Trial**

You and we hereby waive, to the fullest extent permitted by law, any right to or claim or any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against either party, their officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, either party shall be limited to the recovery of any actual damages sustained by it. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) shall continue in full force and effect. We and you irrevocably waive trial by jury in any action, proceeding, or counterclaim, whether at law or in equity, brought by either of us against the other.

## **ARTICLE 21: SUBMISSION OF AGREEMENT**

The submission of this Franchise Agreement to you does not itself constitute an offer to sell a franchise. This Franchise Agreement becomes effective only upon the signing by us and you. I HAVE READ THE AGREEMENT AND I AGREE TO AND ACCEPT EACH OF ITS PROVISIONS.

[Signatures appear on the next page]

The parties hereto have executed this Agreement under seal as of the day and year first above written.

FRANCHISOR:

MAIN LINE BRANDS LLC

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

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

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

Dated: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_

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

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

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

Dated: \_\_\_\_\_

**ATTACHMENT 1 TO FRANCHISE AGREEMENT**  
**TERRITORY**

The Territory is considered a Full-Size Franchise or Hometown Franchise as reflected on the Cover Page and as checked below:

**Full-Size Franchise** \_\_\_\_\_  
**Hometown Franchise** \_\_\_\_\_

**ATTACHMENT 2 TO FRANCHISE AGREEMENT**

**CONFIDENTIALITY (AND NON-COMPETITION) AGREEMENT**  
**(for trained employees, shareholders, officers, directors,  
general partners, members and managers of Franchisee)**

In consideration of my being a \_\_\_\_\_ of \_\_\_\_\_ (“Franchisee”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. Pursuant to a Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”), Franchisee has acquired the right and franchise from Main Line Brands LLC (the “Company”) to establish and operate an FMT Business (the “Franchised Business”) and the right to use in the operation of the Franchised Business the Company’s trade names, service marks, Proprietary Marks, logos, emblems, and indicia of origin (the “Proprietary Marks”), as they may be changed, improved and further developed from time to time in the Company’s sole discretion, only at the following authorized and approved location: \_\_\_\_\_ (the “Approved Location”).

2. The Company, as the result of the expenditure of time, skill, effort and resources has developed and owns a distinctive format and system (the “System”) relating to the establishment and operation of Franchised Businesses, which maintenance and repair products and services for exercise equipment. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, methods, techniques, formats, specifications, systems, procedures, methods of business practices and management, sales and promotional techniques and knowledge of, and experience in, the operation of the Franchised Business (the “Confidential Information”).

3. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

4. As \_\_\_\_\_ of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me training programs, the Company’s confidential Brand Standards (the “Brand Standards”), and other general assistance during the term of the Franchise Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term of the Franchise Agreement, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as \_\_\_\_\_ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

*[SUBJECT TO APPLICABLE LAW, THE FOLLOWING SECTION ONLY APPLIES TO DIRECT OR INDIRECT OWNERS OF FRANCHISEE]*

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, either directly or indirectly for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any retail business or e-commerce business which: (a) is the same as, or substantially similar to, a Franchised Business; or (b) offers to sell or sells any products or services which are substantially the same as the products Franchised Business (a "Competitive Business"); and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, or upon the expiration, termination, transfer, or assignment of the Franchise Agreement, whichever occurs first, and continuing for two (2) years thereafter, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any Competitive Business that is, or is intended to be, located at or within:

7.1 Franchisee's Territory, as defined in the Franchise Agreement ("Franchisee's Territory");

7.2 Twenty (20) miles of Franchisee's Territory; or

7.3 Twenty (20) miles of any Franchised Business operating under the System and the Proprietary Marks; or

7.4 Twenty (20) miles of any FMT customer location.

*The prohibitions in this Paragraph 7 do not apply to my interests in or activities performed in connection with a Franchised Business. This restriction does not apply to my ownership of less than five percent (5%) beneficial interest in the outstanding securities of any publicly held corporation.*

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. This Agreement shall be construed under the laws of the State of North Carolina. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Title

**ACKNOWLEDGED BY FRANCHISEE**

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

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

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

**ATTACHMENT 3 TO FRANCHISE AGREEMENT**

**INTERNET ADVERTISING, SOCIAL MEDIA AND  
TELEPHONE ACCOUNT AGREEMENT**

**THIS INTERNET ADVERTISING, SOCIAL MEDIA AND TELEPHONE ACCOUNT AGREEMENT** (the “Agreement”) is made and entered into this day of \_\_\_\_\_ (the “Effective Date”) by and between Main Line Brands LLC, a Delaware limited liability company (the “Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ (the “Franchisee”).

**WHEREAS**, Franchisee desires to enter into a franchise agreement with Franchisor for a Fitness Machine Technicians FMT business (“Franchise Agreement”) which will allow Franchisee to conduct internet-based advertising, maintain social media accounts, and use telephone listings linked to the Fitness Machine Technicians FMT brand.

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **Internet Advertising and Telephone Accounts**

2.1 **Interest in Websites, Social Media Accounts and Other Electronic Listings.** Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet websites, and the right to hyperlink to certain websites and listings on various internet search engines (collectively, “Electronic Advertising”) related to the Franchised Business or the Marks.

2.2 **Interest in Telephone Numbers and Listings.** Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the “Telephone Listings”) related to the Franchised Business or the Marks.

2.3 **Transfer.** On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, social media companies, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has Electronic Advertising: (i) to transfer all of Franchisee’s interest in such Electronic Advertising to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic

Advertising, Franchisee will immediately direct the Internet Companies to terminate such Electronic Advertising or will take such other actions with respect to the Electronic Advertising as Franchisor directs; and

2.3.2 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Listings: (i) to transfer all Franchisee’s interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet Companies to transfer all Franchisee’s interest in and to the Electronic Advertising to Franchisor, or alternatively, to direct the Internet Companies to terminate any or all of the Electronic Advertising;

2.4.2 Direct the Telephone Companies to transfer all Franchisee’s interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee’s interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor’s written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet Companies and the Telephone Companies have duly transferred all Franchisee’s interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and/or Telephone Listing. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. **Miscellaneous**

3.1 **Release.** Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 **Indemnification.** Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 **No Duty.** The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 **Further Assurances.** Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 **Successors, Assigns, and Affiliates.** All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 **Effect on Other Agreements.** Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and attachments and schedules thereto shall remain in effect as set forth therein.

3.7 **Survival.** This Agreement shall survive the Termination of the Franchise Agreement.

3.8 **Governing Law.** This Agreement shall be governed by and construed under the laws of the State of North Carolina, without regard to the application of North Carolina conflict of law rules.

-Remainder of Page Intentionally Blank-

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:

**Main Line Brands LLC**

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

\_\_\_\_\_, \_\_\_\_\_  
(Print Name, Title)

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_, \_\_\_\_\_  
(Print Name, Title)

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

**ATTACHMENT 4 TO FRANCHISE AGREEMENT**  
**GUARANTY**

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement, and any revisions, modifications and amendments thereto (hereinafter collectively the “Agreement”) dated \_\_\_\_\_, by and between Main Line Brands LLC, a Delaware limited liability company (hereinafter the “Franchisor”), and \_\_\_\_\_ (hereinafter the “Franchisee”), each of the undersigned Guarantors agrees as follows:

1. The Guarantors do hereby jointly and severally unconditionally guaranty the full, prompt and complete performance of the Franchisee under the terms, covenants and conditions of the Agreement, including, without limitation, the complete and prompt payment of all indebtedness to the Franchisor under the Agreement. The word “indebtedness” is used herein in its most comprehensive sense and includes, without limitation, any and all advances, debts, obligations and liabilities of the Franchisee, now or hereafter incurred, either voluntarily or involuntarily, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

2. The obligations of the Guarantors are independent of the obligations of the Franchisee and a separate action or actions may be brought and prosecuted against any or all of the Guarantors, whether or not actions are brought against the Franchisee or whether the Franchisee is joined in any such action.

3. If the Franchisee is a corporation, partnership or limited liability company, the Franchisor shall not be obligated to inquire into the power or authority of the Franchisee or its partners or the officers, directors, agents, members or managers acting or purporting to act on the Franchisee’s behalf and any obligation or indebtedness made or created in reliance upon the exercise of such power and authority shall be guaranteed hereunder. Where the Guarantors are corporations or partnerships, it shall be conclusively presumed that the Guarantors and the partners, agents, officers and directors acting on their behalf have the express authority to bind such corporations or partnerships and that such corporations or partnerships have the express power to act as the Guarantors pursuant to this Guaranty and that such action directly promotes the business and is in the interest of such corporations or partnerships.

4. The Franchisor, its successors and assigns, may from time to time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the indebtedness, whether or not it or its successors have resorted to any property securing any of the indebtedness or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the indebtedness; (b) release or compromise any indebtedness of any of the undersigned hereunder or any indebtedness of any party or parties primarily or secondarily liable on any of the indebtedness; (c) extend, renew or credit any of the indebtedness for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the indebtedness; or (e) give any other form of indulgence, whether under the Agreement or otherwise.

5. The undersigned further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under the Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between the Franchisee and the Franchisor resulting from the Agreement or otherwise, and the settlement, compromise or adjustment thereof.

6. This Guaranty shall be enforceable by and against the respective administrators, executors, successors and assigns of the Guarantors and the death of any Guarantor shall not terminate the liability Guarantor or limit the liability of the other Guarantors hereunder.

7. If more than one person has executed this Guaranty, the term the “undersigned,” as used herein shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

8. In each case where the spouse of a Franchisee has executed any documents in connection with the granting of the Agreement, and the Franchisee subsequently divorces from such spouse, then, in the event that the Franchisee subsequently remarries, the new spouse of such Franchisee must execute, and agree to be bound by the provisions of, each of the documents previously executed by the Franchisee’s original spouse.

9. The Franchisor agrees that unless the Franchisee is guilty of having misappropriated trust money or otherwise unjustifiably or willfully breached any material term of this Agreement, it will not seek enforcement of its right to money damages against the primary residence of any guarantor.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Guaranty under seal effective as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature of Spouse (if married)

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

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

\_\_\_\_\_  
Home Address

\_\_\_\_\_  
Home Address

\_\_\_\_\_  
Home Telephone

\_\_\_\_\_  
Home Telephone

\_\_\_\_\_  
Business Telephone

\_\_\_\_\_  
Business Telephone

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**ATTACHMENT 5 TO FRANCHISE AGREEMENT**

**MULTI-STATE ADDENDUM**

**CALIFORNIA**

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF CALIFORNIA**

The Department for Financial Protection and Innovation for the State of California requires that certain provisions contained in franchise documents be amended to be consistent with California Franchise Investment Law, Cal. Corp. Code Section 31000 et seq., and of the Rules and Regulations promulgated thereunder. To the extent that this Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended.

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
2. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
3. Item 3 is amended to add:

Neither Franchisor nor any person described in Item 2 of the 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. 8.78(a) et seq. suspending or expelling such persons from membership in such association or exchange.

4. Item 5 of the Franchise Disclosure Document and all relevant sections of the Franchise Agreement are amended such that:

All fees paid to the franchisor by the franchisee, including payments for goods and services received from the franchisor before the business opens, shall be deferred until the franchisee has commenced doing business.

5. Item 17 is amended to state:
  - (a) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).
  - (b) The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
  - (c) The Franchise Agreement requires application of the laws of Pennsylvania. This provision may not be enforceable under California law.
  - (d) The franchise agreement requires binding arbitration. The arbitration will occur in Chester

County, Pennsylvania with each party bearing its own costs of arbitration and the parties sharing the costs of arbitrators.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

6. It is hereby acknowledged and agreed that:

(a) California Business and Professions Code sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

(b) Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

(c) You must sign a general release if you renew or transfer your franchise. 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).

7. The highest interest rate allowed by law in California is 10% annually.

**ADDENDUM TO THE FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF CALIFORNIA**

1. Attachment 2 of this Franchise Agreement is revised in which the following language is deleted from Paragraph 1:

“Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement”

2. Attachment 2 of this Franchise Agreement is revised in which the following language is deleted from paragraph 2:

“...making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.”

3. Attachment 2 of this Franchise Agreement is revised to delete paragraph 5 in its entirety

4. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee’s investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

## ILLINOIS

1. Item 5 of the FDD and all relevant sections of the Franchise Agreement are amended such that:

All fees paid to the franchisor by the franchisee, shall be deferred until franchisor has satisfied its pre-opening obligations and the franchisee has commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

2. Illinois law governs the Franchise Agreement(s).

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.

Your rights 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.

3. A National Account is a customer who conducts business in more than one location. The Franchisor has the exclusive right to negotiate and enter into agreements to provide services to national accounts. You may be offered the opportunity to service a national account. If you decline or are unable to service the account, the Franchisor, an affiliate or another franchise may provide the service with no compensation to you (even if the service is provided within your exclusive territory).

4. The franchisor estimates the time between signing the Franchise Agreement and opening to be 30 to 60 days. The franchisor will offer a training program at headquarters within 60 days after you sign the Franchise Agreement. Your Franchised Business must be opened for business within 90 days after signing the Franchise Agreement, or the franchisor may elect to terminate your Franchise Agreement.

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

## MARYLAND

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.

**Item 5 of the Franchise Disclosure Document and all relevant sections of the Franchise Agreement are amended such that:**

All fees paid to the franchisor by the franchisee, including payments for goods and services received from the franchisor before the business opens, shall be deferred until all of the franchisor's pre-opening obligations to the franchisee have been satisfied.

**Item 17 of the Franchise Disclosure Document is amended as follows:**

Pursuant to COMAR 02.02.08.16L, 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.

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

The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

**The Franchise Agreement is amended as follows:**

A Franchisee is permitted to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Pursuant to COMAR 02.02.08.16L, 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.

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

Sections 19.4.2, 19.4.3 and 19.4.4 of the Franchise Agreement are deleted and of no force or effect in Maryland.

**The Franchise Agreement, Attachment 2 to the Franchise Agreement and Exhibit G to the Franchise Disclosure Document are each amended to add the following:**

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

**The Recitals of the Franchise Agreement are amended to delete the following paragraph:**

**WHEREAS**, you acknowledge that you have read this Agreement and our Disclosure Document and that you understand and accept the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain uniform high standards of quality at all locations and to protect the goodwill of the Proprietary Marks;

**Article 21 of the Franchise Agreement is amended to delete the following last sentence of Article 21:**

I HAVE READ THE AGREEMENT AND I AGREE TO AND ACCEPT EACH OF ITS PROVISIONS.

## **MINNESOTA**

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 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 following language amends the Governing Law, Jurisdiction and Venue, and Choice of Forum sections of the Franchise Disclosure Document and agreement(s): “Minnesota Statutes, Section 80C.21 and Minnesota 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 agreement(s) can abrogate or reduce any of franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Further, Franchisee cannot consent to Franchisor obtaining injunctive relief. Franchisor may seek injunctive relief.

To the extent of any inconsistencies, Section 2.1.3 of the Franchise Agreement is amended such that:

“The initial franchise fee owed by Franchisee to Franchisor shall be deferred until the Franchisee has commenced doing business.”

To the extent of any inconsistencies, Section 8.10 of the Franchise Agreement is amended such that the insufficient funds fee is Thirty Dollars (\$30.00).

Item 13 of the Franchise Disclosure Document and the applicable sections of the franchise agreement(s) are modified to state that the franchisor will protect the franchisee’s right 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. See Minnesota Statutes, Section 80C.12, Subd. 1(g).

The Limitations of Claims section is amended to comply with Minnesota Statutes, Section 80C.17. Subd. 5.

Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee’s assent to a general release other than as part of a voluntary settlement of disputes. To the extent of any inconsistencies with the Minnesota Rules requirement contained in Sections 4.2.4 or 15.2.1(h) of the Franchise Agreement, such inconsistent provisions are hereby deleted.

## **NEW YORK**

Item 3 of the Franchise Disclosure Document is amended to state:

Neither the franchisor, its predecessor, a person identified in item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

- A. 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, 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.

- B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-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, fraud, embezzlement, fraudulent conversion, or misappropriation of property, or unfair or deceptive practices or comparable allegations.
- C. 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.

Item 4 of the Franchise Disclosure Document is amended to state:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular:

- (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;
- (b) obtained a discharge of its debts under the bankruptcy code; or
- (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 5 of the Franchise Disclosure Document is amended to add:

The fee will be used to cover the Franchisor's initial costs for Pre-opening in connection with establishing each franchised business; general expenses associated with the recruitment of future franchisees; and as otherwise determined in the Franchisor's sole discretion.

Item 17 of the Franchise Disclosure Document is amended to state:

Regarding *Termination*, Section d: You the Franchisee may seek termination of the agreement upon any grounds available by law.

Regarding *Assignment*, Section j: However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor is willing and financially able to assume the franchisor's obligations under the franchise agreement.

Regarding Sections v & w: The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by article 33 of the General Business law of the state of New York.

## **RHODE ISLAND**

In recognition of the requirements of the Rhode Island Franchise Investment Act, the parties to the attached Main Line Brands LLC Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. The following language shall be added at the end of Section 20.1 of the Franchise Agreement:

Notwithstanding the above, Rhode Island franchisees are permitted to bring a lawsuit in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

2. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Amendment.

## **VIRGINIA**

The Virginia State Corporation Commission, Division of Securities and Retail Franchising requires that certain provisions contained in franchise documents be amended to be consistent with Virginia law. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. The following statements are added to Article 16 of the Franchise Agreement:

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.

No statement, questionnaire, or acknowledgment signed or agreed to by Franchisor 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 Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

As to any state law described in this Amendment that declares void or unenforceable any provision contained in the Franchise Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that Franchisee has initiated.

## WASHINGTON

### **Washington Addendum to the Franchise Agreement and Other 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 or other pre-opening amounts 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.

20. Paragraphs 4, 5 and 6 of the WITNESSETH Section of the Franchise Agreement are deleted and of no force and effect in the State of Washington.

**APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“Addenda”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Disclosure Document.

- California
- Hawaii
- Illinois
- Indiana
- Maryland
- Michigan
- Minnesota

- New York
- North Dakota
- Rhode Island
- South Dakota
- South Dakota
- Virginia
- Washington
- Wisconsin

Dated: \_\_\_\_\_

**FRANCHISOR:**

MAIN LINE BRANDS LLC

\_\_\_\_\_

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

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

**FRANCHISEE:**

\_\_\_\_\_

\_\_\_\_\_

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

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

**ATTACHMENT 6 TO FRANCHISE AGREEMENT**

**ELECTRONIC FUNDS TRANSFER AUTHORIZATION**

Depositor hereby authorizes and requests \_\_\_\_\_ (the “Depository”) to initiate debit and credit entries to Depositor’s  checking or  savings account (select one) indicated below drawn by and payable to the order of Main Line Brands LLC by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that the Depository’s rights with respect to each such charge shall be the same as if it were a check drawn by the Depository and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Depository shall be under no liability whatsoever.

Depository Name: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Transit/ABA Number: \_\_\_\_\_ Account Number: \_\_\_\_\_

This authority is to remain in full force and effect until Company has received written notification from me (or either of us) of its termination in such time and in such manner to afford Company and Depository a responsible opportunity to act on such request.

Depositor: (Please Print)

\_\_\_\_\_  
\_\_\_\_\_

Date Signed

\_\_\_\_\_

\_\_\_\_\_  
Signature(s) of Depositor, as Printed Above

**Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.**

**ATTACHMENT 7 TO FRANCHISE AGREEMENT**

**TRANSFER OF FRANCHISE TO A CORPORATION OR LIMITED LIABILITY COMPANY**

This Transfer Agreement hereby amends that certain Franchise Agreement dated \_\_\_\_\_ between Main Line Brands LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the corporation set forth below, or Members of the issued and outstanding Interests of the Limited Liability Company set forth below and the Franchisee of the FMT Business under a Franchise Agreement executed on the date set forth below, between himself or herself and Franchisor, granting him/her a franchise to operate at the location set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Franchisee constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Corporation, or Limited Liability Company in accordance with the provisions of Article 15 of the Franchise Agreement, agree as follows:

1. The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Article 14 thereof, to the same extent as if each of them were the Franchisee set forth in the Franchise Agreement and they jointly and severally personally guarantee all of the Franchisee’s obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisor and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend:

“The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated \_\_\_\_\_, 20\_\_ between \_\_\_\_\_ and Main Line Brands LLC.”

or

“The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated \_\_\_\_\_, 20\_\_ between \_\_\_\_\_ and Main Line Brands LLC.”

3. \_\_\_\_\_ or his designee shall devote his best efforts to the day-to-day operation and development of the Franchised FMT Business.

4. \_\_\_\_\_ hereby agrees to become a party to and to be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and Franchisor, to the same extent as if it were named as the Franchisee therein.

Date of Franchise Agreement: \_\_\_\_\_

Location of Franchised FMT Business: \_\_\_\_\_

WITNESS:

As to Paragraph 3:

\_\_\_\_\_

\_\_\_\_\_  
[Name]

As to Paragraph 4:

\_\_\_\_\_

\_\_\_\_\_  
[Name]

ATTEST:

\_\_\_\_\_  
Name of Corp. or Limited Liability Company

\_\_\_\_\_

By: \_\_\_\_\_ (SEAL)  
Title: \_\_\_\_\_

In consideration of the execution of the above Agreement, Main Line Brands LLC hereby consents to the above referred to assignment on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

MAIN LINE BRANDS LLC

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

**ATTACHMENT 8 TO FRANCHISE AGREEMENT**  
**ACCOUNTS PROGRAM PARTICIPATION AGREEMENT**

**THIS AGREEMENT** is made and entered into this \_\_\_\_\_ (“Effective Date”) between Main Line Brands LLC, a Delaware limited liability company with its principal office at 2359 Perimeter Pointe Parkway, Suite 250, Charlotte, North Carolina 28208 (the “Company”) and the undersigned Main Line Brands LLC franchisee, \_\_\_\_\_, a(n) \_\_\_\_\_ with its principal office at \_\_\_\_\_ (“Participant”).

**W I T N E S S E T H:**

**WHEREAS**, we and our affiliate have developed, and are in the process of further developing, a unique, proprietary and evolving system (“System”) relating to the establishment and operation of a business that provides maintenance and repair products and services for exercise equipment using the Proprietary Properties, Copyrights, Confidential Information, and Proprietary Marks;

**WHEREAS**, the existence of multiple franchisees in the System creates opportunities to enter into accounts with other entities having multiple locations in more than one territory in the System (each, a “National Account”) and accounts with other entities having multiple locations in a single territory in the System (each, a “Regional Account”) for the benefit of the System as a whole;

**WHEREAS**, the Company has and may in the future negotiate and enter into agreements for National Accounts (each, a “National Contract”) and Regional Accounts (each, a “Regional Contract”) with other companies or organizations (individually, a “Customer” or collectively, “Customers”) for the purpose of providing maintenance and repair products and services for exercise equipment;

**WHEREAS**, the Customers under such National Contracts and Regional Contracts agree to purchase significant quantities of their requirements for outsourced exercise equipment maintenance and repair products and services;

**WHEREAS**, the Company from time to time does not have the capacity or ability to service certain locations of the Customers; and

**WHEREAS**, the Participant desires to furnish Fitness Machine Technicians maintenance and repair products and services for exercise equipment to Customers under such terms and conditions as negotiated in the national Contract in accordance with the terms and conditions of this Agreement.

**NOW, THEREFORE**, for and in consideration of the mutual undertakings, covenants, premises, and commitments contained above and below, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, **IT IS AGREED**, as follows:

1. Pursuant to the terms of this Agreement, the Company shall endeavor to promote and develop National Contracts and Regional Contracts with Customers as determined by the Company in its sole and exclusive business judgment both within and outside of any Protected Territory serviced by the Participant and Participant agrees to honor and abide by the terms and conditions of such National Contracts and Regional Contracts, on an individual basis, in furnishing the services to each Customer as identified and designated by the Company to the Participant and to otherwise maintain the Company’s performance and operational standards as set forth in the Company’s Brand Standards and attachments to this Agreement.

2. Participant agrees to provide Fitness Machine Technicians maintenance and repair products and services for exercise equipment to each Customer location designated by the Company. The specific pricing, services and other details for a specific Customer to be serviced by the Participant under a National Contract or Regional Contract will be set forth in such National Contract or Regional Contract. Company agrees that for any National Contract or Regional Contract the billing, invoicing, servicing and any other items related to Participant servicing Customer will be consistent with Company's and Participant's Brand Standards.

3. Participant agrees to provide goods and services to each Customer location strictly in accordance with the terms and conditions of the National Contract or Regional Contract for such customer issued by the Company.

4. Participant shall pay any and all royalties due in the same manner and amount for servicing a National Contract or Regional Contract as they would for any other customer.

5. Participant shall at all times indemnify, defend and save harmless Company, its employees, officers, partners, successors and assigns against any and all claims, actions, demands, costs, damages, loss of expense of any kind whatsoever asserted by parties other than Company, resulting from or in connection with or arising out of Participant's performance of the services called for herein, or from the omission or commission of any act, lawful or unlawful, by Participant. Participant shall immediately notify Company of any such claim, action, or demand and shall be solely liable for all resulting costs, damages, expenses, and legal fees.

6. For all National Accounts, Participant shall provide the Company with an invoice of work completed for the National Account Customer pursuant to the terms of the National Contract for such National Account Customer. Company agrees to remit payment of such invoices upon payment of the invoice by the respective National Account Customer. Participant acknowledges and agrees that each invoice shall be calculated as follows: (i) for the first year of any National Contract, the contractual terms of the National Contract less twenty percent (20%); and (ii) for the second and any subsequent years of any National Contract, the contractual terms of the National Contract less ten percent (10%).

7. For all Regional Accounts, Participant shall provide the Company with an invoice of work completed for the Regional Account Customer pursuant to the terms of the Regional Contract for such Regional Account Customer. Company agrees to remit payment of such invoices upon payment of the invoice by the respective Regional Account Customer. Participant acknowledges and agrees that each invoice shall be calculated as follows: (i) for the first year of any Regional Contract, the contractual terms of the Regional Contract less twenty percent (20%); and (ii) for the second and any subsequent years of any Regional Contract, the contractual terms of the Regional Contract less ten percent (10%).

8. Participant shall not solicit, nor enter into for any purpose whatsoever, any separate agreement with any Customer during the term of this Agreement without the prior written consent from Company and Participant shall not do anything to interfere with Company's National Contract or Regional Contract with any Customer. Notwithstanding the foregoing, in the event Participant has a pre-existing contract with a local affiliate of National Account Customer, any conflict or discrepancy between the National Accounts program contract and the local contract, including, but not limited to, compensation and/or commission due thereunder, shall be resolved by Franchisor, at its sole discretion.

9. The term of this Participant Agreement will commence on the date of execution of this Participant Agreement, and, with respect to each Customer location, extend until the date of expiration of the then current contract term or unaltered renewal or extension of each contract term with respect to such Customer location serviced by Participant; provided, however that the Company may amend the terms of

this Participant Agreement at the time of any renewal or extension of a contract with any Customer or Customer location on thirty (30) days advance written notice to Participant, at which time Participant may opt out of servicing the amended Customer Contract. If Participant opts out or determines not to service any Customer, Company has the right to service that Customer regardless of the Customer's location. Notwithstanding the foregoing, this Agreement shall terminate as follows: (i) if either party hereto files a voluntary petition of bankruptcy, or for reorganization under any bankruptcy law, or makes an assignment for the benefit of creditors, or if any involuntary petition of bankruptcy is filed against either party and not dismissed or withdrawn within thirty (30) days of such filing, or if a receiver shall be appointed for its property, or if it shall become insolvent, then the other party shall have the right to terminate this Agreement by giving five (5) days written notice; or (ii) automatically upon the termination or expiration of any Franchise Agreement between Participant and the Company; or (iii) at any time, upon thirty (30) days written notice to Participant, with respect to any or all Customers or Customer locations serviced by Participant if Participant has any specific service or quality issues not corrected within thirty days of initial written notice. Company agrees that requests will not be unreasonable in nature. In the event of a termination pursuant to subpart (i), (ii) or (iii) hereof, Participant hereby agrees to provide the Company with all in-service records related to the Customer(s) for such location(s) by Participant within thirty (30) days of such termination.

10. During the term of this Agreement and for a period of two (2) years after termination of this Agreement (regardless of the reason for or the party causing such termination), neither Participant nor any of its affiliates shall directly or indirectly enter into any separate agreement with any Customer regarding any Customer location assigned by Company to Participant under this Agreement without the prior written consent from Company.

11. Participant acknowledges that the Company is the sole and exclusive owner of the service marks "Fitness Machine Technicians" and related trademarks, if any (collectively, the "Mark"). Participant also acknowledges that this Agreement does not constitute a license to use any such Mark, and Participant acknowledges that, except as otherwise expressly granted by the Company to Participant in writing, Participant has no right or right whatsoever to use the Marks. Participant further acknowledges and agrees that the National Contracts and the relationships referenced therein are the Company's sole and exclusive property, and shall constitute confidential information of the Company.

12. Participant is an independent contractor and not an agent, partner or joint venture of the Company. Participant has no authority to act on behalf of the Company.

13. This Agreement sets forth the entire agreement and understanding between the parties with respect to the subject matter hereof. This Agreement may not be changed or modified, except by agreement in writing, signed by each of the parties. The Company may assign this Agreement, in whole or in part. The Participant may not assign this Agreement without the express written consent of the Company.

14. If any provision of this Agreement shall be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

15. This Agreement shall be governed and construed by the laws of the State of North Carolina.

***Signature Page to Follow***

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be signed by their duly authorized representatives the day and year above first written.

Company: MAIN LINE BRANDS LLC

Participant: \_\_\_\_\_

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

Name: Jason Prichard

Title: CEO

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

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

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

**ATTACHMENT 9 TO FRANCHISE AGREEMENT**  
**SAMPLE FINANCING AMENDMENT TO FRANCHISE AGREEMENT**  
**AND PROMISSORY NOTE**

**FMT**  
**FINANCING AMENDMENT TO FRANCHISE AGREEMENT**  
**(Financing)**

**THIS FINANCING AMENDMENT TO FRANCHISE AGREEMENT (“Financing Amendment”)** is made effective as of \_\_\_\_\_, 202\_\_ (the “**Financing Amendment Effective Date**”), by and among Main Line Brands, a Delaware limited liability company (“**Franchisor**”); \_\_\_\_\_ (“**Franchisee**”); and \_\_\_\_\_ (“**Guarantor(s)**”). Terms not otherwise defined herein will have the meaning attributed to them in the Franchise Agreement (as defined below).

**RECITALS**

a. Franchisor and Franchisee are parties to aa FMT Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) relating to the FMT Business (the “**FMT Business**”) operated within certain agreed geographic area in and around \_\_\_\_\_ (the “**Territory**”). Guarantor(s) is/are the Owner(s) of Franchisee and Guarantor(s) of Franchisee’s obligations under the Franchise Agreement. The rights related to the FMT Business granted under the Franchise Agreement are referred to herein as the “**Franchise**”.

b. Franchisee has requested permission to finance a portion of the Initial Franchise Fee payable under the Franchise Agreement through Franchisor.

c. Franchisor is willing to permit Franchisee to finance a portion of the Initial Franchise Fee payable under the Franchise Agreement through Franchisor, all as set forth in this Financing Amendment and the Promissory Note attached as Exhibit A (“**Note**”).

**AGREEMENT**

Franchisor and Franchisee hereby amend the Franchise Agreement as follows:

1. **Payment Terms for the Initial Franchise Fee.** Notwithstanding anything to the contrary in Section 5.1 of the Franchise Agreement, Franchisor and Franchisee acknowledges and agrees that the Initial Franchise Fee of \$ \_\_\_\_\_ shall be due and payable as follows:

a. \$ \_\_\_\_\_ payable concurrent with the execution of the Franchise Agreement and this Financing Amendment.

b. \$ \_\_\_\_\_ payable in 24 monthly payments of \$ \_\_\_\_\_ (based on interest at 8% per annum) with the first payment due by ACH on \_\_\_\_\_, 20\_\_ and thereafter each subsequent payment due on the first of each subsequent calendar month thereafter until paid in full, all in accordance with the Note, which will be executed concurrent with this Financing Amendment.

2. **Franchisee Acknowledgment.** Franchisee acknowledges and agrees that a failure to timely pay to Franchisor any payment due under this Financing Amendment and the Note shall constitute a material payment default under Section 16 of the Franchise Agreement, for which Franchisor may have the right to terminate the Franchise Agreement if Franchisee fails to cure such payment default following receipt of notice and a 10-day opportunity to cure such payment default.

3. **Guaranty.** Guarantor(s) hereby jointly and severally and unconditionally and irrevocably guarantee to Franchisor (a) the punctual payment when due, whether by lapse of time, by acceleration of maturity, or otherwise, and at all times thereafter, of all principal, interest (including interest accruing after the commencement of any bankruptcy or insolvency proceeding by or against Franchisee, whether or not allowed in such proceeding), fees, costs, expenses, indemnification indebtedness, and other sums of money now or hereafter due and owing pursuant to (i) the terms of the Note and (ii) all renewals, extensions,

refinancings, modifications, supplements or amendments of such indebtedness or any part thereof. The guaranty of Guarantors as set forth in this Section is a continuing guaranty of payment and performance not a guaranty of collection.

4. **Counterpart Execution; Electronic Signatures.** This Financing Amendment may be executed in multiple counterparts, each of which when so executed will be an original, and all of which will constitute one and the same instrument. Electronic signatures shall be considered effective for execution purposes.

4. **Conflict of Terms.** In the event of any conflict or ambiguity between the terms of Financing Amendment and the Franchise Agreement, the terms of this Financing Amendment shall control. The parties hereby ratify and confirm the other terms and provisions of the Franchise Agreement as amended by this Financing Amendment.

**IN WITNESS WHEREOF**, the parties have executed this Financing Amendment as of the Financing Amendment Effective Date.

<p><b><u>FRANCHISOR</u></b></p> <p>Main Line Brands, LLC, a Delaware limited liability company</p> <p>By: _____ Title: _____ Print Name: _____</p>	<p><b><u>FRANCHISEE</u></b></p> <p>_____</p> <p>By: _____ Title: _____ Print Name: _____</p>
	<p><b><u>GUARANTOR(S)</u></b></p> <p>_____</p> <p>Print Name: _____</p> <p>_____</p> <p>Print Name: _____</p> <p>_____</p> <p>Print Name: _____</p>

**Exhibit A**  
**PROMISSORY NOTE**  
**(attached)**

## PROMISSORY NOTE

\$ \_\_\_\_\_, 202\_

FOR VALUE RECEIVED, we, the undersigned (individually, a “Maker” and collectively, the “Makers”), jointly and severally, promise to pay to the order of Main Line Brands, LLC, a Delaware limited liability company. (“Payee”), a Delaware limited liability company, the principal sum of \_\_\_\_\_ and \_\_\_/100 Dollars (\$\_\_\_\_\_).

This Promissory Note (“Note”) shall be for a term beginning on the date written above and ending on [Final Payment Date]. The Note shall bear interest at the rate of eight percent (8.0%) per annum on the unpaid principal balance from time to time outstanding until paid in full. Interest on the unpaid principal balance shall be accrued and paid monthly with a final payment in full on the date of the last payment due under the Note, subject only to the provisions hereinafter stated as to default and acceleration.

Makers shall begin principal and interest payments on or before \_\_\_\_\_ and shall continue such principal and interest payments through [Final Payment Date] on or before the dates and in the amounts set forth on the chart attached to this Note as Appendix A, with all accrued interest also due on or before [Final Payment Date].

When reconciling payments of principal and interest for purposes of determining interest and the amount of the principal and interest payment due on or before [Final Payment Date], payments shall be credited first to the payment of accrued interest, and the balance of any payment in excess of such interest shall be applied and credited to the principal balance then outstanding.

This Note is payable by electronic funds transfer to an account designated by Payee. If no account is designated, Makers shall make all payments due under this Note in the same manner in which they pay Payee other amounts due under the franchise agreements with Payee.

This Note shall become immediately due and payable without notice or demand upon the occurrence at any time of any of the following events of default (individually, an “Event of Default” and collectively, “Events of Default”):

- (1) Default in the payment when due of any principal or interest under this Note;
- (2) The occurrence of any event of default under any franchise agreement or other agreement between any of the Makers and Payee;
- (3) The liquidation, termination of existence, dissolution, insolvency, or business failure of any Maker, or the appointment of a receiver or custodian for any Maker or any part of its property;
- (4) The institution by or against any Maker of this Note of any proceedings under any Bankruptcy Code or any other federal or state bankruptcy, reorganization, receivership, insolvency, or other similar law affecting the rights of creditors generally or the making by any Maker of this Note of a composition or an assignment or trust mortgage for the benefit of creditors; or
- (5) The sale, assignment or transfer by any Maker of any interest to the franchise agreements or related franchised businesses, which is not in accordance with the terms of those agreements.

Every amount overdue under this Note shall bear interest from and after the date on which such amount first became overdue at an annual rate of ten percent (10%). Such interest on overdue amounts under this Note shall be payable on demand and shall accrue and be compounded monthly until the obligation of the Maker with

respect to the payment of such interest has been discharged (whether before or after judgment).

In no event shall any interest charged, collected, or reserved under this Note exceed the maximum rate then permitted by applicable law and if any such payment is paid by the Makers, then such excess sum shall be credited by Payee as a payment of principal.

All payments by the Makers under this Note shall be made without set-off or counterclaim and be free and clear and without any deduction or withholding for any taxes or fees of any nature whatever, unless the obligation to make such deduction or withholding is imposed by law. The Makers shall jointly and severally pay and save Payee harmless from all liabilities with respect to or resulting from any delay or omission to make any such deduction or withholding required by law.

The Makers agree to pay on demand all costs of collection, including reasonable attorneys' fees, incurred by Payee in enforcing the obligations of the Makers under this Note, whether suit is brought or not.

No delay or omission on the part of Payee in exercising any right under this Note or the Forbearance Agreement shall operate as a waiver of such right or of any other right of Payee, nor shall any delay, omission, or waiver on any one occasion be deemed a bar to or waiver of the same or any other right on any future occasion. The Makers each waive presentment, demand, protest, and notices of every kind and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral, and to the addition or release of any other party or person primarily or secondarily liable.

This Note may be prepaid in whole or in part at any time or from time to time in the sole discretion of Payee. Any such prepayment shall be without premium or penalty.

None of the terms or provisions of this Note may be excluded, modified, or amended except by a written instrument duly executed on behalf of Payee expressly referring to this Note and setting forth the provision so excluded, modified, or amended.

During the term of this Note, and upon ten (10) days written request by Payee, Makers agree to give Payee adequate assurances as to Makers' ability to comply with the terms of this Note. Such assurances shall include, but not be limited to, Makers' then current financial statement, which Payee may require be certified by a Certified Public Accountant. Maker agrees that Payee may disclose such financial statements, or any other financial information pertaining to Maker which Payee may possess, to any potential buyer, assignee or holder in due course of this Note.

The Makers acknowledge that an Event of Default under the terms of this Note shall constitute a default under the terms of the franchise agreements between Makers and Payee. Should Makers fail to cure said default within ten (10) days of receipt of written notice, Payee shall have the right to terminate said franchise agreements and all post-termination obligations of said agreements shall apply.

The enforceability of the terms of this Note and the legality of the interest rate specified herein shall be interpreted in accordance with and governed by the laws of the State of North Carolina. In the event of litigation involving this Note, Makers agree that this Note shall be construed in accordance with North Carolina law. Makers acknowledge and agree that the federal and state courts located in North Carolina shall be the venue and exclusive proper forum in which to adjudicate any case or controversy arising, either directly or indirectly, under or in connection with the Note and Makers further agree that, in the event of litigation arising out of or in connection with this Note in these courts Makers will not contest or challenge the jurisdiction or venue of these courts.

*[completed and executed on the following page]*

This Note is executed as an instrument under seal.

\_\_\_\_\_,  
a \_\_\_\_\_

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

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

Print Name: \_\_\_\_\_

**EXHIBIT C TO THE DISCLOSURE DOCUMENT**  
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**LIST OF FRANCHISEES AS OF DECEMBER 31, 2025**

\* means a Franchisee that has been granted a franchise containing more than one territory whose principal place of business may be located in another state.

\*\*means the franchisee was not open as of December 31, 2025

^ indicates Franchisee owns at least one hometown territory.

NAME	ADDRESS	CITY	STATE	ZIP CODE	PHONE	STATES SERVED
Lyndon Nicholson**	945 Mid City Dr, Apt 654	Huntsville	AL	35806	404-840-9426	AL
Dionne and Nolan Spooner	28883 N 131st Drive	Peoria	AZ	85383	701-721-8978	AZ
Kristian Watkins	2970 North Tomahawk Tr	Tucson	AZ	85749	520-729-2737	AZ
Alex Wang	20086 Winton Street	Corona	CA	92881	480-843-7410	CA
Toutoule & Carly Ntoya	1246 N Summit Ave.	Pasadena	CA	91103	626-552-2849	CA
Bart & Joy Stevans	8967 Chantal Way	Sacramento	CA	95829	818-693-1914	CA, ID
Steve Chapman	731 Oleander Pl.	Vista	CA	92081	760-453-5725	CA
D'Shone Swiney	20464 Cherry Gate Lane	Yorba Linda	CA	92886	626-261-0836	CA
Nick Peterson*	405 2nd St (Mailing address: PO Box 256)	Fredrick	CO	80530	720-737-8855	CO, KS, MO, NM
Gary Hamilton	101 Madeline Ave, 31	Waterbury	CT	6708	347-788-2858	CT
Gabe Forest*	144 S. Dupont Hwy	New Castle	DE	19720	302-394-6991	DE, NJ, PA
Jim Dudley	17223 Hidden Estates Cl	Fort Myers	FL	33908	765-366-6349	FL
Josh Hood	7251 Salisbury Road	Jacksonville	FL	32256	904-607-9121	FL
Fidel Rodriguez*	2007 Little Torch Street	West Palm Beach	FL	33407	786-597-8420	FL, NE
Sarah Newton	1645 Waylon Ridge Drive	Zellwood	FL	32798	817-629-9332	FL
Samir Husidic	2009 1st Ave East	Newton	IA	50208	319-404-1530	IA
Tom McGuire	523 S Chestnut	Arlington Heights	IL	60005	773-491-7090	IL
Jon Smail	2009 Coolidge Ave	Johnsburg	IL	60051	815-690-4475	IL

NAME	ADDRESS	CITY	STATE	ZIP CODE	PHONE	STATES SERVED
Don Zimmerman	54158 Sagewood Drive	Mishawaka	IN	46545	574-360-8681	IN
Nathan Butler	1709 Kensington Place Lane	Louisville	KY	40205	502-496-2475	KY
Ike Okonkwo	98 Russell Road	West Newton	MA	02465	617-331-7168	MA
Rick Maffezzoli*	8637 Westford Rd	Lutherville	MD	21093	410-404-8501	MD, DC
Tom Fryzel	414 Southlawn Drive	Auburn	MI	48611	989-948-4593	MI
Julie Jenney	2916 Masefield Drive	Bloomfield Hills	MI	48304	248-229-3638	MI
Brian Dillon	9041 Chesshire Lane N	Maple Grove	MN	55369	651-343-0157	MN
James McKinley	640 Summerhaven Lane, SE	Bolivia	NC	28422	631-774-1719	NC
Todd Armstrong	18803 Silver Quay Drive	Cornelius	NC	28021	704-507-3006	NC
David Musyimi^	245 William Livingston Court	Princeton	NJ	08540	732-781-5115	NJ
Alejandro & Elaine Velazquez*	133 Mosso Niente Place	Henderson	NV	89011	650-281-7369	NV, UT
David Block	46 Fairfield Drive	Dix Hills	NY	11746	631-282-8180	NY
Fred Burghardt	28 Waycross Road	Fairport	NY	14450	585-747-5076	NY
Colm O'Mara*	205 E 95th St, Apt 26C	New York	NY	10128	917-612-8313	NY, NJ
Kevin Bracy*	2838 Kettering Ct	Avon	OH	44011	404-915-2780	OH, KY
Jennifer Houghton	13800 Fairhill Road, #201	Shaker Heights	OH	44120	330-931-2648	OH
Jesse Rorvig	22531 SW Park Street	Sherwood	OR	97140	971-420-3122	OR
Dudley Jacobs*	PO Box 1629	Brentwood	TN	37204	615-620-6809	GA, FL, TN, IN, PA, MO
Ryan Strother	209 Bald Eagle Dr NW	Cleveland	TN	37312	423-619-6633	TN
Drew Martin	11305 Deep Canyon Trl	Frisco	TX	75033	469-486-3728	TX
Rebecca White	12423 Tyler Springs Lane	Humble	TX	77346	225-773-1123	TX
Amy Wilson	10 Inwood Knolls	San Antonio	TX	78248	210-882-6134	TX
Rene Garcia	11407 Rashell Way	Pearland	TX	77584	832-830-1931	TX

<b>NAME</b>	<b>ADDRESS</b>	<b>CITY</b>	<b>STATE</b>	<b>ZIP CODE</b>	<b>PHONE</b>	<b>STATES SERVED</b>
Chad Black	2186 West Pumpkin Patch Lane	Lehi	UT	84043	801-885-0140	UT
David Caison	244 Pinch Gut Road	Camden	NC	27921	757-515-1247	VA
Glenn Deetman	212 Pear Blossom Rd	Stafford	VA	22554	703-909-6910	VA
Jason Dawson**	2413 Dunkirk Ave NE	Roanoke	VA	24012	540-892-7563	VA
Dawn Lee	17302 Meadow Ln	Mt. Vernon	WA	98274	425-330-5613	WA
Don Keeley	N319 Fieldside Lane	Appleton	WI	54915	920-358-3041	WI
Glenda Hulsey**^	1504 River Oaks Circle	Wylie	TX	75098	214-836-8486	TX

**EXHIBIT E TO THE DISCLOSURE DOCUMENT**  
**LIST OF FRANCHISEES**  
**WHO HAVE LEFT THE SYSTEM**

FRANCHISEE	ADDRESS	CITY	STATE	ZIP CODE	PHONE	# OF TERRITORIES	DISPOSITION
<b>ARIZONA</b>							
Jevic Bosele	8069 W Cherry Hills Drive	Peoria	AZ	85345	480-843-7410	1	Reacquired by Franchisor
<b>FLORIDA</b>							
Matt Ferratusco	10202 Mallard Landings Way	Orlando	FL	32832	407-234-2495	2	Transfer
<b>GEORGIA</b>							
Rob Scott	3738 Tynemoore Trace, SE	Smyra	GA	30080	404-664-7045	4	Transfer
<b>INDIANA</b>							
Chris Bangma	13051 E FG Ave	Augusta	MI	49012	661-803-5360	1	Transfer
<b>KANSAS</b>							
Monte McKee	2519 N. Peckham St	Wichita	KS	67228	316-210-2180	1	Transfer
Brian Wertenberger	520 W Washington St	Gardner	KS	66030	913-244-3978	1	Transfer
<b>MASSACHUSETTS</b>							
Rich Kracunas	544 Jerusalem Road	Cohasset	MA	02025	617-461-6099	2	Transfer
<b>MICHIGAN</b>							
Chris Bangma	13051 E FG Ave	Augusta	MI	49012	661-803-5360	1	Transfer
<b>MISSOURI</b>							
Brian Wertenberger	520 W Washington St	Gardner	KS	66030	913-244-3978	1	Transfer
<b>NEBRASKA</b>							
Alex Pearson	20016 Oak Street	Gretna	NE	68028	402-871-4735	1	Transfer
MLB-Omaha	20016 Oak Street	Gretna	NE	68028	402-871-4735	2	Transfer
<b>NEW MEXICO</b>							
Tom Gellhausen	2719 Floral Road NW	Albuquerque	NM	87104	505-450-2003	1	Transfer
<b>NORTH CAROLINA</b>							

Colin Winchester	6062 Chimney Bluff Rd	Lancaster	SC	29720	704-299-8601	1	Transfer
<b>NEVADA</b>							
David Phelps	9928 Kalahari Ct	Las Vegas	NV	89149	702-375-8431	2	Transfer
<b>OHIO</b>							
Eugene "Tom" Lutes	5064 Shady Knolls Ave NW	Massillon	OH	44646	330-949-8112	1	Reacquired by Franchisor
<b>SOUTH CAROLINA</b>							
Colin Winchester	6062 Chimney Bluff Rd	Lancaster	SC	29720	704-299-8601	1	Transfer
Colin Winchester	6062 Chimney Bluff Rd	Lancaster	SC	29720	704-299-8601	1	Reacquired by Franchisor
<b>PENNSYLVANIA</b>							
Bruce Sturgeon	32 Sunset Drive	Ottsville	PA	18942	215-609-6076	4	Transfer
<b>UTAH</b>							
David Phelps	9928 Kalahari Ct	Las Vegas	NV	89149	702-375-8431	1	Transfer

**EXHIBIT F TO THE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

<b>Main Line Brands, LLC</b>	
<b>Consolidated Balance Sheet</b>	
<i>(\$ in 000's)</i>	
	<b>As of March 31, 2026</b>
<b>Current Assets:</b>	
Cash & Cash Equivalents	2,265.3
Restricted Cash	132.5
Accounts Receivable, Net	1,550.2
Undeposited Funds	7.3
Financed Franchise Fees	244.2
Vendor Receivable	75.6
Prepaid Product Goods	2.1
Prepaid Insurance	59.0
Prepaid Expenses - Other	145.8
<b>Total Current Assets</b>	<b>4,481.9</b>
<b>Long-Term Assets:</b>	
Right-of-use Asset	792.5
Fixed Assets, Net	242.9
Net Intangibles	22,092.9
<b>Total Long-Term Assets</b>	<b>23,128.3</b>
<b>Total Assets</b>	<b>27,610.2</b>
<b>Current Liabilities:</b>	
Accounts Payable	381.1
Accrued Expenses (Incl. Bonuses)	373.1
Right-of-use Liability	156.8
Other Current Liabilities	15.0
Credit Card Expenses	243.4
<b>Total Current Liabilities:</b>	<b>1,169.5</b>
<b>Long-Term Liabilities:</b>	
Right-of-use Liability	721.1
<b>Total Long-Term Liabilities</b>	<b>721.1</b>
<b>Total Liabilities</b>	<b>1,890.6</b>
<b>Shareholders Equity:</b>	
Additional Paid In Capital	24,681.1
Retained Earnings	1,102.0
Net Income	(63.5)
<b>Shareholders Equity:</b>	<b>25,719.7</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>27,610.2</b>

<b>Main Line Brands, LLC</b>	
Consolidated Income Statement	
<i>(\$ in 000's except for territories and unit count)</i>	
	<b>As of March 31, 2026</b>
<b>Revenue:</b>	
Franchise Fees	307.5
Royalty Fees	1,839.5
Transfers / Renewals / Refunds / Repurcha	37.5
Product Sales	120.5
Technology Fees	180.6
Company Owned Territory	455.1
Other	27.6
<b>Consolidated Revenue</b>	<b>2,968.3</b>
Cost of Goods Sold	181.0
<b>Consolidated Gross Profit</b>	<b>2,787.3</b>
<b>SG&amp;A</b>	
Administrative & Professional Fees	36.5
Advertising & Marketing	13.2
Benefits & Payroll	762.0
Facility Expenses	25.3
IT & Software Expenses	251.4
Rent Expense	52.1
Travel & Entertainment	47.9
Franchise Sales	134.0
Conference Expense	1.3
Other SG&A	124.3
<b>Consolidated SG&amp;A</b>	<b>1,448.0</b>
Depreciation & Amortization	750.2
(Interest Income)	(5.7)
Other (Income) / Expenses	-
<b>Total Other (Income) / Expenses</b>	<b>744.4</b>
<b>Net Income</b>	<b>594.9</b>
Plus: Depreciation & Amortization	750.2
<b>Reported EBITDA</b>	<b>1,345.1</b>

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## **MAIN LINE BRANDS LLC & SUBSIDIARIES**

Consolidated Financial Statements for the  
Years Ended December 31, 2025 and 2024  
and Independent Auditors' Report



GreerWalker



# GreerWalker

## INDEPENDENT AUDITORS' REPORT

To the Member of Main Line Brands LLC & Subsidiaries:

### ***Opinion***

We have audited the consolidated financial statements of Main Line Brands LLC & Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and changes in member's equity 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 the Company as of December 31, 2025 and 2024, and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America ("GAAP").

### ***Basis for Opinion***

We conducted our audits in accordance with generally accepted auditing standards in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 GAAP; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

### ***Auditors' 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 auditors' 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 audits.
- 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 audits 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

A handwritten signature in cursive script that reads "Green Walker LLP".

Certified Public Accountants  
April 1, 2026  
Charlotte, NC

## **MAIN LINE BRANDS LLC AND SUBSIDIARIES**

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2025 AND 2024

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<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
CURRENT ASSETS:		
Cash	\$ 2,561,293	\$ 2,465,154
Restricted cash	174,949	194,065
Accounts receivable, net	664,996	675,526
Notes receivable, current portion, net	179,446	281,740
Prepaid expenses and other assets	85,984	680,306
Total current assets	<u>3,666,668</u>	<u>4,296,791</u>
PROPERTY, NET	<u>219,480</u>	<u>215,752</u>
NON-CURRENT ASSETS:		
Operating lease right-of-use assets, net	829,084	971,651
Goodwill and intangible assets, net	22,597,366	25,484,379
Notes receivable, non-current portion	135,289	380,782
Total non-current assets	<u>23,561,739</u>	<u>26,836,812</u>
TOTAL	<u>\$ 27,447,887</u>	<u>\$ 31,349,355</u>
<u>LIABILITIES AND MEMBER'S EQUITY</u>		
CURRENT LIABILITIES:		
Operating lease liabilities, current portion	\$ 153,853	\$ 142,362
Accounts payable	308,981	281,953
Accrued liabilities	383,771	403,993
Total current liabilities	<u>846,605</u>	<u>828,308</u>
OPERATING LEASE LIABILITIES, NET OF CURRENT PORTION	<u>761,881</u>	<u>915,735</u>
MEMBER'S EQUITY	<u>25,839,401</u>	<u>29,605,312</u>
TOTAL	<u>\$ 27,447,887</u>	<u>\$ 31,349,355</u>

See notes to consolidated financial statements.

## **MAIN LINE BRANDS LLC AND SUBSIDIARIES**

### CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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	<u>2025</u>	<u>2024</u>
REVENUES:		
Franchise fees	\$ 348,000	\$ 1,461,525
Royalties	7,113,651	6,686,944
Product sales	649,261	829,094
Services	1,596,128	1,612,015
Other	1,014,259	986,069
Total	<u>10,721,299</u>	<u>11,575,647</u>
OPERATING EXPENSES:		
Product materials	750,624	448,561
Services expenses	620,226	650,254
Administrative and professional fees	584,414	464,172
Advertising and marketing	272,544	209,829
Benefits and payroll	3,453,049	3,283,461
Information technology and software	1,264,982	1,096,417
Rent expense	212,856	226,937
Depreciation and amortization	2,946,201	2,935,279
Other selling, general and administrative expenses	1,934,675	2,371,298
Total	<u>12,039,571</u>	<u>11,686,208</u>
LOSS FROM OPERATIONS	(1,318,272)	(110,561)
OTHER INCOME (EXPENSE):		
Other income	59,811	44,594
Other expenses	(405,218)	(204,839)
Total	<u>(345,407)</u>	<u>(160,245)</u>
NET LOSS	(1,663,679)	(270,806)
MEMBER'S EQUITY, BEGINNING OF YEAR	29,605,312	32,212,164
DISTRIBUTIONS TO MEMBER	<u>(2,102,232)</u>	<u>(2,336,046)</u>
MEMBER'S EQUITY, END OF YEAR	<u>\$ 25,839,401</u>	<u>\$ 29,605,312</u>

See notes to consolidated financial statements.

## **MAIN LINE BRANDS LLC AND SUBSIDIARIES**

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,663,679)	\$ (270,806)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Change in allowance for credit losses	(21,000)	(20,000)
Amortization of goodwill and intangible assets	2,876,483	2,877,483
Depreciation of property	69,718	57,796
Amortization of operating lease right-of-use assets	142,567	127,869
Loss (gain) on sale of property	(3,437)	979
Changes in operating assets and liabilities:		
Accounts and notes receivable	379,317	(232,790)
Prepaid expenses and other assets	604,852	20,255
Operating lease liabilities	(142,363)	(119,654)
Accounts payable	27,028	126,464
Accrued liabilities	<u>(20,222)</u>	<u>103,530</u>
Net cash provided by operating activities	<u>2,249,264</u>	<u>2,671,126</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property	16,469	47,000
Purchases of property	<u>(86,478)</u>	<u>(107,627)</u>
Net cash applied to investing activities	<u>(70,009)</u>	<u>(60,627)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions to member	<u>(2,102,232)</u>	<u>(2,336,046)</u>
Net cash applied to financing activities	<u>(2,102,232)</u>	<u>(2,336,046)</u>
NET CHANGE IN CASH AND RESTRICTED CASH	77,023	274,453
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>2,659,219</u>	<u>2,384,766</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 2,736,242</u>	<u>\$ 2,659,219</u>

See notes to consolidated financial statements.

## **MAIN LINE BRANDS LLC & SUBSIDIARIES**

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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#### 1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - Main Line Brands LLC ("MLB") and its wholly owned subsidiaries are engaged in pest control, fitness machine maintenance, and the sale of franchise agreements. Additionally, MLB sells equipment, uniforms, and marketing materials to its franchises throughout the United States.

Principles of Consolidation - The consolidated financial statements include the accounts of MLB and its wholly owned subsidiaries Proexco, LLC ("Proexco"), Powersmith, LLC ("Powersmith"), and DP and Partners, LLC ("DP") (collectively the "Company"). All significant intercompany transactions and balances have been eliminated in consolidation.

Adoption of New Accounting Standard - For the year ended December 31, 2025, the Company adopted the practical expedient and the accounting policy election now permitted by Accounting Standards Update ("ASU") 2025-05, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. In determining the Company's allowance for credit losses related to accounts receivable and contract assets, the practical expedient allows the Company to assume that current conditions as of the balance sheet date will not change for the remaining lives of the assets. The accounting policy election provided by the standard allows the Company to consider collection activity after the balance sheet date for accounts receivable and contract assets when estimating their expected credit losses. The standard was adopted using the prospective method effective January 1, 2025, while the prior period continues to be reported in accordance with the previously applicable accounting standards.

Use of Accounting Estimates - The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Revenue Recognition - The following sections present the Company's revenue recognition considerations for each of its revenue streams:

#### *Franchise revenue*

In connection with its franchising operations, the Company receives initial and renewal franchise fees for pre-opening services. Under ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"), the Company has applied the practical expedient to treat the pre-opening services as a single performance obligation. Franchise fees are non-refundable and are recognized as income when substantially all of the services to be performed by the Company and conditions relating to the sale of the franchise are performed or satisfied, which generally occurs concurrently with the execution of a franchise agreement. The transaction price is agreed upon in the contract.

The following is a summary of franchise openings and closings for the years ended December 31, 2025 and 2024:

	Mosquito & Pest Franchises	Fitness Machine Technicians Franchises
Franchises operating at December 31, 2023	229	50
New franchises opened during the year	22	8
Franchises closed during the year	<u>(5)</u>	<u>(1)</u>
Franchises operating at December 31, 2024	246	57
New franchises opened during the year	12	3
Franchises closed during the year	<u>(14)</u>	<u>(2)</u>
Franchises operating at December 31, 2025	<u>244</u>	<u>58</u>

#### *Royalty revenue*

The Company earns revenue from royalties on the licensing of the use of its intellectual property. The Company must approve the use of the intellectual property prior to each specific application to ensure proper quality and a consistent image. The performance obligations of the on-going royalty fees are considered to be the advertising and other services provided. These fees are based on a percentage of sales by the franchisee, subject to certain annual minimum royalties, and are recognized as the services are provided, the fees are charged, and when they are deemed collectible. The transaction price in these contracts is primarily fixed in nature. The Company satisfies its performance obligations over time as those services are performed whereby the customer simultaneously receives and consumes the benefits of such services under the agreement.

The Company has elected an optional exemption under ASC 606 that allows it to recognize the royalty income as sales as the franchisee sales occur instead of estimating the sales over the period of the agreement and recognizing ratably.

#### *Services revenue*

The Company has contracts with customers for pest control and fitness machine maintenance services under standard service arrangements. The contracts are generally accounted for as having a single performance obligation for each of the services, which are considered the only distinct promises in the contract, and are short term in nature, not exceeding one year in duration. The transaction price is agreed upon in the contract. The Company satisfies its performance obligation over time as the services are performed whereby the customer simultaneously receives and consumes the benefits of such services under the agreement.

Incremental costs incurred to obtain contracts, such as sales commissions, are expensed when incurred as the amortization period of any related assets would be less than one year.

Various economic factors affect the Company's revenues and cash flow. The timing of revenue recognition, billings and cash collections results in billed accounts receivable and notes receivable. The balance of accounts receivable and notes receivable, net of allowances, resulting from contracts with customers was \$979,731, \$1,338,048, and \$1,082,469 as of December 31, 2025, 2024, and 2023, respectively.

Cash - The Company maintains cash deposits with financial institutions that at times may exceed federally insured limits.

Restricted Cash - The Company has cash deposits with a financial institution related to national ad funds which is required to be spent on future marketing efforts to benefit all franchisees.

Accounts and Notes Receivable - For accounts receivable, the Company extends credit to its customers under standard payment terms, generally requiring payment within 30 days from the invoice date. For notes receivable, the Company has a program whereby certain franchisees can finance their initial franchise fee with the Company. The notes are repaid over periods ranging from 12 to 48 months, accrue interest at rates ranging from 5% to 8%, and are collateralized by the underlying franchise.

Accounts and notes receivable are reduced by an allowance for credit losses, which reflects management's estimate of the risk of loss due to credit default. The Company recognizes the amount of change in current credit losses as an allowance gain or loss in operating expenses in the accompanying consolidated statements of operations and changes in member's equity. Accounts are written off against the allowance when the Company has no reasonable expectation of recovering the receivable, either in its entirety or a portion thereof.

Changes in the allowance for credit losses during the years ended December 31, 2025 and 2024 were as follows:

	<u>Accounts Receivable</u>	<u>Notes Receivable</u>
Balance at January 1, 2024	\$ 5,000	\$ 40,000
Provision for credit losses	103,111	20,000
Write-offs	<u>(103,111)</u>	<u>-</u>
Balance at December 31, 2024	5,000	60,000
Provision for credit losses	52,088	85,623
Write-offs	<u>(46,088)</u>	<u>(70,623)</u>
Balance at December 31, 2025	<u>\$ 11,000</u>	<u>\$ 75,000</u>

Management considers collection activity after the balance sheet date through April 1, 2026 when estimating credit losses. Management then estimates the allowance for credit losses by applying historical credit loss rates to accounts and notes receivable aging categories. Management considers historical loss information to be a reasonable basis for its estimate as the composition of accounts and notes receivable and the risk characteristics of its customers and lending practices have not changed significantly over time. In addition, accounts are pooled by aging category as the change in risk characteristics is similar as accounts age. Management has determined that the current economic conditions are consistent with the economic conditions included in the historical information.

Goodwill and Intangible Assets - Goodwill represents the excess of the purchase price over the fair value of net assets acquired. The Company amortizes goodwill on a straight-line basis over 10 years. Intangible assets acquired, including amounts allocated to trade names, franchise agreements, and customer lists, are amortized over their estimated useful lives (See Note 3). The Company tests goodwill and intangible assets for impairment whenever a triggering event occurs which indicates that the fair value of the entity may be below its carrying amount. The Company's evaluation of goodwill and intangible assets during the years ended December 31, 2025 and 2024 resulted in no impairment losses.

Property - Property is primarily classified as vehicles and is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Leases - The Company assesses whether an arrangement is a lease, or contains a lease, upon inception of the contract. This assessment is based on: (1) whether the contract explicitly or implicitly involves the use of a distinct asset, (2) whether the Company obtains substantially all of the economic benefits from the use of that underlying asset during the term of the contract, and (3) whether the Company has the right to direct the use of the asset. The Company also considers whether its service arrangements include the right to control the use of an asset.

The Company recognizes certain leases on its consolidated balance sheets as a right-of-use (“ROU”) asset representing the right to use an underlying asset and lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the consolidated statements of operations and changes in member’s equity. All current leases are classified and accounted for as operating leases. Lease expense for operating leases, consisting of lease payments, is recognized on a straight-line basis over the lease term and is included in operating expenses in the consolidated statements of operations and changes in member’s equity.

The Company made an accounting policy election to not recognize ROU assets and lease liabilities for short-term leases which are leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made on or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Company uses the rate explicit or implicit in the lease. For leases where the explicit rate is not stated in the contract and implicit rate is not readily determinable, the Company made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Income Taxes - For income tax purposes, the Company is considered to be a partnership. Accordingly, no provision for federal or state income taxes has been made in the accompanying consolidated financial statements since the member includes its allocable share of the Company’s taxable income or loss in its respective individual income tax return.

The Company records liabilities for income tax positions taken or expected to be taken when those positions are deemed uncertain to be upheld in an examination by taxing authorities. No liabilities for uncertain income tax positions were recorded as of December 31, 2025 and 2024.

Advertising and Marketing - The Company expenses the costs of advertising and marketing as incurred. For the years ended December 31, 2025 and 2024, the Company incurred approximately \$273,000 and \$210,000, respectively, of advertising and marketing expenses.

Reclassifications - Certain amounts in the 2024 consolidated financial statements have been reclassified to conform with 2025 presentation. Such reclassifications had no effect on the previously reported net loss.

Subsequent Events - In preparing its consolidated financial statements, the Company has evaluated subsequent events through April 1, 2026, which is the date the consolidated financial statements were available to be issued.

## 2. LEASES

The Company leases certain facilities from unrelated third parties under agreements classified as operating leases expiring at various dates through August 2031. The Company’s operating leases do not contain any material restrictive covenants or residual value guarantees.

The components of lease expense for the years ended December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Operating lease expense	\$ 182,084	\$ 169,272
Short-term lease expense	<u>22,150</u>	<u>57,665</u>
Total lease expense	<u>\$ 204,234</u>	<u>\$ 226,937</u>

Weighted-average remaining lease term and discount rate as of December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term	5.10 years	6.10 years
Weighted-average discount rate	4.04%	4.04%

As of December 31, 2025, future undiscounted cash flows under the operating leases and a reconciliation to the lease liabilities recognized on the consolidated balance sheet were as follows:

During the year ending December 31:

2026	\$ 187,403
2027	193,068
2028	198,880
2029	204,843
2030	210,960
Thereafter	<u>18,996</u>
Total undiscounted cash flows	1,014,150
Less: present value discount	<u>(98,416)</u>
Total lease liabilities	<u>\$ 915,734</u>

### 3. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets as of December 31, 2025 and 2024 consisted of the following:

	<u>Estimated Useful Life</u>	<u>2025</u>	<u>2024</u>
Goodwill	10 years	\$ 13,022,325	\$ 13,034,825
Trade names acquired	15 years	4,290,000	4,290,000
Franchise agreements acquired	15 years	19,020,000	19,020,000
Customer lists acquired	15 years	300,000	300,000
Less: accumulated amortization		<u>(14,034,959)</u>	<u>(11,160,446)</u>
Total, net		<u>\$ 22,597,366</u>	<u>\$ 25,484,379</u>

Total amortization expense for goodwill and intangible assets for the years ended December 31, 2025 and 2024 was \$2,876,483 and \$2,877,483, respectively. The following presents the estimated amortization expense for goodwill and intangible assets for each of the next five years and thereafter:

Year ending December 31:

2026	\$ 2,876,233
2027	2,876,233
2028	2,876,233
2029	2,876,233
2030	2,664,707
Thereafter	<u>8,427,727</u>
Total	<u>\$ 22,597,366</u>

#### 4. RELATED PARTY TRANSACTIONS

The Company purchases pest treatment supplies from an entity affiliated by common ownership. Purchases totaled approximately \$566,000 and \$346,000 for the years ended December 31, 2025 and 2024, respectively. Additionally, the Company incurs management fees to entities affiliated by common ownership. Management fees incurred totaled approximately \$150,000 and \$165,000 for the years ended December 31, 2025 and 2024, respectively, and are included in other expenses in the accompanying consolidated statements of operations and changes in member's equity.

#### 5. EMPLOYEE RETIREMENT PLAN

The Company maintains a qualified retirement plan under which eligible employees may defer a portion of their annual compensation, pursuant to Section 401(k) of the Internal Revenue Code. The Company matches 100% of employee contributions up to 4% of the employee's annual compensation. Company contributions to the plan were approximately \$49,000 and \$67,000 for the years ended December 31, 2025 and 2024, respectively.

#### 6. OPERATING AGREEMENT

The member of the Company is subject to an operating agreement that specifies the rights and obligations of each member. In accordance with the terms of this agreement, the member's liability is limited to the capital it has contributed to MLB.

#### 7. CONTINGENCIES

As of December 31, 2025 and 2024, the Company was contingently liable as a co-borrower with the Company's member on certain notes payable maturing in May 2030. The principal balance on the notes payable was \$10,000,000 and \$10,489,398 as of December 31, 2025 and 2024, respectively. On the outstanding note payable, interest is due quarterly at a rate of the Secured Overnight Financing Rate ("SOFR") (3.99% as of December 31, 2025) plus 6.00%. The principal is due on the maturity date in May 2030. Total interest expense related to these notes payable for the years ended December 31, 2025 and 2024 was \$1,108,915 and \$1,312,259, respectively.

Management has allocated the entire balance of the note payable and interest expense to the Company's member as of December 31, 2025 and 2024, as it expects the member will be responsible for making the remaining payments. Historically, these payments have been made with distributions paid from the Company to the Company's member. Should the Company's member be delinquent on any debt payments, the Company will be obligated to perform under the agreement by making the required payments, including late fees and penalties.

As of December 31, 2025 and 2024, the Company is contingently liable as a co-borrower with the Company's member on a revolving note. The revolving note allows for borrowings up to a maximum of \$2,000,000 and expires in May 2030. Interest accrues at SOFR plus 6.00%. There were no outstanding borrowings on the revolving note as of December 31, 2025 and 2024.

The note payable and revolving note are collateralized by substantially all assets of the Company. The notes payable and revolving note are subject to certain financial covenants.

The Company is involved in various other claims or actions arising in the normal course of business. It is management's opinion that the resolution of these matters will not materially affect the Company's financial position or the results of its operations.

8. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the years ended December 31, 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Cash payments for operating lease liabilities	\$ 181,879	\$ 161,059
<u>Non-cash transactions:</u>		
Operating lease ROU assets obtained in exchange for new lease liabilities	\$ -	\$ 156,111

A reconciliation of cash and restricted cash as presented in the consolidated statements of cash flows to such amounts presented in the consolidated balance sheets as of December 31, 2025 and 2024 is as follows:

	2025	2024
Cash	\$ 2,561,293	\$ 2,465,154
Restricted cash	<u>174,949</u>	<u>194,065</u>
Cash and restricted cash	<u>\$ 2,736,242</u>	<u>\$ 2,659,219</u>

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## **MAIN LINE BRANDS LLC & SUBSIDIARIES**

Consolidated Financial Statements for the  
Years Ended December 31, 2024 and 2023  
and Independent Auditors' Report



**GreerWalker**



# GreerWalker

## INDEPENDENT AUDITORS' REPORT

To the Member of Main Line Brands LLC & Subsidiaries:

### ***Opinion***

We have audited the consolidated financial statements of Main Line Brands LLC & Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and changes in member's equity 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 the Company as of December 31, 2024 and 2023, and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America ("GAAP").

### ***Basis for Opinion***

We conducted our audits in accordance with generally accepted auditing standards in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company 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 GAAP; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

### ***Auditors' 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 auditors' 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 audits.
- 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 audits 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



Certified Public Accountants  
March 26, 2025  
Charlotte, NC

## **MAIN LINE BRANDS LLC AND SUBSIDIARIES**

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2024 AND 2023

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<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
CURRENT ASSETS:		
Cash	\$ 2,465,154	\$ 2,274,486
Restricted cash	194,065	110,280
Accounts receivable, net	675,526	743,358
Notes receivable, current portion, net	281,740	147,055
Prepaid expenses and other assets	683,095	703,350
Total current assets	<u>4,299,580</u>	<u>3,978,529</u>
PROPERTY, NET	<u>215,752</u>	<u>181,817</u>
NON-CURRENT ASSETS:		
Operating lease right-of-use assets, net	971,651	943,409
Goodwill and intangible assets, net	25,484,379	28,393,945
Notes receivable, non-current portion	377,993	192,056
Total non-current assets	<u>26,834,023</u>	<u>29,529,410</u>
TOTAL	<u>\$ 31,349,355</u>	<u>\$ 33,689,756</u>
<u>LIABILITIES AND MEMBER'S EQUITY</u>		
CURRENT LIABILITIES:		
Operating lease liabilities, current portion	\$ 142,362	\$ 115,172
Accounts payable	281,953	155,489
Accrued liabilities	403,993	300,463
Total current liabilities	<u>828,308</u>	<u>571,124</u>
OPERATING LEASE LIABILITIES, NET OF CURRENT PORTION	<u>915,735</u>	<u>906,468</u>
MEMBER'S EQUITY	<u>29,605,312</u>	<u>32,212,164</u>
TOTAL	<u>\$ 31,349,355</u>	<u>\$ 33,689,756</u>

See notes to consolidated financial statements.

## **MAIN LINE BRANDS LLC AND SUBSIDIARIES**

### **CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
REVENUES:		
Franchise fees	\$ 1,461,525	\$ 1,399,153
Royalties	6,686,944	6,416,651
Product sales	829,094	1,043,899
Services	1,612,015	1,470,363
Other	986,069	946,074
Total	<u>11,575,647</u>	<u>11,276,140</u>
OPERATING EXPENSES:		
Product materials	448,561	661,483
Services expenses	650,254	602,019
Administrative and professional fees	456,199	524,121
Advertising and marketing	209,829	220,140
Benefits and payroll	3,291,434	2,955,811
Information technology and software	1,096,417	886,226
Rent expense	226,937	154,512
Depreciation and amortization	2,935,279	2,922,326
Other selling, general and administrative expenses	2,371,298	2,083,677
Total	<u>11,686,208</u>	<u>11,010,315</u>
INCOME (LOSS) FROM OPERATIONS	(110,561)	265,825
OTHER INCOME (EXPENSE):		
Other income	44,594	42,088
Other expenses	(204,839)	(157,203)
Total	<u>(160,245)</u>	<u>(115,115)</u>
NET INCOME (LOSS)	(270,806)	150,710
MEMBER'S EQUITY, BEGINNING OF YEAR	32,212,164	35,297,215
DISTRIBUTIONS TO MEMBER	(2,336,046)	(3,195,761)
IMPACT OF THE ADOPTION OF ASC 326	<u>-</u>	<u>(40,000)</u>
MEMBER'S EQUITY, END OF YEAR	<u>\$ 29,605,312</u>	<u>\$ 32,212,164</u>

See notes to consolidated financial statements.

## **MAIN LINE BRANDS LLC AND SUBSIDIARIES**

### **CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (270,806)	\$ 150,710
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Change in allowance for credit losses	(20,000)	(31,000)
Amortization of goodwill and intangible assets	2,877,483	2,879,620
Depreciation of property	57,796	42,706
Amortization of operating lease right-of-use assets	127,869	58,184
Loss on sale of property	979	-
Changes in operating assets and liabilities:		
Accounts and notes receivable	(232,790)	56,840
Prepaid expenses and other assets	20,255	(360,900)
Operating lease liabilities	(119,654)	20,047
Accounts payable	126,464	88,610
Accrued liabilities	103,530	40,649
Net cash provided by operating activities	<u>2,671,126</u>	<u>2,945,466</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property	47,000	-
Purchase of net assets of Mosquito Masters, LLC	-	(35,000)
Purchase of net assets of Pearson Fitness, LLC	-	(35,500)
Purchases of property	(107,627)	(57,455)
Net cash applied to investing activities	<u>(60,627)</u>	<u>(127,955)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Distributions to member	(2,336,046)	(3,195,761)
Net cash applied to financing activities	<u>(2,336,046)</u>	<u>(3,195,761)</u>
NET CHANGE IN CASH AND RESTRICTED CASH	274,453	(378,250)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>2,384,766</u>	<u>2,763,016</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 2,659,219</u>	<u>\$ 2,384,766</u>

See notes to consolidated financial statements.

## **MAIN LINE BRANDS LLC & SUBSIDIARIES**

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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#### 1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

**Operations** - Main Line Brands LLC ("MLB") and its wholly owned subsidiaries are engaged in pest control, fitness machine maintenance, and the sale of franchise agreements. Additionally, MLB sells equipment, uniforms, and marketing materials to its franchises throughout the United States.

**Principles of Consolidation** - The consolidated financial statements include the accounts of MLB and its wholly owned subsidiaries Proexco, LLC ("Proexco"), Powersmith, LLC ("Powersmith"), and DP and Partners, LLC ("DP") (collectively the "Company"). All significant intercompany transactions and balances have been eliminated in consolidation.

**Use of Accounting Estimates** - The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

**Revenue Recognition** - The following sections present the Company's revenue recognition considerations for each of its revenue streams:

##### *Franchise revenue*

In connection with its franchising operations, the Company receives initial and renewal franchise fees for pre-opening services. Under Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"), the Company has applied the practical expedient to treat the pre-opening services as a single performance obligation. Franchise fees are non-refundable and are recognized as income when substantially all of the services to be performed by the Company and conditions relating to the sale of the franchise are performed or satisfied, which generally occurs concurrently with the execution of a franchise agreement. The transaction price is agreed upon in the contract.

The following is a summary of franchise openings and closings for the years ended December 31, 2024 and 2023:

	<u>Mosquito &amp; Pest Franchises</u>	<u>Fitness Machine Technicians Franchises</u>
Franchises operating at December 31, 2022	217	42
New franchises opened during the year	13	9
Franchises closed during the year	<u>(1)</u>	<u>(1)</u>
Franchises operating at December 31, 2023	229	50
New franchises opened during the year	22	8
Franchises closed during the year	<u>(5)</u>	<u>(1)</u>
Franchises operating at December 31, 2024	<u>246</u>	<u>57</u>

### *Royalty revenue*

The Company earns revenue from royalties on the licensing of the use of its intellectual property. The Company must approve the use of the intellectual property prior to each specific application to ensure proper quality and a consistent image. The performance obligations of the on-going royalty fees are considered to be the advertising and other services provided. These fees are based on a percentage of sales by the franchisee, subject to certain annual minimum royalties, and are recognized as the services are provided, the fees are charged, and when they are deemed collectible. The transaction price in these contracts is primarily fixed in nature. The Company satisfies its performance obligations over time as those services are performed whereby the customer simultaneously receives and consumes the benefits of such services under the agreement.

The Company has elected an optional exemption under ASC 606 that allows it to recognize the royalty income as sales as the franchisee sales occur instead of estimating the sales over the period of the agreement and recognizing ratably.

### *Services revenue*

The Company has contracts with customers for pest control and fitness machine maintenance services under standard service arrangements. The contracts are generally accounted for as having a single performance obligation for each of the services, which are considered the only distinct promises in the contract, and are short term in nature, not exceeding one year in duration. The transaction price is agreed upon in the contract. The Company satisfies its performance obligation over time as the services are performed whereby the customer simultaneously receives and consumes the benefits of such services under the agreement.

Incremental costs incurred to obtain contracts, such as sales commissions, are expensed when incurred as the amortization period of any related assets would be less than one year.

Various economic factors affect the Company's revenues and cash flow. The timing of revenue recognition, billings and cash collections results in billed accounts receivable and notes receivable. The balance of accounts receivable and notes receivable, net of allowances, resulting from contracts with customers was \$1,335,259, \$1,082,469, and \$1,148,309 as of December 31, 2024, 2023, and 2022, respectively.

Cash - The Company maintains cash deposits with financial institutions that at times may exceed federally insured limits.

Restricted Cash - The Company has cash deposited with a financial institution related to national ad funds which is required to be spent on future marketing efforts to benefit all franchisees.

Accounts and Notes Receivable - For accounts receivable, the Company extends credit to its customers under standard payment terms, generally requiring payment within 30 days from the invoice date. For notes receivable, the Company has a program whereby certain franchisees can finance their initial franchise fee with the Company. The notes are repaid over periods ranging from 12 to 48 months, accrue interest at rates ranging from 5% to 8%, and are collateralized by the underlying franchise.

Accounts and notes receivable are reduced by an allowance for credit losses, which reflects management's estimate of the risk of loss due to credit default. The Company recognizes the amount of change in current credit losses as an allowance gain or loss in operating expenses in the accompanying consolidated statements of operations and changes in member's equity. Accounts are written-off against the allowance when the Company has no reasonable expectation of recovering the receivable, either in its entirety or a portion thereof.

Changes in the allowance for credit losses during the years ended December 31, 2024 and 2023 were as follows:

	<u>Accounts Receivable</u>	<u>Notes Receivable</u>
Balance at January 1, 2023	\$ 8,334	\$ 45,666
Impact of the adoption of CECL	-	40,000
Provision for credit losses	1,751	52,882
Write-offs	<u>(5,085)</u>	<u>(98,548)</u>
Balance at December 31, 2023	<u>5,000</u>	<u>40,000</u>
Provision for credit losses	103,111	20,000
Write-offs	<u>(103,111)</u>	<u>-</u>
Balance at December 31, 2024	<u>\$ 5,000</u>	<u>\$ 60,000</u>

Management estimates the allowance for credit losses by applying historical credit loss rates to accounts and notes receivable aging categories. Management considers historical loss information to be a reasonable basis for its estimate as the composition of accounts and notes receivable and the risk characteristics of its customers and lending practices have not changed significantly over time. In addition, accounts are pooled by aging category as the change in risk characteristics is similar as accounts age. Management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information.

**Goodwill and Intangible Assets** - Goodwill represents the excess of the purchase price over the fair value of net assets acquired. The Company amortizes goodwill on a straight-line basis over 10 years. Intangible assets acquired, including amounts allocated to trade names, franchise agreements, and customer lists, are amortized over their estimated useful lives (See Note 4). The Company tests goodwill and intangible assets for impairment whenever a triggering event occurs which indicates that the fair value of the entity may be below its carrying amount. The Company's evaluation of goodwill and intangible assets during the years ended December 31, 2024 and 2023 resulted in no impairment losses.

**Property** - Property is primarily classified as vehicles and is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

**Leases** - The Company assesses whether an arrangement is a lease, or contains a lease, upon inception of the contract. This assessment is based on: (1) whether the contract explicitly or implicitly involves the use of a distinct asset, (2) whether the Company obtains substantially all of the economic benefits from the use of that underlying asset during the term of the contract, and (3) whether the Company has the right to direct the use of the asset. The Company also considers whether its service arrangements include the right to control the use of an asset.

The Company recognizes certain leases on its consolidated balance sheets as a right-of-use ("ROU") asset representing the right to use an underlying asset and lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the consolidated statements of operations and changes in member's equity. All current leases are classified and accounted for as operating leases. Lease expense for operating leases, consisting of lease payments, is recognized on a straight-line basis over the lease term and is included in operating expenses in the consolidated statements of operations and changes in member's equity.

The Company made an accounting policy election to not recognize ROU assets and lease liabilities for short-term leases which are leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made on or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Company uses the rate explicit or implicit in the lease. For leases where the explicit rate is not stated in the contract and implicit rate is not readily determinable, the Company made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

**Income Taxes** - For income tax purposes, the Company is considered to be a partnership. Accordingly, no provision for federal or state income taxes has been made in the accompanying consolidated financial statements since the member includes its allocable share of the Company's taxable income or loss in its respective individual income tax return.

The Company records liabilities for income tax positions taken or expected to be taken when those positions are deemed uncertain to be upheld in an examination by taxing authorities. No liabilities for uncertain income tax positions were recorded as of December 31, 2024 and 2023.

**Advertising and Marketing** - The Company expenses the costs of advertising and marketing as incurred. For the years ended December 31, 2024 and 2023, the Company incurred approximately \$210,000 and \$220,000, respectively, of advertising and marketing expenses.

**Reclassifications** - Certain amounts in the 2023 consolidated financial statements have been reclassified to conform with 2024 presentation. Such reclassifications had no effect on the previously reported net income.

**Subsequent Events** - In preparing its consolidated financial statements, the Company has evaluated subsequent events through March 26, 2025, which is the date the consolidated financial statements were available to be issued.

## 2. ACQUISITIONS

Effective February 13, 2023, the Company acquired Mosquito Masters, LLC for total consideration of \$35,000 which was paid in cash at closing. The acquisition was performed to expand the Company's product offerings. The transaction was accounted for as an asset acquisition. The entirety of the purchase price was allocated to goodwill.

Effective August 16, 2023, the Company acquired Pearson Fitness, LLC for total consideration of \$35,500 which was paid in cash at closing. The acquisition was performed to expand the Company's product offerings. The transaction was accounted for as an asset acquisition. The following table presents the allocations of the purchase price to the assets acquired:

Assets acquired:		
Property		\$ 20,000
Other assets		3,000
Goodwill		12,500
Purchase price		<u>\$ 35,500</u>

## 3. LEASES

The Company leases certain facilities from unrelated third parties under agreements classified as operating leases expiring at various dates through August 2031. The Company's operating leases do not contain any material restrictive covenants or residual value guarantees.

The components of lease expense for the years ended December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Operating lease expense	\$ 169,272	\$ 78,231
Short-term lease expense	<u>57,665</u>	<u>76,281</u>
Total lease expense	<u>\$ 226,937</u>	<u>\$ 154,512</u>

Weighted-average remaining lease term and discount rate for the years ended December 31, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term	6.10 years	7.00 years
Weighted-average discount rate	4.04%	3.97%

As of December 31, 2024, future undiscounted cash flows under the operating leases and a reconciliation to the lease liabilities recognized on the consolidated balance sheet were as follows:

During the year ending December 31:	
2025	\$ 181,879
2026	187,403
2027	193,068
2028	198,880
2029	204,843
Thereafter	<u>229,956</u>
Total undiscounted cash flows	1,196,029
Less: present value discount	<u>(137,932)</u>
 Total lease liabilities	 <u>\$ 1,058,097</u>

#### 4. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets as of December 31, 2024 and 2023 consisted of the following:

	<u>Estimated Useful Life</u>	<u>2024</u>	<u>2023</u>
Goodwill	10 years	\$ 13,034,825	\$ 13,069,825
Trade names acquired	15 years	4,290,000	4,290,000
Franchise agreements acquired	15 years	19,020,000	19,020,000
Customer lists acquired	15 years	300,000	300,000
Less: accumulated amortization		<u>(11,160,446)</u>	<u>(8,285,880)</u>
 Total, net		 <u>\$ 25,484,379</u>	 <u>\$ 28,393,945</u>

Total amortization expense for goodwill and intangible assets for the years ended December 31, 2024 and 2023 was \$2,877,483 and \$2,879,620, respectively. The following presents the estimated amortization expense for goodwill and intangible assets for each of the next five years and thereafter:

Year ending December 31:	
2025	\$ 2,877,483
2026	2,877,483
2027	2,877,483
2028	2,877,483
2029	2,877,483
Thereafter	<u>11,096,964</u>
 Total	 <u>\$ 25,484,379</u>

#### 5. RELATED PARTY TRANSACTIONS

The Company purchases pest treatment supplies from an entity affiliated by common ownership. Total purchases totaled approximately \$346,000 and \$318,000 for the years ended December 31, 2024 and 2023, respectively. Additionally, the Company incurs management fees to entities affiliated by common ownership. Total management fees incurred totaled approximately \$165,000 for each of the years ended December 31, 2024 and 2023 and are included in other expenses in the accompanying consolidated statement of operations and changes in member's equity.

6. EMPLOYEE RETIREMENT PLAN

The Company maintains a qualified retirement plan under which eligible employees may defer a portion of their annual compensation, pursuant to Section 401(k) of the Internal Revenue Code. The Company matches 100% of employee contributions up to 4% of the employee's annual compensation. Company contributions to the plan were approximately \$65,000 and \$60,000 for the years ended December 31, 2024 and 2023, respectively.

7. OPERATING AGREEMENT

The member of the Company is subject to an operating agreement that specifies the rights and obligations of each member. In accordance with the terms of this agreement, the member's liability is limited to the capital it has contributed to MLB.

8. CONTINGENCIES

As of December 31, 2024 and 2023, the Company is contingently liable as a co-borrower with the Company's member on certain notes payable maturing in October 2025. As of the date of this report, management is in the process of refinancing these notes payable. The principal balance on the notes payable was \$10,489,398 and \$11,049,045 as of December 31, 2024 and 2023, respectively, with interest payable monthly at a rate of Prime (7.50% and 8.50% as of December 31, 2024 and 2023, respectively) plus 4.25%. The principal is due in annual payments before each of the first five anniversaries of the closing date of October 9, 2020, with the final installment payment of the remaining principal due on the fifth anniversary of the closing date of October 9, 2020. Total interest expense related to these notes payable for the years ended December 31, 2024 and 2023 was \$1,312,259 and \$1,355,918, respectively.

Management has allocated the entire balance of these notes payable and interest expense to the Company's member as of December 31, 2024 and 2023, as it expects the member will be responsible for making the remaining payments. Historically, these payments have been made with distributions paid from the Company to the Company's member. Should the Company's member be delinquent on any debt payments, the Company will be obligated to perform under the agreement by making the required payments, including late fees and penalties.

As of December 31, 2024 and 2023, the Company is contingently liable as a co-borrower with the Company's member on a revolving note. The revolving note allows for borrowings up to a maximum of \$2,500,000 and expires in October 2025. Interest accrues at Prime plus 2.25%. There were no outstanding borrowings on the revolving note as of December 31, 2024 and 2023.

The notes payable and revolving note are collateralized by substantially all assets of the Company. The notes payable and revolving note are subject to certain financial covenants.

The Company is involved in various other claims or actions arising in the normal course of business. It is management's opinion that the resolution of these matters will not materially affect the Company's financial position or the results of its operations.

9. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the years ended December 31, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Cash payments for operating lease liabilities	\$ 161,059	\$ -
<u>Non-cash transactions:</u>		
Operating lease ROU assets obtained in exchange for new lease liabilities	\$ 156,111	\$ 1,001,593

A reconciliation of cash and restricted cash as presented in the consolidated statements of cash flows to such amounts presented in the consolidated balance sheets as of December 31, 2024 and 2023 is as follows:

	2024	2023
Cash	\$ 2,465,154	\$ 2,274,486
Restricted cash	<u>194,065</u>	<u>110,280</u>
Cash and restricted cash	<u>\$ 2,659,219</u>	<u>\$ 2,384,766</u>

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**EXHIBIT G TO THE DISCLOSURE DOCUMENT**  
**FORM OF GENERAL RELEASE**

THIS AGREEMENT (“Agreement”) is made and entered into this day \_\_\_\_\_ by and between Main Line Brands LLC, a Delaware limited liability company located at 2359 Perimeter Pointe Parkway, Suite 250, Charlotte, North Carolina 28208 (the “Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ with a principal address at \_\_\_\_\_ (hereinafter referred to as “Releasor”), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

1. **Release by Releasor:**

Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement, excluding only such claims as the Transferor may have under the Maryland Franchise Registration and Disclosure Law (Md. Code Bus. Reg. §§ 14-201 through 14-233), and the rules adopted thereunder. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys’ fees.

2. Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys’ fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. Pennsylvania law shall govern the validity and interpretation of this Agreement, as well as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the Commonwealth of Pennsylvania.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

Notwithstanding the foregoing, this 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, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

Witness:

\_\_\_\_\_

RELEASOR:

\_\_\_\_\_  
(Name)

Witness:

\_\_\_\_\_

MAIN LINE BRANDS LLC:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT H TO THE DISCLOSURE DOCUMENT  
STATE SPECIFIC ADDENDA**

**FOR FRANCHISEES IN FRANCHISE REGISTRATION STATES**

Required NASAA Statement. The following only applies in *California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin*: 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.

**CALIFORNIA**

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF CALIFORNIA**

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

1. Item 3 of the Disclosure Document is supplemented by the following language:

Neither we nor any person or franchise broker identified in Item 2 of the 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 such persons from membership in that association or exchange.

2. Item 5 of the Disclosure Document and all relevant sections of the Franchise Agreement are amended such that:

All fees paid to the franchisor by the franchisee, including payments for goods and services received from the franchisor before the business opens, shall be deferred until the franchisee has commenced doing business.

3. Item 6 of the Disclosure Document is supplemented to reflect that 10% per annum is the highest interest rate allowed in California.

4. Item 17 of the Disclosure Document is supplemented by the following language:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the agreement. This provision may not be enforceable under California law.

The Franchise Agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law.

The Franchise Agreement requires submission of dispute to courts located in North Carolina. This provision may not be enforceable under California law.

The Franchise Agreement requires you to waive your right to a trial by jury. This provision may not be enforceable under California law.

The California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of Corporations, prior to a solicitation of a proposed material modification of an existing franchise.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damage clauses are unenforceable.

You must sign a general release if you transfer your franchise. 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).

5. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH A COPY OF THE DISCLOSURE DOCUMENT AT LEAST 14 DAYS BEFORE SIGNING THE AGREEMENT.
6. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
7. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF EACH PROPOSED AGREEMENT RELATING TO THE GRANT OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF THE AGREEMENT.
8. 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.
9. Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:
  - (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
  - (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
  - (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.

(d) Violations of any provision of this division.

## **HAWAII**

**THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

## **ILLINOIS**

1. Item 5 of the FDD and all relevant sections of the Franchise Agreement are amended such that:

All fees paid to the franchisor by the franchisee, shall be deferred until franchisor has satisfied its pre-opening obligations and the franchisee has commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

2. Illinois law governs the Franchise Agreement(s).

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.

Your rights 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.

3. A National Account is a customer who conducts business in more than one location. The Franchisor has the exclusive right to negotiate and enter into agreements to provide services to national accounts. You

may be offered the opportunity to service a national account. If you decline or are unable to service the account, the Franchisor, an affiliate or another franchise may provide the service with no compensation to you (even if the service is provided within your exclusive territory).

4. The franchisor estimates the time between signing the Franchise Agreement and opening to be 30 to 60 days. The franchisor will offer a training program at headquarters within 60 days after you sign the Franchise Agreement. Your Franchised Business must be opened for business within 90 days after signing the Franchise Agreement, or the franchisor may elect to terminate your Franchise Agreement.

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

6. By reading this disclosure document, you are **not** agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.

### **MARYLAND**

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.

### **Item 5 of the Franchise Disclosure Document and all relevant sections of the Franchise Agreement are amended such that:**

All fees paid to the franchisor by the franchisee, including payments for goods and services received from the franchisor before the business opens, shall be deferred until all of the franchisor's pre-opening obligations to the franchisee have been satisfied.

### **Item 17 of the Franchise Disclosure Document is amended as follows:**

Pursuant to COMAR 02.02.08.16L, 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.

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

The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

### **The Franchise Agreement is amended as follows:**

A Franchisee is permitted to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Pursuant to COMAR 02.02.08.16L, 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.

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

**The Franchise Agreement, Exhibit B to the Franchise Agreement and Exhibit G to the Franchise Disclosure Document are each amended to add the following:**

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

### **MINNESOTA**

**THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 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 following language amends the Governing Law, Jurisdiction and Venue, and Choice of Forum sections of the Franchise Disclosure Document and agreement(s): "Minnesota Statutes, Section 80C.21 and Minnesota 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 agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Further, Franchisee cannot consent to Franchisor obtaining injunctive relief. Franchisor may seek injunctive relief.

Items 5 and 7 of the Franchise Disclosure Document and Section 2 of the Franchise Agreement are modified such that:

“All initial fees and payments owed by Franchisee to Franchisor or its affiliates shall be deferred until the Franchisee has commenced doing business.”

Pursuant to Minn. Stat. § 604.113, Item 6 of the Franchise Agreement and Section 8 of the Franchise Agreement are modified such that the Insufficient Funds Fee is \$30.00 per occurrence.

Item 13 of the Franchise Disclosure Document and the applicable sections of the franchise agreement(s) are modified to state that the franchisor will protect the franchisee’s right 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. See Minnesota Statutes, Section 80C.12, Subd. 1(g).

The Limitations of Claims section is amended to comply with Minnesota Statutes, Section 80C.17. Subd. 5.

In accordance with Minnesota Rule 2860.4400(D), we cannot require you to assent to a general release. NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

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.

## **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 RESOURCES 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 CANNOT 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:

Except as provided 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 that is 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 ten years 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.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years 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; this proviso intends that the nonwaiver 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 a 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--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest 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.

## **RHODE ISLAND**

In recognition of the requirements of the Rhode Island Franchise Investment Act, the Franchise Disclosure Document of Main Line Brands LLC (“we,” “us,” or “our”) for use in the State of Rhode Island shall be amended to include the following:

1. Items 17v. and 17w., under the provisions entitled “Choice of law” and “Choice of forum,” shall be supplemented with the following language:

However, you may sue us in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

2. Item 17 shall be supplemented by the addition of the following language at the end of Item 17:

Section 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.”

3. Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Addendum to the Disclosure Document.

## **VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Main Line Brands LLC for use in the Commonwealth of Virginia shall be amended as follows:

1. Additional Disclosure. The following statements are added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

Any securities offered or sold by the franchisee as part of the franchise must either be registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act.

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.

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.

2. The following Risk Factor is added to the Special Risks to Consider About This Franchise page:

4. **Intangible Assets.** Intangible Assets represents a substantial portion of the franchisor’s total assets.

## **WASHINGTON**

### **Washington Addendum to the Franchise Disclosure Document**

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 initial franchise fees, under the Franchise Agreement, the Franchisor will not require or accept the payment of any initial franchise fees or other pre-opening amounts 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.

## STATE EFFECTIVE DATES

The following States require that a Franchise Disclosure Document be registered with the State or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

The Franchise Disclosure Document is registered, on file or exempt from registration in the following States having Franchise Registration and Disclosure Laws with the following effective dates:

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Exempt
Indiana	Exempt
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Exempt
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

**EXHIBIT I**

**RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF MAIN LINE BRANDS LLC**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Main Line Brands LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that Main Line Brands LLC give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or make any consideration that relates to the franchise relationship. Connecticut and Michigan require that Main Line Brands LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Iowa and Maine require that Main Line Brands LLC give you the disclosure document at the earlier of the first personal meeting or 14 days before you sign a binding agreement with, or make a payment to, us in connection with the proposed franchise sale.

If Main Line Brands LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to your state authority listed on Exhibit A.

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

Jason Pritchard 2359 Perimeter Pointe Parkway, Suite 250, Charlotte, North Carolina 28208 1-980-556-7079		
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Issuance Date: May 7, 2026

I received a Disclosure Document dated May 7, 2026, that included the following Exhibits:

- EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process
- EXHIBIT B: Franchise Agreement with Attachments
- EXHIBIT C: Brand Standards Table of Contents
- EXHIBIT D: List of Franchisees
- EXHIBIT E: List of Franchisees Who Have Left the System
- EXHIBIT F: Financial Statements of Main Line Brands LLC
- EXHIBIT G: Form of General Release
- EXHIBIT H: State Specific Addenda
- EXHIBIT I: Receipt

Date Received: \_\_\_\_\_  
(If other than date signed)

DATE: \_\_\_\_\_

Print Name: \_\_\_\_\_

Print Address: \_\_\_\_\_

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

***Please return signed receipt to Main Line Brands LLC,***

2359 Perimeter Pointe Parkway, Suite 250  
Charlotte, North Carolina 28208

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Print Name: \_\_\_\_\_

Print Address: \_\_\_\_\_

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

**KEEP FOR YOUR RECORDS**