FRANCHISE DISCLOSURE DOCUMENT
(Alair Homes Master Franchises)

Alair Enterprises USA, Inc.
(an Arizona corporation)
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Alair Enterprises USA, Inc. offers franchises for the operation of businesses ("Alair Homes Master Franchises") that identify and solicit prospective Alair Homes Unit Franchisees and train, supervise and support Alair Homes Unit Franchisees within a designated geographic area. As an owner of an Alair Homes Master Franchise, you must also purchase and operate an Alair Homes Unit Franchise.

The total investment necessary to begin operation of an Alair Homes Master Franchise business is between $273,280 and $287,155. This includes $252,000 that must be paid to the franchisor or its affiliates. (This amount is in addition to the investment necessary to begin operation of an Alair Homes Unit Franchise, which is offered pursuant to a separate Franchise Disclosure Document.)

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

You may wish to receive your Franchise Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Michael Duncan at Alair Enterprises USA, Inc., 96 Wallace Street, Nanaimo, British Columbia V9R 0E2, Canada and (250) 824-0279.

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

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

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

Issuance Date: December 12, 2022

How to Use This Franchise Disclosure Document

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

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

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 arbitration and/or litigation only in Arizona. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Arizona 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.

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.

THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

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 prohibition on the right of a franchisee to join an association of franchisees.

- A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel that deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into an agreement, from settling any and all claims.

- 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.

- 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 that 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 five 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 six months' advance notice of the franchisor's intent not to renew the franchise.

- 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.

- 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.[1]

- A provision that permits a franchisor to refuse to permit a transfer of ownership of a

[1] Despite this provision, we intend, and we and you agree, to fully enforce the arbitration provisions of the Master Franchise Agreement. We believe that this provision is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

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:

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

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

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

(d) 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.

● 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 agreement and has failed to cure the breach after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such breach.

● A provision that 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 ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Franchise Section
G. Mennen Williams Building, 6th Floor
525 West Ottawa
P.O. Box 30213
Lansing, Michigan 48909
Telephone Number: (517) 373-7117

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Item 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Alair Enterprises USA, Inc. will be referred to as "Alair Homes," "we" or "us" and the person or entity that buys the Alair Homes Master Franchise (as defined below) will be referred to as "you" or "your." If you are a corporation, limited liability company or other entity, certain provisions of the Master Franchise Agreement with respect to your Alair Homes Master Franchise (the "Master Franchise Agreement") will also apply to your owners and their spouses.

The Franchisor and any Parents, Predecessors and Affiliates

Alair Homes offers franchises for the operation of businesses ("Alair Homes Master Franchises") that identify and solicit prospective Alair Homes Unit Franchisees (as defined below) to operate Alair Homes Unit Franchises (as defined below) within a designated geographic area (a "Region") and that train, supervise and support Alair Homes Unit Franchisees within that Region.

Alair Homes was formed as an Arizona corporation on July 23, 2013. Our principal business address is 96 Wallace Street, Nanaimo, British Columbia V9R 0E2, Canada. Our telephone number is (250) 824-0279. Our agents for service of process are listed in Exhibit A. Alair Homes does business under the names Alair Enterprises USA, Inc., Alair Homes and Alair Commercial.

Alair Enterprises Canada Ltd., a British Columbia corporation formed on August 30, 2012 ("Alair Canada"), is our predecessor and affiliate. Alair Enterprises USA Holdings, Inc., an Arizona corporation formed on October 2, 2013 ("Alair Holdings"), and Alair Enterprises Ltd., a British Columbia corporation formed on September 28, 2007 ("Alair Ltd."), are our parents. Alair Holdings is a holding company and does not engage in any business. Alair Ltd. holds various passive income investments. The principal business address of Alair Canada, Alair Holdings and Alair Ltd. is 96 Wallace Street, Nanaimo, British Columbia V9R 0E2.

Alair Homes has offered Alair Homes Master Franchises (formerly called Regional Developer franchises) since December 2013. There are presently 16 Alair Homes Master Franchises (See Exhibit J.) In addition, since December 2013, Alair Homes has offered Alair Homes Unit Franchises. There are presently 40 Alair Homes Unit Franchises. Alair Homes does not offer, and has not offered, franchises in any other line of business or conduct any other business.

Since November 2012 Alair Canada has offered franchises similar to Alair Homes Master Franchises and the Alair Homes Unit Franchises in Canada. There are presently 10 franchises similar to the Alair Homes Master Franchises sold and operating in Canada and 56 franchises similar to the Alair Homes Unit Franchises sold and operating in Canada. Alair Canada has not offered Alair Homes franchises in the United States and has not offered franchises in any other line of business.

Alair Homes does not operate businesses of the type being franchised. However, AV Master Enterprises Ltd, one of our affiliates, owns and operates a business similar to an Alair Homes Master Franchise in Nanaimo, British Columbia, Canada.

The Franchise

We offer franchises for the operation of Alair Homes Master Franchises. Alair Homes Master Franchisees (as defined below) identify and solicit prospective Alair Homes Unit Franchisees to operate Alair Homes Unit Franchises within a Region and train, supervise and support Alair Homes Unit Franchisees within that Region. As an Alair Homes Master Franchisee you must also purchase and initially operate an Alair Homes Unit Franchise, which is offered under a separate Franchise Disclosure Document. As an Alair Homes Master Franchisee, you will not offer or sell Alair Homes Unit Franchises, nor will you sign or negotiate franchise agreements with Alair Homes Unit Franchisees.

As an owner of an Alair Homes Master Franchise (an "Alair Homes Master Franchisee") you must also purchase and operate an "Alair Homes Unit Franchise," which is a business that provides high quality custom home building services, home renovation services and commercial contracting services using our business format, Proprietary Software (as defined below), systems, methods, policies, materials, procedures, specifications, trade secrets and other proprietary information (the "Systems") under the Alair Homes® Marks (as defined below). An owner of an Alair Homes Unit Franchise is referred to as an "Alair Homes Unit Franchisee." Alair Homes Unit Franchises are offered under a separate Franchise Disclosure Document.

You may not actively operate your Alair Homes Master Franchise (a) until you have operated an Alair Homes Unit Franchise to our satisfaction, in our sole discretion, for at least one year, which period of time we may reduce or waive, in our sole discretion, (b) until you have completed, to our satisfaction, the Master Franchise Training Program and (c) unless we determine, in our sole discretion, that you have the ability to successfully operate your Alair Homes Master Franchise. (The date designated by us as the date as of which you may actively operate your Alair Homes Master Franchise is referred to as the "Master Franchise Commencement Date.")

Between the date you sign the Master Franchise Agreement and the Master Franchise Commencement Date, you must prepare for your active operation of your Alair Homes Master Franchise. That preparation includes, among other things, researching the local market and working with our marketing team to develop a marketing plan, developing initial marketplace and subtrade relationships, developing brand recognition in your Region, obtaining advice on local contracting, tax, legal and other matters.

Beginning on the Master Franchise Commencement Date you must identify and solicit prospective Alair Homes Unit Franchisees to operate Alair Homes Unit Franchises within your Region that are satisfactory to us, in our sole discretion, and we agree, in our sole discretion, to grant Alair Homes Unit Franchises to and execute Alair Homes Unit Franchise franchise agreements with. You have no right to commit to any prospective Alair Homes Unit Franchisee that it will be granted an Alair Homes Unit Franchise, to negotiate a franchise agreement for an Alair Homes Unit Franchise or to sell Alair Homes Unit Franchises. If you do not meet and maintain the development schedule contained in the Master Franchise Agreement (the "Development Schedule"), we will have the right to terminate the Master Franchise Agreement. Our refusal to grant Alair Homes Units Franchises to persons you identify and refer to us will not excuse your failure to meet and maintain the Development Schedule.

Your additional responsibilities beginning on the Master Franchise Commencement Date include, among other things, establishing marketplace and subtrade relationships, developing sales opportunities, onboarding, training, supervising and supporting Alair Homes Unit Franchisees in your Region, obtaining advice and staying current on the local market and local laws and policies and communicating same to us and the Alair Homes Unit Franchisees in your Region and maintaining ongoing brand recognition in your Region.

Although we permit the Manager (as defined below) to operate one or more Alair Homes Unit Franchises, after the Master Franchise Commencement Date we encourage Alair Homes Master Franchisees to hire qualified employees to operate their Alair Homes Unit Franchises or to sell their Alair Homes Unit Franchises to other qualified persons.

We will pay you 50% of the Net Franchise Fee (as defined below) paid to us by an Alair Homes Unit Franchisee in your Region between the Master Franchise Commencement Date and the expiration or termination of the Master Franchise Agreement, provided that they sign their franchise agreements after the Master Franchise Commencement Date and before the expiration or termination of the Master Franchise Agreement, and a service fee in an amount equal to 50% of the Net Payments (as defined below) paid to us only by Alair Homes Unit Franchisees in your Region between the Master Franchise Commencement Date and the expiration or termination of the Master Franchise Agreement; provided, however, that you will not receive any payments with respect to Net Payments paid by you or your affiliates unless and until a second Alair Homes Unit Franchise in your Region has been awarded and becomes operational.

The term "Net Franchise Fee" means the initial franchise fee paid to us by an Alair Homes Unit Franchisee (other than you and your affiliates), less (i) the amount that we directly or indirectly pay or incur for that Alair Homes Unit Franchisee's training, (ii) the amount of franchise broker, finder or similar fees that we directly or indirectly pay or incur in connection with the sale of that Alair Homes Unit Franchise, (iii) the portion of the initial franchise fee paid to us by an Alair Homes Unit Franchisee (other than you and your affiliates) that we pay to the Master Franchise Brand Fund, if any, with respect to that Alair Homes Unit Franchisee , (iv) any amount that we refund or return to that Alair Homes Unit Franchisee and (v) an administrative fee for the performance of certain administrative support provided by us for your benefit . If payment of an Alair Homes Unit Franchisee's initial franchise fee is deferred, we will pay you your portion of the Net Franchise Fee as and when we receive payment of the initial franchise fee if we receive it before the expiration or termination of the Master Franchise Agreement. Any amounts we receive for interest or other financing expenses will not be considered a part of the initial franchise fee.

The term "Net Payments" means the amounts designated by us as royalties (for example, excluding Accounting Systems and Services Fees (as defined in Alair Homes Unit Franchisee franchise agreements) and any required Brand Fund or advertising payments) paid to us by an Alair Homes Unit Franchisee, less any amount that we refund or return to that Alair Homes Unit Franchisee.

Any costs and expenses (including attorneys' fees) that we incur in connection with collecting the initial franchise fee and/or royalties from Alair Homes Unit Franchisees will be deducted from the initial franchise fee and/or royalties, as the case may be, upon which the calculation of the Net Franchise Fee and Net Payments is based.

If you are in breach of your obligations under the Master Franchise Agreement (for example, you are not performing your obligations to support Alair Homes Unit Franchisees), you will not be entitled to receive part or all, as we may determine, of the Net Payments to which you would otherwise be entitled, and we will retain those amounts. We may also defer payment of the Net Franchise Fees to which you would be entitled until you cure any such breach. If you timely cure any such breach, we will pay to you the Net Franchise Fees so deferred, without interest. If you do not timely cure any such breach, we will retain the Net Franchise Fees so deferred.

Market and Competition

The market for identifying and soliciting prospective Alair Homes Unit Franchisees is people with significant construction experience, such as general contractors, remodelers and project managers for construction companies.

Competitors in the market for identifying and soliciting prospective Alair Homes Unit Franchisees include local, regional and national construction companies, prospects' current employers and other franchisors and independent franchise brokers.

Laws and Regulations

As an Alair Homes Master Franchisee, you will be required to comply with the United States Federal Trade Commission's Franchise Rule and applicable state franchise laws, rules and regulations relating to offers and sales of franchises, sales agents and salesmen, which require, among other things, the timely delivery to prospective Alair Homes Unit Franchisees of a Franchise Disclosure Document. You may not solicit prospective Alair Homes Unit Franchisees in any state that requires registration of our franchise offering unless and until that offering has been registered in that state. In addition, if the area in which you do business includes New York or Washington, you must register as a franchise broker. In addition, you will be subject to other federal, state and local laws, regulations and ordinances generally applicable to businesses, including business license, employment, workers compensation, insurance, corporate and tax laws.

These laws, regulations, ordinances, codes and requirements are complex and frequently changing. It is your responsibility to determine to what extent these laws, regulations, ordinances, codes and requirements may affect your Alair Homes Master Franchise before investing in an Alair Homes Master Franchise. You should consult with your attorney on this subject.

Item 2
BUSINESS EXPERIENCE

Blair McDaniel, CEO, Director, Secretary and Treasurer

Blair McDaniel has been the CEO of Alair Homes since September 2020. In addition, he has been the Director, Secretary and Treasurer of Alair Homes since its incorporation in July 2013. Between July 2013 and September 2020 he was the President of Alair Homes. In addition, he has been the Director of Alair Ltd. since September 2007 and between September 2007 and September 2020 he was the President of Alair Ltd. He was also the Director and the President of Alair Canada since August 2012 and the Director, President, Secretary and Treasurer of Alair Holdings since its incorporation in July 2013. In addition, he has been the Treasurer of Concept Property Group Inc.

since October 2011 and of Pacific Edge Properties Ltd. since May 2009. Mr. McDaniel has also been an owner of AVI Master Enterprises Ltd. since May 2014. Mr. McDaniel is based in Guelph, Ontario, Canada. Prior to July 2014, he was based in Nanaimo, British Columbia, Canada.

Stu Hopewell, Chief Operating Officer

Stu Hopewell has been the Chief Operating Officer of Alair Homes since November 2016. In addition, he has been the owner of Alair Enterprises BC Ltd. (formerly known as Alair Enterprises Vancouver Island Ltd.) since May 2012, an owner of BC Interior Master since August 2015, an owner of Arizona Master since Sept 2018, and an owner of AVI Master Enterprises Ltd. since August 2012. In those capacities, he has been based in Nanaimo, British Columbia.

Rob Cecil, President and Chief Development Officer

Rob Cecil has been the President of Alair Homes since September 2020 and has been the Chief Development Officer of Alair Homes since March 2014. Between November 2013 and September 2020, he was the Vice President of Marketing, Growth, Development and Training of Alair Canada since November 2013. In those positions, he is based in Savannah, Georgia and was previously based in Gardiner and New Paltz, New York. In addition, he has been the Managing Partner of AMRC Group, LLC, a consulting firm, since June 2014, a Director of EZCR Financial since November 2012 and a Partner in Holibray Holdings since January 2009. In those positions, he has been based in Burlington, Vermont, Gardiner New York and New Paltz, New York.

Adam McCaa, Chief Communications Officer

Adam McCaa has been the Chief Communications Officer of Alair Homes since March 2014 and has been the Vice President of Sales, Marketing and Training of Alair Canada since November 2013. In addition, he has been the President of ACM LLC since September 2011. He was based in Springfield, Virginia between March 2014 and August 2014 and in Cajica, Colombia between August 2014 and June 2018, then in Harrells, North Carolina between June 2018 and July of 2018, and has been based in Charleston, South Carolina since August 2018.

Katrina M. McLauchlan, Chief Financial Officer

Katrina McLauchlan has been the Chief Financial Officer of Alair Homes since August 2015; prior to that (since October 2014) she was a Controller with Alair Homes. Prior to that (since January 2012), she was a Controller with Alair Ltd. Ms. McLauchlan is, and has been, based in Nanaimo, British Columbia, Canada.

Stephen Gordon, Controller

Stephen Gordon has been a Controller of Alair Homes and Alair Ltd. since August 2017. Prior to that (since August 2015), he was an Assistant Controller with Alair Homes and Alair Ltd. Between February 2014 and August 2015 he was an Account Manager with Alair Homes and Alair Ltd. Mr. Gordon is, and has been, based in Nanaimo, British Columbia, Canada.

Dale Patrick Riva, Controller

Dale Patrick Riva has been a Controller with Alair Homes since October 2017. Between November 2016 and October 2017, Mr. Riva was a Controller for Ecklundson Construction Ltd. Between March 2015 and December 2016 he was a Financial Accountant for Coastal Community Credit Union. In all of those capacities, he is and has been based in Nanaimo, British Columbia, Canada.

Navya Rayaprolu, Controller

Navya Rayaprolu has been a Controller with Alair Homes since March 2021 and has been based in Nanaimo British Columbia, Canada.

Damien Peters, Director of Accounting Services

Damien Peters has been the Director of Accounting Services for Alair Homes since March 2021 and is based out of Kitchener, Ontario. Between July 2018 and December 2020, Mr. Peters was the Vice President of Finance for Prodigy Education and had been based out of Oakville, Ontario. Between February 2017 and July 2018, Mr. Peters was a Controller for Delego Software Inc. and had been based out of Kitchener, Ontario.

Shane Duff, Director Market Development

Shane Duff has been the Director of Market Development of Alair Homes since July 2016. In that capacity, he was based in Ballston Spa, NY between July 2016 and November 2017, and in Naples, Florida since December 2017. In addition, Mr. Duff has owned Refined Strategies, Inc., a business coaching, consulting and advisory firm, since March 2016 and was the President of EZCR Financial, Inc., an operations and advisory firm, between January 2012 and August 2020. In those capacities, he was based in Saratoga Springs, New York between January 2012 and November 2017, and has been based in Naples, Florida since December 2017.

Michael Duncan, Director of Operations

Michael Duncan has been the Director of Operations of Alair Homes since November 2019. In this capacity, he has overall operations, compliance, legal, training and general administration responsibilities and is based in Nanaimo, British Columbia, Canada. Between January 2015 and November 2019 he was a General Manager with WildPlay Element Parks heading up operations on Vancouver Island and was based in Nanaimo, British Columbia, Canada.

Jason Clayton, Director of Marketing

Jason Clayton has been the Director of Marketing of Alair Homes since October 2019. In this capacity, he directs overall marketing strategy and day to day of the marketing department. Jason is also owner of Better Mouse Trap Marketing Ltd from May 2009 to current. In both these capacities Jason is based in Nanaimo, British Columbia, Canada.

Jeff Daley, Training Director

Jeff Daley has been the Training Director of Alair Homes since July 2019. In that capacity, he heads up the software and training process. Between February 2018 and July 2019, he was a Project Manager for Alair Enterprises BC Ltd., Alair Canada's franchisee in Nanaimo, British Columbia owned by Stu Hopewell. From April 2016 to February 2018, he was a Site Coordinator for Habitat for Humanity in Nanaimo, British Columbia, Canada. In all of those positions, he has been based in Nanaimo, British Columbia.

Item 3
LITIGATION

Bolahood v. Alair Enterprises Canada Ltd., et al. (Ontario Superior Court of Justice, Case # 97929-16). On November 16, 2016, Barry Bolahood ("Bolahood") commenced an action against homeowners John and Antoinette Curley (the "Curleys"), former Alair franchisee Gerald (Jerry) Stockla ("Stockla"), Alair Homes and Meridian Credit Union. The action was later amended to properly identify the Canadian franchisor as Alair Canada. and add 2479165 Ontario Inc. ("AC Franchisee"), the former Alair Canada franchisee owned by Stockla. Bolahood was a subcontractor hired by AC Franchisee or Stockla to perform certain construction at the Curleys' home. The claimed damages were $29,522.50. The Curleys filed a cross-claim against AC Franchisee, Stockla and Alair Canada for $350,000.00 claiming, among other things, that AC Franchisee and Stockla abandoned the project and failed to complete the construction and that there were numerous deficiencies that required repair. The Curleys claimed that Alair Canada knew or should have known that AC Franchisee and Stockla were incapable of performing the work, that Alair Canada failed to perform due diligence before recommending AC Franchisee and Stockla and that Alair Canada failed to make it clear that AC Franchisee was a franchisee and that the Curleys would have no contract with Alair Canada. Alair Canada filed a crossclaim against AC Franchisee and Stockla for, among other things, numerous breaches of AC Franchisee's franchise agreement and also issued a third party claim against Stockla's wife, Patricia Cummins ("Cummins"), under a personal guarantee signed in connection with AC Franchisee's franchise agreement. The Curleys paid Bolahood to settle his claim. However, the crossclaims and third party claim are continuing. Examinations for discovery of Alair Canada and the Curleys took place in October and November 2018. Alair Canada strongly denies the claims made by Curleys against Alair Canada because, among other things, Alair Canada had no contact with the Curleys prior to the construction, had no contract with the Curleys and did not refer them to AC Franchisee or Stockla. AC Franchisee, Stockla and Cummins were each noted in default for failing to file a Statement of Defence to any claims against them. No trial date has been scheduled.

Alair Enterprises Canada Ltd. v. Leenan Construction Inc., Keenan George and Lee Forsberg (Court of Queen's Bench for Saskatchewan, File No. 1108 of 2019) On April 26, 2019, Alair Canada commenced an action in against former franchisee Leenan Construction Inc. ("Leenan") and its principals, Keenan George and Lee Forsberg (collectively, the "Defendants"). The action pertains to the Defendants' breach of a Settlement Agreement dated March 1, 2019, specifically

certain noncompetition and nonsolicitation covenants contained therein. The action seeks injunctive relief and damages of $500,000. The Defendants issued a counterclaim against Alair Canada and Willness Holdings Ltd. which contains various allegations about the failure to disclose certain facts in the franchise disclosure documents and Alair's alleged failure to satisfy various duties contained in the franchise agreement, including the duty to train and support the Defendants and direct referrals. The counterclaim fails to include a specific amount of damages being sought. The parties have completed examinations for discovery and are in the process of answering undertakings. The matter has not been set down for trial.

Mark Egan v. 2457662 Ontario Inc. c/o/b as Alair Homes, 1932898 Canada Ltd. c/o/b as Alair Enterprises Canada Ltd., 2451755 Ontario Inc. c/o/b as Alair Construction, Marlene Verena Beeler, and Thomas Beeler (Ontario Superior Court of Justice Small Claims Court, Case #SC20000000850000). On December 16, 2020, Mark Egan ("**Egan**") commenced a small claims court action against 2457662 Ontario Inc. cob as Alair Homes ("**245**") and homeowners, Marlene Verena Beeler and Thomas Beeler (collectively, the "**Beelers**"). On April 21, 2021, Egan amended its claim to strike out the claim against 245 and include 1932898 Canada Ltd. cob as Alair Enterprises Canada Ltd. ("**Alair Canada**") and 2451755 Ontario Inc. cob as Alair Construction (the "**Franchisee**") as defendants. The Beelers entered into a construction agreement with the Franchisee. Egan was a sub-trade of the Franchisee and was hired to provide siding to the Beelers' home. Egan alleges that the Franchisee did not pay Egan for the work he did on the Beelers' home. There is question about whether the work was done properly. Egan is claiming damages of $31,989.00 plus HST, along with pre and post-judgment interest. On July 4, 2022, the Beelers served a defence, pleading, amongst other things, that any payment owing to Egan is owed by the Franchisee in accordance with the subcontract it had with Egan. Specifically, the Beelers pleaded that they did not enter into a contract with Egan. The Beelers further pleaded that they made all payments to the Franchsiee in accordance with their construction agreement and the Franchisee was responsible to make all payments owing to sub-trades for their work on the Beelers' home. On August 5, 2022, Alair Canada served a defence, pleading, amongst other things, that it never had any communications or dealings with Egan and never entered into any agreements with him. Alair Canada provided Egan's paralegal with the Franchise Agreement it has with the Franchisee to prove that Alair Canada has no liability. Alair Canada waiting to hear back from Egan's paralegal as to whether the claim against Alair Canada will be dismissed. On August 11, 2022, the Beelers cross claimed against the Franchisee for contribution and indemnity in respect of any award that may be made against them in the main action. At this time, no other documents have been filed and no other steps in the litigation have been scheduled.

Except as stated above, no litigation or arbitration is required to be disclosed in this Item.

Item 4
BANKRUPTCY

On January 20, 2015, Shane Duff, our Director, Market Development, filed a petition under Chapter 7 of the U.S. Bankruptcy Code in the Northern District of New York (Albany), Case Number 15-10098-1-rel. On April 21, 2015, the Bankruptcy Court entered a discharge.

Except as stated above, no bankruptcy is required to be disclosed in this Item.

Item 5

INITIAL FEES

The initial franchise fee is an amount equal to $250,000. The initial franchise fee is payable as follows:

- $100,000 upon signing the Master Franchise Agreement

- $150,000 in 120 monthly installments of $1,250, payable on the first day of each month, commencing on the first day of the month beginning after the effective date of the Master Franchise Agreement. However, 50% of all Net Payments payable to you pursuant to the Master Franchise Agreement will be retained by us and credited against your installment payments, beginning with the installment payment next due (and then successive installment payments) and $25,000 of each Net Franchise Fee payable to you pursuant to the Master Franchise Agreement will be retained by us and credited against your installment payments, beginning with the final installment payment due at the end of the installment payments (and then successive installment payments from the final installment payment due at the end of the installment payments). Your obligation to pay the deferred portion of your initial franchise fee will be evidenced by a promissory note in substantially the form of Exhibit F (the "Promissory Note"). The principal amount outstanding will bear interest at the rate of 0% per annum, unless you fail to pay any installment when due, or otherwise breach your obligations under the Promissory Note, in which case interest will accrue at the rate of 18% per annum (compounded annually). California Usury Law prohibits us from charging a financing fee above a certain percentage. Your obligations under the Promissory Note will be secured by all of your assets, including your accounts receivable, pursuant to a security agreement, in the form of Exhibit G (the "Security Agreement"). Your obligations under all of those documents will be guaranteed by your Principals (as defined below) pursuant to the Agreement to be Bound and to Guarantee in substantially the form of Exhibit C. See Item 10.

In addition, upon signing the Master Franchise Agreement, you must pay us a Master Franchise Brand Fund Payment in the amount of $2,000.

All of the above fees are uniform. At this time, all Master Franchisees' Master Franchise Brand Fund Payments are calculated at the same rate and on the same basis; however, the Master Franchise Brand Fund Payments of Master Franchisees who previously signed Master Franchise Agreements or who sign Master Franchise Agreements in the future may differ from yours.

None of the above fees is refundable.

Item 6
OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Your expenses in connection with attending training and Discovery Days	Travel, meals, lodging and related expenses	As incurred	
Fees and your expenses of attending periodic meetings	Fees to be determined by us; Travel, meals, lodging and related expenses	As incurred	
On-site Assistance Fee	Our then-current on-site assistance fee currently $105/hour) plus travel, meals, lodging and related expenses	As incurred	Payable only if we provide more than our average amount of on-site assistance at your request
Additional Master Franchise Training Program Attendance	$750 per person plus travel, meals, lodging and related expenses	Prior to attending the Master Franchise Training Program	Payable only if more than one person will attend the Master Franchise Training Program; we may impose a fee for any or all continuing training
Website Creation and Update Fees	Website creation and update fees will vary, depending upon time expended by our internal or external web staff (billed on an hourly basis, at our cost plus 5%; our web staff is currently billed at $105/hour)	Within 10 days of invoice	Payable if we develop a webpage for you as a Master Franchisee on our website
Additional Master Franchise Brand Fund Payments	Your proportionate share of our excess Master Franchise Brand Fund Expenditure; no limit on the amount	Within 10 days of invoice	Payable for Master Franchise Brand Fund Expenditures not covered by Master Franchisees' Master Franchise Brand Fund Payments and Franchisor's Master Franchise Brand Fund Contributions
Costs of Master Franchise Materials	Our costs and expenses	Within 10 days of invoice	Print materials currently range from $0.07 to $27.99/item; apparel currently ranges from $11.75 to $235/item; trade show materials currently range from $119 to $3,500/item)

Type of Fee	Amount	Due Date	Remarks
Costs of Customization of Master Franchise Materials	Our costs and expenses (including filing, legal and other fees) plus our then-current customization fees (currently $43-$250/hour)	Within 10 days of invoice	Payable only if you request us to customize any Master Franchise Materials for you or your Region, and we agree to do so
Costs of Registering or Exempting Alair Homes Unit Franchise franchise offering in your State	Our costs and expenses (including filing, legal and other fees and disbursements); if more than one Master Franchisee is located in a state, each will bear its proportionate share	Within 10 days of invoice	Payable only if your Region is located in a state that requires registration or exemption of franchise offerings
Validation Costs	50% of our costs and expenses of validating (background checks, personality profiles, etc.) prospective Alair Homes Unit Franchisees in your Region, estimated to range from $43 to $250 per candidate, depending upon the state and how far the candidate proceeds in the validation process)	Within 10 days of invoice	
Legal fees & expenses, damages & settlement payments	50% of amounts that we pay in connection with Alair Homes Unit Franchisees in your Region	Within 10 days of invoice	Payable only if we incur legal fees or expenses or pay damages or settlement amounts in connection with Alair Homes Unit Franchisees in your Region; note, though, that if these amounts are subject to your obligation to indemnify us, you will pay 100% of these amounts (see Indemnification below)
Audit Software Fees	50% of the fees and costs associated with the Audit Software	Within 10 days of invoice, then monthly	
Audit Software Support Fees	Our costs and expenses plus 5% and our then-current fees (currently $47-$105/hour) of populating the Audit Software		Payable only if you request that we populate, or we require you to have us populate, the Audit Software with respect to your Alair Homes Unit Franchisees
Costs of Providing Services or Goods Specifically for You	Our costs and expenses	Within 10 days of invoice	Payable only if we do something specifically for you or your Region (for example, you request that we produce a video for you or your Region) because (a) you request that we provide a service or certain goods, or perform anything else specifically for you and/or your Region, and we agree to do so or (b) we believe it is reasonably necessary for us to provide a service or certain goods, or perform anything else specifically for you and/or your Region

Type of Fee	Amount	Due Date	Remarks
Costs of Performing your Obligations	Our costs and expenses plus 5% and our then-current fees (currently $43-$8547 - $105/hour)	Within 10 days of invoice	Payable only if we do something that you are required to do, but do not do (for example, if we pay insurance premiums that you failed to pay or we removed unauthorized products used in connection with your Alair Homes Master Franchise after you failed to do so) or that you request us to do, and we agree to do
Legal Fees and Expense Reimbursement	Then-current fees and expenses of in-house legal assistance (currently $250/hour) and/or the fees and expenses of outside legal counsel	Within 10 days of invoice	Payable if our legal team spends time reviewing your documents, transactions or matters (for example, if you, or a franchisee in your region requests a change, or updates are required to our standard construction agreements for your Region)
New Vendor/Supplier Evaluation Fee	Our costs and expenses	As incurred	Payable only if you request that we approve a new vendor/supplier and we evaluate that vendor/supplier to ensure that it meets our high standards
Advertising Cooperative Fee	As determined by the Advertising Cooperative Members	As determined by the Advertising Cooperative Members	Payable only if an Advertising Cooperative is established in your marketing region and determines to impose an Advertising Cooperative Fee
Additional training and meeting fees, plus travel, meals, lodging and related expenses	Fees as determined from time to time	Prior to attending training or meeting	
Transfer Fee	25% of then-current initial franchise fee plus then-current Master Franchise Training Program fee for each individual who will attend the Master Franchise Training Program	50% upon request for Transfer; 50% at or before closing of Transfer	Payable only if you request a Transfer; if the Transfer is a closely-held transfer or in connection with your death, disability or dissolution of marriage, the transfer fee will equal our costs and expenses plus the then-current Master Franchise Training Program fee for each person will attend the Master Franchise Training Program
Successor Franchise Fee	$15,000		Payable only if you sign a Successor Master Franchise Agreement
Unauthorized Advertising Fee	$1,000 per occurrence	On demand	Payable only if you use unapproved advertising or marketing materials
Tax Reimbursement	Will vary	As incurred	Payable only if we pay to any state taxing authority an amount with respect to the conduct of your Alair Homes Master Franchise or your payments to us (except for certain income-related taxes of ours)
Unauthorized Product Usage Fee	$500 per day per product or service	On demand	Payable only if you use, sell or distribute unauthorized products or services

Type of Fee	Amount	Due Date	Remarks
Management Fee	Up to 100% of the Net Payments otherwise payable to you during the period during which we assume management of your Alair Homes Master Franchise	As incurred	Payable only if we or our designee assume management of your Alair Homes Master Franchise
Interest	Lesser of 18% per annum and highest rate permitted by law	On demand	Payable only if a payment to us or our affiliates is late or if we make a payment on your behalf
Late Fee	$100 per occurrence	On demand	Payable only if a payment to us or our affiliates is late, if you submit any required reports late or if you do not perform any other obligation on a timely basis
Costs and expenses of Inspection or Audit	Will vary	On demand	Payable only if we incur costs or expenses in connection with confirming your compliance with the Master Franchise Agreement, if our inspection or audit is due to your failure to allow us access to your books and/or records or to submit required reports, if you fail to cooperate with our inspection or audit or if our inspection or audit reveals a deficiency of 2% or more in the amounts owed to us for any period
Attorneys' Fees and Costs	Will vary	As incurred	Payable only if we prevail in a proceeding initiated by you or us
Indemnification	Will vary	As incurred	Payable only if we suffer a loss or incur costs and expenses arising out of your or your Representatives' actions or omissions, the operation of your Alair Homes Master Franchise and/or your failure or your Representatives' failure to perform and comply with your obligations under this Agreement or any of the agreements or documents executed in connection herewith
De-identification Fee	Our costs and expenses in connection with de-identifying the premises upon which you operate your Alair Homes Master Franchise	Upon demand	Payable only if you fail to de-identify your premises upon relocation, expiration or termination and we do so
Post-termination Operation Fee	$25,000, plus all of our costs and expenses	Upon demand	Payable only if you continue to operate your Alair Homes Master Franchise or use our intellectual property after expiration or termination of the Master Franchise Agreement

Type of Fee	Amount	Due Date	Remarks
Liquidated Damages	$50,000	Upon demand	Payable only if the Master Franchise Agreement is terminated by you for any reason other than our material breach of the Master Franchise Agreement or by us due to an event of default; these liquidated damages apply only to the damage relating to termination and do not apply to other damages that we may suffer resulting from your breach and/or your actions or omissions
Proprietary Software Maintenance or Access Fee*	Then-current fee for our maintaining, repairing, upgrading, accessing and/or updating the Proprietary Software	As invoiced	Payable only if we impose such a fee; we do not currently impose such a fee, but anticipate imposing one in the future
E-mail and Microsoft license Fee*	Then-current e-mail and Microsoft license fee (currently $9.52-34.87/month/user)	Monthly	
Business central CRM and team member License Fee *	Then-current CRM license fee (currently $81.37-111.62/month/user)	Monthly	
Cloud Data Storage Fee (Dropsuite)*	Then-current cloud data storage fee (currently $5.35 - 8.00/month/user)	Monthly	
Franchise Sales and Onboarding Management Software	Then-current franchise sales and onboarding management software fee (currently $15/month/user)	Monthly	

*Payable only if you do not then operate an Alair Homes Unit Franchise

All fees and other payments in the above table may be modified by us from time to time without your approval. Those fees or other payments will be no greater than the fees and payments then being charged to new franchisees.

All fees and other payments listed in the above table, other than the travel, meals, lodging and related expenses, are payable to us or our affiliates, are imposed and collected by us or our affiliates, are non-refundable and are uniformly imposed. Travel, meals, lodging and related expenses will be payable to airlines, restaurants, hotels and other third parties.

Your obligations under the Master Franchise Agreement and the other documents executed in connection with the Master Franchise Agreement (as well as other Master Franchise Agreements that you and your affiliates enter into with us or our affiliates) will be secured by all of your assets,

including, without limitation, your furniture, fixtures and equipment, cash, cash equivalents and accounts, and accounts receivable, pursuant to a Security Agreement, in the form of **Exhibit G** (the "Security Agreement").

Item 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure*	Amount		Method of Payment	When Due	To whom payment is to be made
	Low	High			
Initial Franchise Fee[1]	$250,000	$250,000	Lump sum	Upon signing the Master Franchise Agreement	Us
Master Franchise Brand Fund Payment	$2,000	$2,000	Lump sum	Upon signing the Master Franchise Agreement	Us
Premises rent and security deposit[2]					
Licenses and Permits	$0	$1,500	Lump sum	Before opening	Governmental agencies
Insurance[3]	$0	$1,750	Lump sum	Before opening	Insurance carrier, agent or broker
Professional Fees[4]	$500	$3,000	As incurred	Before opening	Attorney, etc.
Print Material	$50	$350	As incurred	Before opening	Vendors/suppliers or us
Miscellaneous Expenses	$140	$1,255	As incurred	Before opening and/or during the first 12 months of operations	Vendors/suppliers
Additional Funds – 15 months[5]	$20,590	$27,300	As incurred	Before opening and/or during the first 12 months of operations	Us, trade show organizers, media, etc.
Total Estimated Initial Investment[6]	**$273,280**	**$287,155**			

Notes:

*The amounts of all of the non-fixed expenditures, other than the permits and licenses, will be determined when you contact and negotiate with the respective third-party vendor/supplier. All amounts paid to us are non-refundable. Third-party vendors/suppliers will determine whether payments to them are refundable. We do not offer direct or indirect financing for any part of your initial investment.

[1] The initial franchise fee is $250,000, payable $100,000 upon signing the Master Franchise Agreement and $150,000 in 120 month installments of $1,250, payable on the first day of each month, commencing on the first day of the month beginning after the effective date of the Master Franchise Agreement. However, 50% of all Net Payments payable to you pursuant to the Master Franchise Agreement will be retained by us and credited against your installment payments, beginning with the installment payment next due (and then successive installment payments) and $25,000 of each Net Franchise Fee payable to you pursuant to the Master Franchise Agreement will be retained by us and credited against your installment payments, beginning with the final installment payment due at the end of the installment payments (and then successive installment payments from the final installment payment due at the end of the installment payments). Your obligation to pay the deferred portion of your initial franchise fee will be evidenced by the Promissory Note, which will be secured by all of your assets pursuant to the Security Agreement.

Your obligations will be guaranteed by your Principals pursuant to the Agreement to be Bound and to Guarantee. See Item 10.

[2] It is anticipated that Alair Homes Master Franchisees will operate their Alair Homes Master Franchises from their residences or such other location in which they operate their Alair Homes Unit Franchises. If you rent additional premises upon which to operate your Alair Homes Master Franchise, your estimated initial investment will be increased. Your monthly rent payment will vary depending upon the type of space you rent, your location and your market's lease rates; it is likely that you will also be required to pay a security deposit equal to one or two months' rent.

[3] In addition, you must obtain and maintain, beginning on the Master Franchise Commencement Date, insurance of the types and in the amounts stated in the Operations Manual and/or other materials that we may provide to you, including errors and omissions insurance. In addition, you must comply with the insurance requirements of your lease or other agreements, if any, and applicable worker's compensation laws must be complied with. At this time, we only require that you carry insurance required by applicable law in your state and county.

[4] You may incur legal fees, accounting fees and other professional fees in order to organize your business as a corporation or a limited liability company and advise you on complying with applicable laws relating to the conduct of your Alair Homes Master Franchise and other similar matters.

[5] These estimates include expenses (other than the amounts identified separately in the table) relating to your start-up phase and your initial period of operations, including your required monthly installment payments of the initial franchise fee (but excluding any amounts credited with respect to Net Payments), expenses related to trade show attendance and online portal expenses and other marketing-related expenses, typically incurred after the Master Franchise Commencement Date, but do not include a draw or salary for you. Note that we make no representation or warranty regarding the period within which your Alair Homes Master Franchise will break even and/or have a positive cash flow, which may exceed 15 months.

[6] These figures do not include rent or security deposit (see Note 2). If you continue to operate your Alair Homes Unit Franchise, you will not be required to incur any additional expenses with respect to renting, leasing or purchasing a newer model (no more than seven years' old) black pick-up truck, wrapping your truck, truck maintenance, gas, utilities, a computer system (see Item 11), telephone, our proprietary software that manages and streamlines project management, customer relations management and business operations (the "Proprietary Software"), an e-mail account and cloud data storage. If you sell your Alair Homes Unit Franchise after the Master Franchise Commencement Date, you will incur additional expenses for these items (including paying us an E-mail Fee and a Cloud Data Storage Fee, as provided in Item 6) and may incur additional expenses related to the premises on which you operate your Alair Homes Master Franchise. We have relied upon the experience of Alair Canada and its franchisees in compiling these estimates and certain assumptions with respect to expenses and cash flow.

It is possible to significantly exceed costs in any of the areas listed. In certain major metropolitan areas, actual costs may substantially exceed the high range estimates because of increased labor costs and other costs of doing business generally. Your costs will depend upon such factors as

how much you follow our methods and procedures; your management, leadership, sales and construction skill, experience and business acumen; whether you personally manage your Alair Homes Master Franchise; fluctuations in prices of goods and services; the area in which your Alair Homes Master Franchise is located; local and national economic conditions; expenses in connection with the premises upon which you operate your Alair Homes Master Franchise; the local market for Alair Homes Unit Franchises; the prevailing wage rate; competition; and the number of Alair Homes Unit Franchises granted in your Region and the distances between the premises of the Alair Homes Unit Franchises granted in your Region. You should review these figures carefully with a business advisor before making any decision to purchase a franchise.

Item 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase e-mail service, cloud data storage and franchise sales and onboarding management software from our designated vendors and suppliers and in accordance with our specifications. You must operate your Alair Homes Master Franchise from an office located within your Region. You must comply with our standards and specifications for your computer system (see Item 11) and your advertising, promotional and marketing materials (see Items 11, 13 and 14). You must carry insurance of the types and in the amounts stated in the Operations Manual and/or other materials that we may provide to you. At this time, we only require that you carry insurance required by applicable law in your state and county. None of our officers owns an interest in any designated vendor or supplier.

You are not required to have us or our affiliates provide a full-cycle back-end accounting management system and full-cycle accounting management services to you. The accounting management system and services would provide accounting functions and financial reports (such as paying accounts payable, collecting accounts receivable, managing cash flow and calculating profit and loss) (the "Accounting Systems and Services"), but will not generate year-end financial statements, which must be generated by your accountant. However, if you do engage us or our affiliates to do so, you must pay us the fees that we charge, at our standard rates, and you must, at your expense, engage our designated vendor to provide the sales tax preparation services and you must purchase payroll software and services from our designated vendors and suppliers.

We will provide to you franchise disclosure documents and system-wide marketing, promotional, advertising. We may provide you other materials to be used by you in connection with identifying and soliciting prospective Alair Homes Unit Franchisees, training, supervising and supporting Alair Homes Unit Franchisees in your Region and otherwise operating your Alair Homes Master Franchise (the franchise disclosure documents and the other materials are collectively referred to as the "Master Franchise Materials"). You must use the franchise disclosure documents that we provide to you and, if we provide you other Master Franchise Materials, you must use these Master Franchise Materials. We are the sole source of franchise disclosure documents and we may be the sole source of the other Master Franchise Materials. Although we have not charged Master Franchisees for the Master Franchise Materials, we reserve the right to charge you an amount equal to our costs and expenses relating to the Master Franchise Materials. In addition, you will obtain through us the right to use the Audit Software and your webpage will be developed and maintained through us.

Except as stated in the immediately preceding paragraphs of Item 8, at this time you are not required to purchase any goods or services from us or our affiliates, from designated vendors or suppliers or in accordance with our specifications. However, we reserve the right to require that you purchase certain other goods and/or services that we may designate from us, our affiliates and/or from designated vendors or suppliers; we and/or our affiliates may be the sole source of supply for certain goods and/or services. In addition, we reserve the right to require you to purchase other goods and/or services in accordance specifications that we may designate. Any specifications, and any modifications thereto, will be included in the Operations Manual and/or other materials that we may provide to you.

Except for the Master Franchise Materials, e-mail service and the proprietary software maintenance and access fee, (which must be purchased from our designated vendors and suppliers), if we require that you purchase certain goods and/or services from us or our affiliates or from designated vendors and/or suppliers, you may request that we add certain vendors or suppliers to our list of designated vendors and suppliers. We may require you to submit samples or specifications for examination or testing, at your expense, to determine if your requested vendors and/or suppliers and their products or services meet our specifications. You must also pay, or reimburse us for, our costs and expenses in connection with that evaluation and/or testing. We will advise you of our approval or denial of approval within 45 days after receipt of all applicable information and, if we approve a vendor or supplier, you may purchase the subject products and/or services from that vendor or supplier. We may, however, revoke our approval at any time by notifying you of that revocation. We do not presently have formal criteria for vendor or supplier approval; if and when we adopt formal criteria, the criteria will be made available to you upon your request.

Rebates and Other Consideration and Revenue

We reserve the right to make a profit on goods and/or services that Alair Homes Master Franchisees may purchase from us or our affiliates. In addition, we reserve the right to receive rebates or other consideration or revenue in connection with required purchases of goods and/or services from designated vendors and suppliers. With respect to goods and/or services that do not contain the Marks and are not proprietary to us, we will use our commercially reasonable efforts to cause the price paid by you for goods and services from those vendors and suppliers not to exceed the price at which you can otherwise obtain such goods and services. During fiscal year 2022 we received $0 in rebates from designated vendors and suppliers and $0 from Master Franchisees in connection with required purchases from us.

Percentage of Total Purchases

We estimate that 0% of the products and services you will purchase in connection with establishing your Alair Homes Master Franchise will be purchased from us and/or designated vendors and suppliers and/or in accordance with our standards and specifications. We estimate that approximately 4% of the products and services you will purchase in connection with the continuing operations of your Alair Homes Master Franchise will be purchased from us or our affiliates. We estimate that 1% of the products and services you will purchase in connection with the continuing operations of your Alair Homes Master Franchise will be purchased from designated vendors and suppliers and/or in accordance with our standards and specifications.

Purchasing/Distribution Cooperatives; Purchase Arrangements; Material Benefits

To date, we have not established any purchasing or distribution cooperatives, but we may do so in the future. We have not negotiated any purchase arrangements with designated vendors and suppliers for the benefit of Alair Homes Master Franchisees; however, we reserve the right to do so. At this time, we do not provide any material benefits to you based upon your purchase of particular goods or services or use of designated vendors and suppliers, but we may do so in the future.

Item 9
FRANCHISEE'S OBLIGATION

This table lists your principal obligations under the Master Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Franchise Disclosure Document.

Obligation		Section in Agreement*	Disclosure Document Item
a.	Site selection and acquisition/lease	4	7
b.	Pre-opening purchase/lease	3, 6(h), 6(i), 6(k), 6(l), 6(n)	5, 7, 8, 11
c.	Site development and other pre-opening requirements	3, 4, 6(h), 6(i), 6(k), 6(l), 6(n)	5, 7, 8, 11
d.	Initial and ongoing training	5, 12, 13	7, 11, 17
e.	Opening	2, 3, 5, 6(a), 6(k), 16(b)	7, 11
f.	Fees	2, 3(j), 5, 6, 12, 13, 14, 15, 16, 17, 18; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit F-Promissory Note; Exhibit G-Security Agreement	5, 6, 7, 8, 10, 11
g.	Compliance with standards and policies/operating manual	2, 3, 6, 8, 14, 16; Exhibit C-Agreement to be Bound and to Guarantee	6, 8, 11, 14, 15, 16
h.	Trademarks and proprietary information	1, 2, 4, 6, 7, 9, 10, 14, 16; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement	11, 13, 14, 16
i.	Restrictions on products/services offered	6	8, 16
j.	Warranty and customer service requirements	6, 16	1, 11
k.	Territorial development and sales quotas	3(g), 13(b)	17
l.	Ongoing product/service purchases	6	6, 8, 11
m.	Maintenance, appearance and remodeling requirements	NA	NA
n.	Insurance	6; Exhibit G-Security Agreement	6, 7, 8, 11
o.	Advertising	3(d), 6, 8, 9	5, 6, 7, 11, 13, 14
p.	Indemnification	6(k), 8(f), 15; Exhibit C-Agreement to be Bound and to Guarantee	6
q.	Owner's participation/management/staffing	3, 5, 6, 14	15
r.	Records and reports	6, 8	6, 11
s.	Inspections and audits	6	6

t.	Transfer	12, 16	6, 17

Obligation		Section in Agreement*	Disclosure Document Item
u.	Renewal	13	6, 17
v.	Post-termination obligations	9, 10, 11, 15, 17; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement	6, 11,14, 15, 17
w.	Non-competition covenants	5, 9, 11, 14, 16; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement	6, 15, 17
x.	Dispute resolution	18; Exhibit C-Agreement to be Bound and to Guarantee Exhibit D-Confidentiality and Restrictive Covenant Agreement; Exhibit F-Promissory Note; Exhibit G-Security Agreement	17
y.	Other:		
	Spousal Consent	Spousal Consent	
	Principals' Guarantee	8, 14, 16; Exhibit C-Agreement to be Bound and to Guarantee	6, 10, 15, 22

*Reference is to Master Franchise Agreement, unless otherwise stated.

Item 10
FINANCING

We will finance $150,000 of your initial franchise fee, which will be payable in 120 monthly installments of $1,250, payable on the first day of each month, commencing on the first day of the month beginning after the effective date of the Master Franchise Agreement. However, 50% of all Net Payments payable to you pursuant to the Master Franchise Agreement will be retained by us and credited against your installment payments, beginning with the installment payment next due (and then successive installment payments) and $25,000 of each Net Franchise Fee payable to you pursuant to the Master Franchise Agreement will be retained by us and credited against your installment payments, beginning with the final installment payment due at the end of the installment payments (and then successive installment payments from the final installment payment due at the end of the installment payments).

Your obligation to pay the deferred portion of your initial franchise fee will be evidenced by the Promissory Note. The principal amount outstanding will bear interest at the rate of 0% per annum, unless you fail to pay any installment when due, or otherwise breach your obligations under the Promissory Note, in which case interest will accrue at the rate of 18% per annum (compounded annually).

Your obligations under the Promissory Note will be secured by all of your assets, including your accounts receivable, pursuant to the Security Agreement. Your obligations under all of those documents will be guaranteed by your Principals pursuant to the Agreement to be Bound and to Guarantee.

You may prepay any amount outstanding at any time without penalty. If you fail to pay any installment in full when due or otherwise breach your obligations under the Promissory Note, the interest rate will be increased to 18% per annum (compounded annually) and we can accelerate your obligations under the Promissory Note, exercise our rights under the Security Agreement and/or terminate your rights under the Franchise Agreement and other agreements between you and your affiliates and us and our affiliates. You will be obligated to pay our costs and expenses in connection with enforcing our rights, including attorneys' fees and costs. The Promissory Note and the Security Agreement require you to waive defenses and other legal rights, including diligence, demand, grace, presentment for payment, notice of nonpayment, protest and notice of protest, notice of dishonor, notice of extension and notice of default. It is not our practice or intent to sell, assign or discount to a third party all or part of the Promissory Note or your obligations thereunder; however, we reserve the right to do so.

California Usury Law prohibits us from charging a financing fee above a certain percentage. Please see the California section of Exhibit N (State Addenda to Franchise Disclosure Document) for an excerpt of the California Usury Law.

Except as stated above, we do not, directly or indirectly, offer you financing or guarantee any of your obligations.

Item 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Franchisor's Assistance

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

Pre-opening Assistance

Before you open your Alair Homes Master Franchise for business, we will:

- Allow you to attend the Master Franchise Training Program. (Master Franchise Agreement, Section 2(a)) See the section entitled "Training" in this Item 11.)

- Consult with you by telephone, e-mail or otherwise with respect to all aspects of establishing and operating your Alair Homes Master Franchise. (Master Franchise Agreement, Section 2(a)) If you request on-site assistance, we may require you to pay our On-site Assistance Fee.

- Lend to you one copy of our Operations Manual, which contains our mandatory and suggested specifications, standards and procedures for operating your Alair Homes Master Franchise. (Master Franchise Agreement – Section 2(a)). Exhibit I to this Franchise Disclosure Document contains the Table of Contents of our Operations Manual, which contains 41 pages. The Operations Manual may be embodied in electronic or other media and/or which may be comprised of a series of volumes under various titles. We may make all or part of the Operations Manual available to you through various means, including the Internet. We may modify the

Operations Manual periodically. You must keep your copy of the Operations Manual current, and in a secure location at the Premises. The Operations Manual is confidential, and you may not copy, duplicate, record or otherwise reproduce any part of it. If your copy of the Operations Manual is lost, destroyed or significantly damaged, then you must obtain a replacement copy (see Item 6).

Post-opening Assistance

After you open your Alair Homes Master Franchise for business, we will:

- Provide continuing training and education and facilitate information and experience sharing among Alair Homes Master Franchisees, Alair Homes Unit Franchisees and Canadian franchisees (the "Alair Homes Community") and support among the Alair Homes Community through on-site operational support, periodic system-wide conference calls, online training and focus groups. (Master Franchise Agreement, Section 2(b)) See the section entitled "Training" in this Item 11.

- Provide a portion of the content for your monthly regional sessions with your Alair Homes Unit Franchisees. You will provide additional, local-based content for your monthly regional sessions. (Master Franchise Agreement, Section 2(b))

- Allow you to use our Marks and the Systems in connection with operating your Alair Homes Master Franchise. (Master Franchise Agreement, Section 2(b))

- Provide you access to third-party software that we designate from time to time for you to audit, review and oversee your Alair Homes Unit Franchisees' operations (the "Audit Software"). You must pay to us 50% of the fees and costs associated with your access to and use of the Audit Software. The set-up fee, if any, will be paid within 10 days of our invoice and the continuing fees will be paid monthly, or as we otherwise designate. It is your responsibility, at your expense, to populate the Audit Software on a monthly basis with respect to your Alair Homes Unit Franchisees and their projects. However, if you request that we populate the Audit Software for you, or if we, in our sole discretion, require to you have us populate the Audit Software for you, you must pay to us 105% of our costs and expenses in connection with doing so, plus our then-current fees in connection therewith. We will not provide any ongoing maintenance, repairs, upgrades and/or updates with respect to the Audit Software, which may be obtained from the Audit Software company. (Master Franchise Agreement, Section 8(b))

- At any time that you do not operate an Alair Homes Unit Franchise, allow you to use our proprietary software that manages and streamlines project management, customer relations management and business operations (the "Proprietary Software"), which contains a franchise sales portal to facilitate and manage your Alair Homes Unit Franchisee recruiting and sales efforts, a vendor database, provides scheduling, budgeting, bidding, accounting, invoicing, billing and other functions and provides you and the Alair Homes Unit Franchisees in your Region access to current information with respect to their projects. In addition, we will provide necessary ongoing maintenance, repairs, upgrades, access and/or updates to the Proprietary Software. Although we do not presently charge a fee for doing

so, we may impose a fee for doing so in the future. We anticipate imposing a fee in the future. (Master Franchise Agreement, Section 2(b))

- Market the Alair Homes franchise system through various media (such as online marketing and collateral material for marketing campaigns). (Master Franchise Agreement, Section 2(b)) See the section entitled "Advertising" in this Item 11.

- Provide to you franchise disclosure documents, which you must use in connection with soliciting prospective Alair Homes Unit Franchisee. You must use the Master Franchise Materials. We are the sole source of the franchise disclosure documents and we reserve the right to charge you an amount equal to our costs and expenses relating to the franchise disclosure documents. (Master Franchise Agreement, Section 2(b))

- Consult with you by telephone, e-mail or otherwise with respect to all aspects of operating your Alair Homes Master Franchise. (Master Franchise Agreement, Section 2(b)) If you request on-site assistance, we may require you to pay our On-site Assistance Fee.

- Lend to you one copy of our Operations Manual. (Franchise Agreement, Section 2(b)). See above.

In addition, we will, subject to certain limitations, pay to you 50% of the Net Franchise Fee paid to us by an Alair Homes Unit Franchisee in your Region between the Master Franchise Commencement Date and the expiration or termination of the Master Franchise Agreement, provided that they sign their franchise agreements after the Master Franchise Commencement Date and before the expiration or termination of the Master Franchise Agreement, and a service fee in an amount equal to 50% of the Net Payments paid to us by Alair Homes Unit Franchisees in your Region between the Master Franchise Commencement Date and the expiration or termination of the Master Franchise Agreement; provided, however, that you will not receive any payments with respect to Net Payments paid by you or your affiliates unless and until a second Alair Homes Unit Franchise in your Region has been awarded and becomes operational.. (Master Franchise Agreement, Section 7).

It is anticipated that you will operate your Alair Homes Master Franchise from your residence or such other location in which you operate your Alair Homes Unit Franchise; those premises must be within your Region, which will be agreed upon between us in the Master Franchise Agreement. We do not select or approve the site from which you operate your Alair Homes Master Franchise. We do not own or lease the premises from which you operate your Alair Homes Master Franchise.

Training

If you are an individual, you must attend and successfully complete, to our satisfaction, the Master Franchise Training Program before the Master Franchise Commencement Date. If you are a corporation, limited liability company or other entity, an individual who owns at least a 25% equity interest in the franchisee entity (the "Managing Principal") must attend and successfully complete, to our satisfaction, the Master Franchise Training Program before the Master Franchise Commencement Date and the entire Master Franchise Training Program within 16 weeks after you sign the Master Franchise Agreement.

MASTER FRANCHISE TRAINING PROGRAM

Subject	Hours of Classroom Training*	Hours of On-the-Job Training*	Location
Franchise Sales Process and Software Platform Training	4	0	Bi-weekly group conference calls
Franchise Disclosure Law Training	2	0	Bi-weekly conference calls and webinar
Brand Fund Strategy and Management	2	0	Bi-weekly video or conference calls
Development Territory Growth Planning – Planning for your first year of Operations	6	0	Weekly conference calls
Total Hours	14	0	

* The number of hours may vary, depending upon the attendees' backgrounds and their ability to comprehend the information.

Training is conducted on a continuous basis. Training of all of your attendees may not be held at the same time. The instructional materials will include the Operations Manual and various materials.

Stu Hopewell, Adam McCaa, Rob Cecil, Shane Duff and Jason Clayton will provide the Master Franchisee Training. Stu Hopewell has 10 years' training experience with Alair Homes. Adam McCaa has nine years' training experience with Alair Homes. Rob Cecil has nine years' training experience with Alair Homes. Shane Duff has six years' training experience with Alair Homes. Jason Clayton has between three and five years' training experience with Alair Homes, depending upon the subject. Existing Master Franchisees may provide part or all of the training.

Other individuals, corporations, partnerships, limited liability companies or other entities that own, directly or indirectly, a five percent or greater equity interest in the franchised entity ("Principals") and other officers and/or employees that we approve may also attend the Master Franchise Training Program, provided that they sign the Confidentiality and Restrictive Covenant Agreement attached to this Franchise Disclosure Document as Exhibit D. The fee for one person attending the Master Franchise Training Program is included in the initial franchise fee. The fee for additional people attending the Master Franchise Training Program is $750 per person, payable before the Master Franchise Training Program begins. In addition, you must pay any wages or compensation owed

to, and all travel, lodging, meal, and transportation expenses incurred by, all of your attendees at the Master Franchise Training Program.

We will provide continuing training and education and facilitate information and experience sharing and support within the Alair Homes Community through:

- Annual Master Franchisee Meeting
- Weekly system-wide conference calls and webinars
- Periodic focus groups

If you are an individual, you must attend and actively participate in all of our continuing training. If you are a corporation, limited liability company or other entity, the Managing Principal must attend and actively participate in all of our continuing training. If you or the Managing Principal (as the case may be, the "Manager") do not attend the Annual Master Franchisee Meeting, or attend and actively participate in at least 75% of the other continuing training, we will have the right to terminate the Master Franchise Agreement.

In addition, we may provide additional mandatory or optional training programs and/or refresher courses from time to time.

You will be responsible for your travel, meals, lodging and related expenses. We may impose a fee for any or all of the continuing training.

(Master Franchise Agreement, Section 5)

Time Between Master Franchise Agreement Signing and the Opening of Your Alair Homes Master Franchise

The typical length of time between signing the Master Franchise Agreement and the opening of your Alair Homes Master Franchise is one month. The factors that will affect the length of time for your Alair Homes Master Franchise to open include, among other things, when you complete, to our satisfaction, the Master Franchise Training Program. If you do not open your Alair Homes Master Franchise for business within 45 days after the date of the Master Franchise Agreement, we will have the right to terminate the Master Franchise Agreement.

Brand Fund

Upon signing the Master Franchise Agreement, you must pay us a Master Franchise Brand Fund Payment in the amount of $2,000.

In addition, you will be required to pay to us, from time to time, within 10 days of our invoice, your proportionate share (as we determine, but currently based upon the number of Master Franchisees) of the portion of the Master Franchise Brand Fund Expenditure (as defined below) that is not covered by Master Franchisees' Master Franchise Brand Fund Payments and Franchisor's Master Franchise Brand Fund Contributions (the amount that you will pay is referred to as the "Additional Master Franchise Brand Fund Payments").

At this time, all Master Franchisees' Master Franchise Brand Fund Payments paid upon signing the Master Franchise Agreement are calculated at the same rate and on the same basis; however, the Master Franchise Brand Fund Payments of Master Franchisees who previously signed Master Franchise Agreements or who sign Master Franchise Agreements in the future may differ from yours. At this time all Master Franchisees' Additional Brand Fund Payments will be the same, as they are divided evenly among the Master Franchisees; however, the Additional Brand Fund Payments of Master Franchisees who previously signed Master Franchise Agreements or who sign Master Franchise Agreements in the future may differ from yours. In addition, the method of determining Master Franchisees' proportionate shares may differ in the future.

Your Master Franchise Brand Fund Payment and your Additional Brand Fund Payments will be retained in the Master Franchise Brand Fund. In addition, upon receiving the full initial franchise fee payable by such Alair Homes Unit Franchisee, we may contribute a portion of the Alair Homes Unit Franchisee initial franchise fee to the Master Franchise Brand Fund for each Alair Homes Unit Franchise sold ("Franchisor's Master Franchise Brand Fund Contribution"). It is presently our policy to contribute $2,000 of the Alair Homes Unit Franchisee initial franchise fee to the Master Franchise Brand Fund for each Alair Homes Unit Franchise sold; however, we reserve the right to change or eliminate Franchisor's Master Franchise Brand Fund Contribution from time to time.

The Master Franchise Brand Fund will be used for expenditures (the "Master Franchise Brand Fund Expenditure") that, in our discretion, develop national Alair Homes Unit Franchise recruitment campaigns and to market the Alair Homes Unit Franchise franchise and/or promote, enhance or further the Alair Homes brand or the Alair Homes franchise system, including standardized/template marketing material for Alair Homes businesses, advertising, promotional, marketing and public relations expenses, hiring marketing, public relations and advertising agencies and personnel to assist in developing the Alair Homes brand name, the Alair Homes website, the Alair Homes intranet, designing and preparing scripts and advertisement templates, photography and other artwork, expenses associated with listings in telephone books, travel expenses in connection with promotions and market meetings, training, development of Marks and materials bearing the Marks, production of circulars and media, advertisements, coupons and promotional materials, sponsorships and conducting market research, taste studies, focus groups and advertising tracking studies. The materials could be generated by our in-house advertising department or a local, regional or national advertising agency.

Those expenditures may be paid to third parties for goods and/or services provided by them and/or paid to us as reimbursement for goods and/or services provided by us. No part of the Master Franchise Brand Fund will be used for advertising that is principally for soliciting new Master Franchisees, but will be used for soliciting Alair Homes Unit Franchisees.

We will administer the Master Franchise Brand Fund. We are not required to spend any particular percentage of the Master Franchise Brand Fund in the area in which any particular Master Franchisee is located. We will have no fiduciary duty to you with respect to the expenditure of the Master Franchise Brand Fund. We are not required to prepare audited or other financial statements for the Master Franchise Brand Fund; however, an annual summary or accounting of the use of the Master Franchise Brand Fund during each fiscal year will be made available to you within a reasonable period of time after your request. We are not required to contribute to the

Master Franchise Brand Fund with respect to company-owned Master Franchisee operations, but may do so if we desire. At this time, we intend to do so.

Any amounts in the Master Franchise Brand Fund not spent during the fiscal year during which they were collected will be used during the following fiscal years; any amounts expended in excess of the amount in the Master Franchise Brand Fund during any fiscal year (together with amounts not expended during prior fiscal years) will be debited from the following years' or the prior years' Master Franchise Brand Fund. Any amounts in the Master Franchise Brand Fund not spent during the fiscal year during which they were collected may be used by us for other purposes on a short-term basis provided that that use does not impair the availability of those amounts for advertising purposes.

Print, radio, television, digital and other advertising media may be used, depending upon the total volume of Master Franchise Brand Fund Payments generated by franchisees. Advertising media coverage is expected to be regional, but as the Alair Homes franchise system grows, it may be national. Advertising may be generated in-house by us and/or by local, regional and national public relations and advertising firms.

During fiscal year 2022, the Master Franchise Brand Fund received $9,000 of which $9,000 was spent during fiscal year 2022, along with $78,814.83 carried forward from funds retained in the Master Franchise Brand Fund from previous years.

Social Media & Public Relation	14%
New unit/region recruitment	80%
Content Marketing	6%
Total	100%

Local Advertising

You may market and advertise to identify and solicit Alair Homes Unit Franchisees to operate Alair Homes Unit Franchises within your Region. In doing so, you may use your own advertising materials, provided that they comply with our requirements.

Advertising Cooperatives

Although no local or regional advertising cooperative presently exist, if and when we establish an advertising cooperative in your marketing region, you must also participate in that advertising cooperative. We will determine the geographic scope and membership of each advertising cooperative. We may change, dissolve or merge any of the advertising cooperatives. We and/or our affiliates (if we or our affiliates operate an Alair Homes Master Franchise in your marketing region) and the Alair Homes Master Franchisees in your marketing region will administer the advertising cooperative, which may assess a fee in the amount that the advertising cooperative determines. All Alair Homes Master Franchisees (including those owned by us and our affiliates) will contribute to the advertising cooperative on the same basis and will be entitled to one vote per Alair Homes Master Franchise that is then actively operational. We or our affiliates will be entitled to one vote per Alair Homes Master Franchise that we then operate in your marketing region. If we do not operate any Alair Homes Master Franchises within your marketing region, we may elect

to participate in your advertising cooperative as a non-voting member. Advertising cooperatives are not required to operate from written governing documents; if an advertising cooperative operates from written governing documents, members of that advertising cooperative can review those documents once that that individual or entity becomes an Alair Homes Master Franchisee. We will not require advertising cooperatives to prepare periodic financial statements, but the advertising cooperative may elect to do so.

(Master Franchise Agreement, Section 8(b))

Advertising Council

We do not presently have an advertising council comprised of Alair Homes Master Franchisees that advises us on advertising policies.

Computer System

You must purchase a Mac- or Windows-based laptop computer with a processor equal to or exceeding Intel i5, 4 GB RAM and 128 GB hard drive or greater, an operating system equal to or exceeding macOS 10.14 or Windows 10, a wifi cellular modem, a scanner capable of sending multi-page scans via e-mail, a printer, a smartphone with a data plan and an iPad or other tablet device (as modified by us from time to time, the "computer system"). The estimated cost of the computer system is between $1,500 and $3,000. However, if you operate an Alair Homes Unit Franchise, the computer systems that you are required to use are the same and, therefore, no additional purchases will be required.

You must obtain and maintain continuous access to the Internet and to our website in a manner that will enable you to download and upload required information (without regard to size) and to otherwise interact with us, your Alair Homes Unit Franchisees and other persons, in such manner as we may specify. The computer system must be capable of supporting the Proprietary Software and the Audit Software and be accessible by us remotely. We and our affiliates and our respective Representatives will have unrestricted independent access to all information generated and stored in the computer system at any time and reserve the right to access the computer system without prior notice to you. There is no contractual limitation on our access (or the access or our affiliates and Representatives) to the data generated and stored in the computer system. All information and data generated by the computer system is our property.

You are solely responsible for protecting yourself from viruses, computer hackers and other computer-related problems, and you may not sue us for any harm caused by such computer-related problems. You are responsible for backing up and otherwise protecting your information and data on the computer system. You are also responsible for recording and restoring all software license keys.

You must use the Audit Software that we designate from time to time for you to audit, review and oversee your Alair Homes Unit Franchisees' operations. You must pay to us, as an Audit Software Fee, 50% of the fees and costs associated with your access to and use of the Audit Software. The set-up fee, if any, will be paid within 10 days of our invoice and the continuing fees will be paid monthly, or as we otherwise designate. It is your responsibility, at your expense, to populate the Audit Software on a monthly basis with respect to your Alair Homes Unit Franchisees and their

projects. However, if you request that we populate the Audit Software for you, or if we, in our sole discretion, require to you have us populate the Audit Software for you, you must pay to us 105% of our costs and expenses in connection with doing so, plus our then-current fees in connection therewith.

We and our affiliates will not be obligated to provide ongoing maintenance, repairs, upgrades or updates with respect to the computer system or the Audit Software. You must, at your expense, upgrade, update and/or replace that computer system when we believe that it is necessary, appropriate or desirable. There is no contractual limitation on the frequency or cost to do so.

We will provide necessary maintenance, repairs, upgrades, access and/or updates to the Proprietary Software. Although we do not presently charge a fee for doing so, we may impose a fee for doing so in the future. We anticipate imposing a fee in the future. (Master Franchise Agreement, Section 6(n))

Item 12
TERRITORY

You must operate your Alair Homes Master Franchise from a location that you select that is within your Region. You may change your location at any time upon notice to us, provided that your new location is within your Region and you de-identify your premises. The geographic scope of your Region will be determined by agreement between us and will be stated in the Master Franchise Agreement. Each Region will have a minimum of 10 Alair Homes Unit Franchises and a maximum of 30 Alair Homes Unit Franchises, each of which will include a geographic area that includes a minimum population of 40,000 homes. We currently use data generated by the U.S. Census Bureau.

You may not operate your Alair Homes Master Franchise outside of your Region. You may not market prospective Alair Homes Unit Franchisees who are located outside of your Region unless you obtain our confirmation that your and our offers and sales of franchises in the relevant area would comply with applicable state law. If any prospective Alair Homes Unit Franchisee that you identify purchases an Alair Homes Unit Franchise to be operated outside of your Region, you will not be entitled to receive the Net Franchise Fee with respect to that Alair Homes Unit Franchise, or any other amount. You may not use other channels of distribution to market prospective Alair Homes Unit Franchisees, including the Internet, except through our website and in the manner we approve in writing.

Your Region will be exclusive, which means that we will not operate, or grant another person the right to operate, an Alair Homes Master Franchise within your Region during the term of the Master Franchise Agreement. Although we or another person may use other channels of distribution, such as the Internet, to identify and solicit prospective Alair Homes Franchisees to operate Alair Homes Unit Franchises within your Region, we will refer all leads for prospective Alair Homes Unit Franchisees to operate Alair Homes Unit Franchises within your Region to you and you will receive the Net Franchise Fee paid to us by an Alair Homes Unit Franchisee in your Region between the Master Franchise Commencement Date and the expiration or termination of the Master Franchise Agreement with respect to all Alair Homes Unit Franchisees that operate Alair Homes Unit Franchises within your Region, provided that they sign their franchise agreements after the Master Franchise Commencement Date, and you will receive the Net

Payments received after the Master Franchise Commencement Date and before the expiration or termination of the Master Franchise Agreement that operate Alair Homes Unit Franchises within your Region, in each case provided that you are not in breach of your obligations under the Master Franchise Agreement. Note, though, that if we or our designee assume management of your Alair Homes Master Franchise, we may retain as a Management Fee up to 100% of the Net Payments otherwise payable to you during the period during which we assume management of your Alair Homes Master Franchise.

We do not have the right to modify your Region. Continuation of the exclusive nature of your Region is not dependent upon achieving a certain sales volume, market penetration or other contingency, other than compliance with the Development Schedule obligations and your other obligations under the Master Franchise Agreement. If you fail to comply with those obligations, we will have the right to terminate the Master Franchise Agreement.

There are no restrictions on our right, or the right of our affiliates or other Alair Homes Master Franchisees, to identify and solicit prospective Alair Homes Unit Franchisees to operate Alair Homes Unit Franchises (or similar businesses under other trademarks) in your Region. We and our affiliates do not currently operate or franchise, under trademarks other than the principal Marks, a business that sells or will sell goods or services similar to those goods and services that you will sell and provide, nor do we currently have plans to do so. We are not required to pay you any compensation that for soliciting or accepting orders from inside your Region.

You will have no option, right of first refusal or other similar right to acquire additional Alair Homes Master Franchises or Alair Homes Unit Franchises. If you desire to acquire an additional Alair Homes Master Franchise, and we agree to allow you to do so, you must sign the then-current Master Franchise Agreement that will provide for the establishment of that Alair Homes Master Franchise.

Item 13
TRADEMARKS

We grant you the nonexclusive right to operate an Alair Homes Master Franchise under the "Alair Homes" service marks, as well as our other current or future trademarks, service marks, trade names, logotypes, trade dress, product identifiers, selections and/or designations (collectively, "Marks"). The principal Marks that are registered with the United States Patent and Trademark Office (the "USPTO") on the Principal Register are as follows:

Mark	Registration Number	Registration Date
ALAIR HOMES	4857485	November 24, 2015
	4857486	November 24, 2015
ALAIR	5418785	March 6, 2018
ALAIR COMMERCIAL	5001034	July 19, 2016
ALAIR COMMERCIAL	5001030	July 19, 2016
CLIENT CONTROL	5048159	September 27, 2016

CLIENT CONTROL	5030248	August 30, 2016

The above principal Marks were registered to Alair Canada with the USPTO.

The following principal Marks are not currently registered with the USPTO on the Principal Register, but registration applications have been filed by Alair Canada. We do not have a federal registration for the following principal Marks. Therefore, these Marks do not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Mark	Serial Number	Filing Date
LIVING BETTER STARTS HERE	86776779	October 2, 2015
LIVING BETTER STARTS HERE	86776757	October 2, 2015

Under the Trademark and Systems License Agreement dated as of December 1, 2014 (the "License Agreement"), Alair Canada exclusively licensed us to use, and sublicense franchisees to use, the above principal Marks in the United States for a period of 49 years. The License Agreement is automatically renewable for additional 10-year terms. The License Agreement requires us to use, display and sublicense the principal Marks only in compliance with mandated quality standards. The License Agreement may be modified to include additional Marks and may only be terminated if we (directly or through our franchisees) materially breach the License Agreement and fail to cure such breach within a reasonable period of time or are insolvent, make an assignment for the benefit of our creditors or other unapproved assignment or transfer of our rights under the License Agreement, or our assets are placed in the hands of a trustee or receiver. The License Agreement does not significantly limit our right to use or sublicense the use of the Marks in a manner material to the Alair Homes Master Franchise. Other than as stated above, the License Agreement will not affect you.

On February 23, 2018, Alair Canada assigned the above principal Marks to BCM Holdings USA Inc. Under the Intellectual Property License Agreement dated February 23, 2018 (the "BCM License Agreement"), BCM Holdings USA Inc. exclusively licensed Alair Canada to use, and to sublicense us to use and sublicense our franchisees to use, the above principal Marks in the United States in perpetuity. The BCM License Agreement may be terminated if Alair Canada materially breaches the BCM License Agreement and fails to cure such breach within 60 days after written notice of such breach. The BCM License Agreement does not significantly limit our right to use or sublicense the use of the Marks in a manner material to the Alair Homes Master Franchise. Other than as stated above, the BCM License Agreement will not affect you.

All affidavits required to be filed for the principal Marks through the date of this Franchise Disclosure Document have been filed. There are no (a) presently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, except as stated above, (b) pending infringement, opposition or cancellation proceedings, (c) agreements that significantly limit our right to use or sublicense the principal Marks or (d) pending material litigation regarding our use or ownership rights in the principal Marks. Except as stated above, we are not aware of any superior prior rights or infringing uses that could materially affect your use of the principal Marks.

You must immediately notify us of any conduct that could constitute infringement of or challenge to the Marks. We will decide, in our discretion, whether to institute any action in connection with infringement of or challenge to the Marks, and will control all proceedings and litigation. We are not required to protect your right to use the Marks or protect you against claims of infringement or unfair competition arising out of your use of the Marks. However, we will indemnify you for all damages for which you are held liable in any lawsuit arising out of your use of the Marks in compliance with the Master Franchise Agreement, provided that you notify us immediately when you learn about any related claim, proceeding or lawsuit, we have had the opportunity to defend such lawsuit, you have cooperated with us in connection with such defense and you have discontinued the use of the infringing Marks promptly upon our request. We have the right to defend any such claim, proceeding or lawsuit on your behalf, but are not required to do so.

We may, in our discretion, modify or discontinue use of any of the Marks and/or use one or more additional or substitute service marks or trademarks. If we decide to do so, you must do so also, at your expense.

Item 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We grant you the nonexclusive right to operate an Alair Homes Master Franchise using the Systems. We own, or have the right to use, proprietary information, copyrights and other rights in and with respect to the Systems, which includes, but is not limited to, our home design, remodel, construction, business, promotional, marketing and advertising formats, materials, information, policies, practices, methods, technology and other systems, procedures, processes, techniques, formulae, goods and services and other information contained in the Operations Manual. All information and data generated by your computer system and all other information and data related to your Alair Homes Master Franchise are the property of us and our affiliates. All of the above information is referred to collectively as the "Confidential Information." We also grant you the nonexclusive right to use the Proprietary Software in connection with the operation of your Alair Homes Master Franchise.

Some of those items are suitable for copyright protection and/or are protectable as trade secrets. To date, none of such information or rights has been registered for copyright protection or patented, nor are applications therefor pending. However, we are entitled to copyright protection by law, regardless of whether our material has been registered. No patents or pending patent applications are material to the Alair Homes Master Franchise.

Under the License Agreement, Alair Canada has exclusively licensed us to use, and sublicense franchisees to use, the Systems in the United States for a period of 49 years. The License Agreement is automatically renewable for additional 10-year terms. The License Agreement requires us to use and sublicense the Systems only in compliance with mandated quality standards. The License Agreement may be modified to expand or contract the Systems and may only be terminated if we (directly or through our franchisees) materially breach the License Agreement and fail to cure such breach within a reasonable period of time or are insolvent, make an assignment for the benefit of our creditors or other unapproved assignment or transfer of our rights under the License Agreement, or our assets are placed in the hands of a trustee or receiver. Other than as stated above, the License Agreement will not affect you.

On February 23, 2018, Alair Canada assigned the Systems to BCM Holdings USA Inc. Under the BCM License Agreement, BCM Holdings USA Inc. exclusively licensed Alair Canada to use, and to sublicense us to use and sublicense our franchisees to use, the Systems in the United States in perpetuity. The BCM License Agreement may be terminated if Alair Canada materially breaches the BCM License Agreement and fails to cure such breach within 60 days after written notice of such breach. The BCM License Agreement does not significantly limit our right to use or sublicense the use of the Marks in a manner material to the Alair Homes Master Franchise. Other than as stated above, the BCM License Agreement will not affect you.

There are no (a) presently effective material determinations of the USPTO, the United States Copyright Office or any court regarding the copyrights or the proprietary information or (b) agreements that limit our right to use or sublicense the copyrights or the proprietary information, other than the License Agreement. There are no agreements currently in effect that significantly limit our rights to use or license the use of the copyrights and proprietary information. There are no superior prior rights or infringing uses of the principal copyrights and proprietary information actually known to us, which rights or uses could materially affect your use of the principal copyrights and proprietary information in any state.

If you or your Principals, directors, officers, managers, employees and independent contractors (collectively, "Representatives") conceive, invent, create, design and/or develop any ideas, techniques, methods, processes or procedures, formulae, products, packaging or other concepts and features relating to your Alair Homes Master Franchise (the "Innovations"), you (or they) will be deemed to have assigned all of your (or their) rights, title and interest in the Innovations, including any intellectual property rights, to us. You and your Representatives also must cooperate with us in connection with protecting the Innovations. When conceived, invented, created, designed or developed, the Innovations will be deemed part of the Systems.

All home design, remodel, construction, business, promotional, marketing and advertising formats, materials, information, policies, practices, methods, technology and other systems, procedures, processes, techniques, formulae, goods and services generated by or for you or your Representatives in connection with your Alair Homes Master Franchise will be deemed a work-made-for-hire, and all ownership rights, including any copyrights or other rights, in any of those items will be deemed to be assigned by you and your Representatives to us.

If you reproduce any of our items or materials suitable for copyright protection, you must make sure that each item bears a copyright notice in the form specified by us. You must use our proprietary information only in the manner required by us and in no other manner. This information is strictly confidential and you may not disclose to any person, or use, any of that information for any purpose, except disclosure to a person who has signed and delivered to us a confidentiality agreement and use as necessary in connection with the operation of your Alair Homes Master Franchise. In addition, you must fully and strictly comply with all security measures required by us for maintaining the confidentiality of all information designated by us as trade secrets and/or that we otherwise consider confidential. You and your Representatives will be bound by certain provisions protecting our proprietary rights.

You will not have the exclusive right to use the Systems, nor will you acquire, by use or otherwise, any right, title or interest in or to the Systems, other than as expressly contained in, and limited by, the Master Franchise Agreement. Your right to use the Systems is limited and temporary. Upon

expiration or termination of the Master Franchise Agreement, you may not, directly or indirectly, use the Systems in any manner or for any purpose whatsoever.

You must immediately notify us of any conduct that could constitute infringement of or challenge to the Systems. We will decide, in our discretion, whether to institute any action in connection with infringement of or challenge to the Systems, and will control all proceedings and litigation. We are not required to protect your right to use the Systems or to defend you against claims arising from your use of the Systems. However, we will indemnify you for all damages for which you are held liable in any lawsuit arising out of your use of the Systems in with the Master Franchise Agreement, provided that you notify us immediately when you learn about any related claim, proceeding or lawsuit, we have had the opportunity to defend such lawsuit, you have cooperated with us in connection with such defense and you have discontinued the use of the infringing material promptly upon our request. We have the right to defend any such claim, proceeding or lawsuit on your behalf, but are not required to do so.

Item 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

If you are an individual, you must personally and directly manage the overall and day-to-day operation of your Alair Homes Master Franchise. If you are a corporation, limited liability company or other entity, the Managing Principal must personally and directly manage the overall and day-to-day operation of your Alair Homes Master Franchise. We believe that only an individual with an equity interest can adequately ensure that our standards of quality and competence are maintained. While in most cases franchise owners will seek additional assistance for the labor-intensive portions of the business, the reputation of Alair Homes and Alair Canada has been built on franchise owners' participation in the business and we believe it is crucial for continued success. The Manager must have satisfactorily completed, to our satisfaction, the Master Franchise Training Program and must manage your Alair Homes Master Franchise on a full-time basis (other than its operations of one or more Alair Homes Unit Franchises) and utilize its best efforts to promote and enhance the performance of your Alair Homes Master Franchise. Although we permit the Manager to operate one or more Alair Homes Unit Franchises, after the Master Franchise Commencement Date we encourage Alair Homes Master Franchisees to hire qualified employees to operate their Alair Homes Unit Franchises or to sell their Alair Homes Unit Franchises to other qualified persons.

Each Principal (and his or her spouse) must personally guarantee and agree to be bound by, all of the obligations of the franchisee entity under the Master Franchise Agreement and the related agreements, including, without limitation, the restrictive covenants and the confidentiality provisions. See Exhibit C. Your other Representatives must agree to be bound by certain obligations of the franchisee entity under the Master Franchise Agreement and related agreements, including, without limitation, the restrictive covenants and the confidentiality provisions. See Exhibit D.

Item 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must identify and solicit prospective Alair Homes Unit Franchisees to operate Alair Homes Unit Franchises within your Region and train, supervise and support Alair Homes Unit Franchisees within your Region. You must offer, sell and provide at, from or through your Alair Homes Master Franchise all products and services that we designate. We may from time-to-time incorporate into the Alair Homes franchise system new products and services that we believe will be successful, or modify or discontinue existing products and services. If we incorporate any new products or services into the Alair Homes franchise system, you will be required to sell or provide such products or services. If we modify or discontinue any existing products or services, you will be required to do so.

You will be required to participate in all local, regional and national test, promotional or other programs, initiatives and campaigns adopted by us in which we require you to participate. We reserve the right to designate which of our franchisees may, or will be required to, participate in such programs, initiatives and campaigns. If we designate you for participation in any such program, initiative or campaign, you must participate when and as required by us. There are no limits on our right to require you to offer and sell or provide those new products or services or to participate in those programs, initiatives and campaigns.

You may not offer, sell or provide any other products or services at, from or through your Alair Homes Master Franchise or on or from the premises upon which you conduct your Alair Homes Master Franchise, or conduct any other business at, from or through your Alair Homes Master Franchise or on or from the premises upon which you conduct your Alair Homes Master Franchise, unless we specifically approve the offering and sale or provision of those products or services in writing. In addition, you may not offer, sell or provide any product or service specified by us in any configuration, form or manner other than that specifically approved by us in writing. You may only market your Alair Homes Master Franchises and use the Marks on the Internet through our website and in the manner we approve in writing.

If we believe that any product or service offered, sold or provided by you or on or from the premises upon which you conduct your Alair Homes Master Franchise, or used in connection with your Alair Homes Master Franchise may be dangerous, unsafe, unsanitary, unhealthy, immoral, unauthorized or illegal, or otherwise reflects adversely upon the Marks or the goodwill associated with the Alair Homes franchise system, we will request that you remove, discard or discontinue that product or service item and you must do so immediately. If you do not do so immediately, we may do so, at your expense. In addition, we may require you to cease operating your Alair Homes Master Franchise until we are satisfied that any such product or service is no longer being offered, sold or provided by you or on or from such premises, or used in connection with your Alair Homes Master Franchise.

Item 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision		Section in Master Franchise Agreement or other agreement*	Summary
a.	Length of the franchise term	13(a)	Date of Master Franchise Agreement + 10 years from the Master Franchise Commencement Date
b.	Renewal or extension of the term	13(b)	No right to renew; you may under certain circumstances have the option to sign Successor Master Franchise Agreements for two additional successive 10-year terms
c.	Requirements for franchisee to renew or extend	13(b)	No right to renew; you may under certain circumstances have the option to sign Successor Master Franchise Agreements, in the form then being signed by new franchisees (except that you will not be obligated to pay the initial franchise fee and you will not be entitled to attend the Master Franchise Training Program) – you and your Representatives must not be in breach (or have a history of repeated breaches) of your or their obligations under, or related to, the Master Franchise Agreement or any other agreement with us or our affiliates; you must timely notify us of your intent to sign the Successor Master Franchise Agreement; you and your affiliates and your respective Principals must sign a general release of us and our affiliates; you and your Manager must attend such training programs or refresher courses as we may request; you must pay the Successor Franchise Fee; you may be asked to sign a Successor Master Franchise Agreement materially different terms and conditions from the original Master Franchise Agreement
d.	Termination by franchisee	Not Applicable	Rights under applicable law
e.	Termination by franchisor without cause	Not Applicable	Not applicable
f.	Termination by franchisor with cause	16	See (g) and (h)
g.	"Cause" defined – curable defaults	15	If you fail to pay any amounts owed to us, any of our Affiliates or any other person (15-day cure period); if you or your Representatives fail to perform any obligation (15-day cure period); if you are in a negative cash on hands (COH) position (15 – day cure period)

Provision		Section in Master Franchise Agreement or other agreement*	Summary
h.	"Cause" defined – non-curable defaults	15; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement; Exhibit F-Promissory Note; Exhibit G-Security Agreement	If you or the Manager fails to successfully timely complete, to our satisfaction, the Master Franchise Training Program; if you fail to develop Alair Homes Unit Franchises in accordance with the Development Schedule; if you or any of your Principals is convicted of, or enters a plea of no contest to, a felony, a crime involving moral turpitude or any other crime or offense that may have an adverse effect; if a threat or danger to public health or safety results from the operation of your Alair Homes Master Franchise; if any of your representations or warranties is untrue; if any misrepresentation or fraud is committed; if you or your Representatives fail to perform any obligation and that failure is incurable; repeated breaches; if you operate your Alair Homes Master Franchise in a manner, or engage in any other conduct, that may have an adverse effect on us; if you transfer (or attempt to transfer) this Agreement without complying with the Master Franchisee Agreement; if you do not timely transfer this Agreement in connection with death, disability or dissolution of marriage; if any other Master Franchisee, franchise or other agreement is terminated (other than another Master Franchise Agreement for failure to meet and maintain the Development Schedule); if you or any of your Affiliates engages in any illegal conduct with respect to the operation of your Alair Homes Master Franchise; if you do not timely open your Alair Homes Master Franchise for business; if you abandon your Alair Homes Master Franchise; if you lose, or fail to obtain or maintain, any necessary permit, license or certification; if the Manager does not attend and actively participate in our continuing education and support programs; if you breach any of your obligations under the Security Agreement; if you or your Representatives breach your obligations with respect to Confidential Information, Intellectual Property; if you or your Representatives breach your restrictive covenant; if you or your Representatives is involved in a related business without our consent; if you fail to comply with our quality control and customer service requirements, requirements for resolving customer issues and/or score satisfactorily on our periodic quality and operations control inspections; insolvency-related events

Provision		Section in Master Franchise	Summary

		Agreement or other agreement*	
i.	Franchisee's obligations on termination/non-renewal	17; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement	You must cease operating your Alair Homes Master Franchise and using the Marks and the Systems, the Innovations and the Confidential Information; you must return to us the Operations Manual; you must cancel all assumed names, notify telephone carriers of your assignment of your telephone numbers to us and renovate and de-identify your premises; you will forfeit all fees paid and must pay all amounts outstanding; you must not identify yourself with the Alair Homes franchise system; we will have the right to purchase your assets, you must sell them to us (or our designee) in accordance with a stated formula and stated terms; see (r); liquidated damages in the amount of $50,000 are payable if the Master Franchise Agreement is terminated by you for any reason other than our material breach of the Master Franchise Agreement or by us due to an event of default; these liquidated damages apply only to the damage relating to termination and do not apply to other damages that we may suffer resulting from your breach and/or your actions or omissions
j.	Assignment of contract by franchisor	18(d)	No restrictions
k.	"Transfer" by franchisee - defined	12	Sale or other transfer (by operation of law or otherwise) of any of your rights under the Master Franchise Agreement and/or your Alair Homes Master Franchise; transfer or issuance of an equity interest in you (if an entity) (by operation of law or otherwise); merger or consolidation of you (if an entity); sale of all or substantially all of your assets or the assets of your Alair Homes Master Franchise
l.	Franchisor approval of transfer by franchisee	12	Our approval is required, but may not be unreasonably withheld

Provision		Section in Master Franchise Agreement or other agreement*	Summary
m.	Conditions for franchisor approval of transfer	12	You must provide us with a request for transfer, accompanied by the information regarding the transferee and the transaction that we may require; the transferee must satisfy our then-current qualifications for franchisees and certain other requirements; you and the transferee must not be in breach of your obligations to us; the financial and other terms of the transfer must not, in our judgment, have an adverse impact upon the transferee's potential ability to operate, or potential success in operating, your Alair Homes Master Franchise; you must subordinate any post-closing payments from the transferee to its obligations to us; the transferee must sign the then-current form of Master Franchise Agreement and the related agreements (with certain exceptions); the transferee's or its Managing Principal must successfully complete, to our satisfaction, the Master Franchise Training Program; you and your Principals must sign an acknowledgement that certain provisions of this Agreement (including the confidentiality, non-solicitation, non-hiring and non-competition provisions) will continue to be binding upon you; you and your affiliates and your respective Principals must sign a general release of us and our affiliates; you must pay us a transfer fee or the transferee must remodel and update your Alair Homes Master Franchise to our then-current standards; you must return the Operations Manual and certain other materials to us; the transfer documents must clearly effectuate the transfer; all amounts outstanding by you or your Affiliates to us and our Affiliates must be paid
n.	Franchisor's right of first refusal to acquire franchisee's business	12(c)	If you desire to transfer your Alair Homes Master Franchise, we (or our designee) may exercise our right of first refusal
o.	Franchisor's option to purchase franchisee's business	17(b)	Upon the expiration or termination of the Master Franchise Agreement, we (or our designee) may purchase your assets in accordance with a stated amount and formula; see also (n)
p.	Death or disability of franchisee	12(e), 16(b)	Your Alair Homes Master Franchise must be transferred in accordance with stated requirements upon your death or disability; if a transfer is not effectuated on a timely basis- We need to put a 6 month max on this, the Master Franchise Agreement will be terminated

Provision		Section in Master Franchise Agreement or other agreement*	Summary
q.	Non-competition covenants during the term of the franchise	5, 9, 11, 14, 16; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement	Non-competition during the term of the Master Franchise Agreement; applicable to you and your Representatives
r.	Non-competition covenants after the franchise is terminated or expires	5, 9, 11, 14, 16; Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement	Non-competition within your Region plus a 25-mile radius around your Region for the two-year period after the Transfer, expiration or termination of the Master Franchise Agreement; applicable to you and your Representatives
s.	Modification of the agreement	8(q), 18(e); Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement; Exhibit G-Security Agreement	We may amend the Systems, the System Standards, the Operations Manual, our rules, regulations, policies and procedures and/or certain fees and charges without your approval; otherwise, mutual written agreement is required
t.	Integration/merger clause	18(h)	Only the terms of the Master Franchise Agreement and the related agreements are binding (subject to state law). Any representations or promises made outside of this Franchise Disclosure Document, the Master Franchise Agreement and the related agreements may not be enforceable.
u.	Dispute resolution by arbitration or mediation	18(n)	Except for certain claims, we and you must arbitrate all disputes in Maricopa County, Arizona (subject to state law).

Provision		Section in Master Franchise Agreement or other agreement*	Summary
v.	Choice of Forum	18(n), 18(o); Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement; Exhibit F-Promissory Note; Exhibit G-Security Agreement	Subject to applicable state law, Maricopa County, Arizona
w.	Choice of Law	18(m) Exhibit C-Agreement to be Bound and to Guarantee; Exhibit D-Confidentiality and Restrictive Covenant Agreement; Exhibit F-Promissory Note; Exhibit G-Security Agreement	Subject to applicable state law, except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 *et seq*.), Arizona law will govern.

*Reference is to Master Franchise Agreement, unless otherwise indicated.

Item 18
PUBLIC FIGURES

We do not use any public figure to promote the Alair Homes franchise system.

Item 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Rob Cecil, 96 Wallace

Street, Nanaimo, British Columbia V9R 0E2 (telephone: 250.824.0279), the Federal Trade Commission and the appropriate state regulatory agencies.

Item 20
OUTLETS AND FRANCHISEE INFORMATION

The following data applies to Alair Homes Master Franchises under this Franchise Disclosure Document.

Table #1
Systemwide Outlet Summary
For Fiscal Years 2020 to 2022*

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	9/1/19-8/31/20	12	14	+2
	9/1/20-8/31/21	14	14	0
	9/1/21-8/31/22	14	15	+1
Company-owned	9/1/19-8/31/20	1**	1**	0
	9/1/20-8/31/21	1**	1**	0
	9/1/21-8/31/22	1**	1**	0
Total Outlets	9/1/19-8/31/20	13	15	+2
	9/1/20-8/31/21	15	15	0
	9/1/21-8/31/22	15	16	+1

*Excludes units operated in Canada by us, our affiliates and our franchisees
** Operated by Arizona Preferred Builders, LLC, an affiliate of Alair Homes

Table #2
Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)
For Fiscal Years 2020 to 2022*

State	Year	Number of Transfers
Total	9/1/19-8/31/20	0
	9/1/20-8/31/21	0
	9/1/21-8/31/22	0

*Excludes units operated in Canada by our franchisees.

Table #3
Status of Franchised Outlets
For Fiscal Years 2020 to 2022*

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Arizona	9/1/19-8/31/20	1	0	0	0	0	0	1
	9/1/20-8/31/21	1	0	0	0	0	0	1
	9/1/21-8/31/22	1	0	0	0	0	0	1
Colorado	9/1/19-8/31/20	1	0	0	0	0	0	1
	9/1/20-8/31/21	1	0	0	0	0	0	1
	9/1/21-8/31/22	1	0	0	0	0	0	1
Florida	9/1/19-8/31/20	2	0	0	0	0	0	2
	9/1/20-8/31/21	2	0	0	0	0	0	2
	9/1/21-8/31/22	2	0	0	0	0	0	2
Georgia	9/1/19-8/31/20	2	0	0	0	0	0	2
	9/1/20-8/31/21	2	0	0	0	0	0	2
	9/1/21-8/31/22	2	0	0	0	0	0	2
Iowa	9/1/19-8/31/20	0	0	0	0	0	0	0
	9/1/20-8/31/21	0	0	0	0	0	0	0
	9/1/21-8/31/22	0	1	0	0	0	0	1
North Carolina	9/1/19-8/31/20	2	0	0	0	0	0	2
	9/1/20-8/31/21	2	0	0	0	0	0	2
	9/1/21-8/31/22	2	0	0	0	0	0	2
Ohio	9/1/19-8/31/20	1	0	0	0	0	0	1
	9/1/20-8/31/21	1	0	0	0	0	0	1
	9/1/21-8/31/22	1	0	0	0	0	0	1
South Carolina	9/1/19-8/31/20	1	0	0	0	0	0	1
	9/1/20-8/31/21	1	0	0	0	0	0	1
	9/1/21-8/31/22	1	0	0	0	0	0	1
Texas	9/1/19-8/31/20	2	1	0	0	0	0	3
	9/1/20-8/31/21	3	0	0	0	0	0	3
	9/1/21-8/31/22	3	0	0	0	0	0	3
Virginia	9/1/19-8/31/20	0	1	0	0	0	0	1
	9/1/20-8/31/21	1	0	0	0	0	0	1
	9/1/21-8/31/22	1	0	0	0	0	0	1
	9/1/19-8/31/20	0	0	0	0	0	0	0

Wisconsin	9/1/20-8/31/21	0	1	0	0	0	0	1
	9/1/21-8/31/22	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Totals	9/1/19-8/31/20	12	2	0	0	0	0	14
	9/1/20-8/31/21	14	0	0	0	0	0	14
	9/1/21-8/31/22	15	1	0	0	0	0	16

*Excludes units operated in Canada by our franchisees

Table #4
Status of Company-owned Outlets
For Fiscal Years 2020 to 2022*

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Totals	9/1/19-8/31/20	1	0	0	0	0	1
	9/1/20-8/31/21	1	0	0	0	0	1
	9/1/21-8/31/22	1	0	0	0	0	1

*Excludes units operated in Canada by us and our affiliates.

Table #5
Projected Openings as of August 31, 2022*

State	Master Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-owned Outlet in the Next Fiscal Year
Iowa	0	0	0
Utah	0	0	0
Total	0	0	0

*Excludes units to be operated in Canada by us, our affiliates and our franchisees.

Exhibit J lists the names of all current Alair Homes Master Franchisees and their addresses and telephone numbers. Franchisees may receive a commission for referring potential franchisees to us. Exhibit K lists the names, cities, states and current business telephone numbers (or, if unknown, the last known home telephone number) of every Alair Homes Master Franchisee who (a) had its Alair Homes Master Franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Master Franchise Agreement during fiscal year 2021 or (b) has not communicated with us within 10 weeks of the date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the Alair Homes franchise system.

In some instances, current and former franchisees have signed provisions restricting their ability to speak openly about their experiences with Alair Homes. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

To our knowledge, there are no trademark-specific franchisee organizations associated with the Alair Homes franchise system.

Item 21
FINANCIAL STATEMENTS

Attached as Exhibit L to this Franchise Disclosure Document are the audited financial statements of Alair Homes as of August 31, 2020, August 31, 2021 and August 31, 2022, and for the years then ended. Our fiscal year end is August 31st.

Item 22
CONTRACTS

Attached to this Franchise Disclosure Document are the following franchise-related contracts:

Exhibit B	Master Franchise Agreement
Exhibit C	Agreement to be Bound I Guarantee
Exhibit D	Confidentiality and Restrictive Covenant Agreement
Exhibit E	Representations and Acknowledgement Statement
Exhibit F	Promissory Note
Exhibit G	Security Agreement
Exhibit H	Sample Release
Exhibit M	State Addenda to Franchise Disclosure Document

Item 23
RECEIPT

Two copies of an acknowledgement of your receipt of this Franchise Disclosure Document are attached at the end of this Franchise Disclosure Document as Exhibit M. One copy must be signed by you and given to us. The other copy may be retained by you for your records.

Exhibit A
List of State Agencies/Agents for Service of Process

State	State Administrator	State Agent	Address/Phone
California	Department of Financial Protection and Innovation	Commissioner of Financial Protection and Innovation	320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 866-275-2677
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division	Commissioner of Securities	335 Merchant Street, Room 203 Honolulu, HI 96813 808-586-2722
Illinois	Office of the Attorney General	Attorney General	500 South Second Street Springfield, IL 62706 217-782-4465
Indiana	Secretary of State Securities Division	Secretary of State	302 West Washington Street, Room E-111 Indianapolis, IN 46204 317-232-6681
Maryland	Office of Attorney General	Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020 410-576-6360
Michigan	Department of Attorney General Consumer Protection Division	Department of Licensing and Regulatory Affairs	P.O. Box 30213 Lansing, MI 48909 517-373-7117
Minnesota	Minnesota Department of Commerce	Commissioner of Commerce	85 7th Place East, Suite 280 St. Paul, MN 55101-2198 651-539-1600
New York	NYS Department of Law Investor Protection Bureau		28 Liberty Street, 21st Floor New York, NY 10005 212-416-8236 (phone)
		Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
North Dakota	Securities Department	Securities Commissioner	600 East Boulevard Avenue State Capitol, 5th Floor Bismarck, ND 58505-0510 701-328-2910
Rhode Island	Department of Business Regulation Securities Division Franchise Section	Director of Department of Business Regulation	1511 Pontiac Avenue, Bldg. 69-I Cranston, RI 02920 401-462-9645
South Dakota	Division of Insurance Securities Regulation	Director of Division of Insurance Securities Regulation	124 E. Euclid Avenue, Suite 104 Pierre, SD 57501 605-773-356
Virginia	State Corporation Commission Division of Securities & Retail Franchising		1300 East Main Street, 9th Floor Richmond, VA 23219-3630 804-371-9276
		Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630 804-371-9733
Washington	Department of Financial Institutions Securities Division	Director of Department of Financial Institutions	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Department of Financial Institutions Division of Securities	Wisconsin Division of Securities	201 W. Washington Avenue, Ste 300 Madison, WI 53703 608-266-0448

Exhibit B
Master Franchise Agreement

ALAIR HOMES MASTER FRANCHISE AGREEMENT

Dated _____

by and between

Alair Enterprises USA, Inc.

and

_____

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MASTER FRANCHISE AGREEMENT

AGREEMENT, by and between **Alair Enterprises USA, Inc.,** an Arizona corporation ("We," "Us" or "Franchisor"), and the franchisee identified on the signature page of this Agreement ("You" or "Franchisee").

RECITALS

A. We and/or our Affiliates (as defined below) have, as a result of significant time, effort and money, designed and developed (and are continuing to design and develop) a comprehensive system for the development and operation of businesses that provides high quality custom home building services, home renovation services and commercial contracting services using our business format, Proprietary Software (as defined below), Accounting Systems and Services (as defined in Alair Homes Unit Franchisee franchise agreements), systems, methods, policies, materials, procedures, specifications, trade secrets and other proprietary information (the "Unit Systems") under the Alair Homes® name and service marks ("Alair Homes Unit Franchises" or the "Unit Franchised Businesses").

B. We and/or our Affiliates have, as a result of significant time, effort and money, designed and developed, and we and/or our Affiliates own, the Alair Homes® name and other Marks (as defined below) in connection with the operation of Alair Homes Unit Franchises.

C. We grant franchise licenses to own and operate Alair Homes Unit Franchises to individuals and entities that meet our qualifications. (The individuals and entities to whom we grant Alair Homes Unit Franchises by executing franchise agreements with them are referred to as "Alair Homes Unit Franchisees.")

D. We and/or our Affiliates have, as a result of significant time, effort and money, also designed and developed (and are continuing to design and develop) a comprehensive system for identifying and soliciting prospective Alair Homes Unit Franchisees to operate Alair Homes Unit Franchises and training, supervising and supporting Alair Homes Unit Franchisees using our business format, Proprietary Software, systems, methods, policies, materials, procedures, specifications, trade secrets and other proprietary information (the "Master Franchise Systems") under the Alair Homes® name and service marks ("Alair Homes Master Franchises" or the "Master Franchise Businesses").

E. We grant franchise licenses to own and operate Alair Homes Master Franchises to individuals and entities that meet our qualifications. (The individuals and entities to whom we grant Alair Homes Master Franchises by executing Master Franchise Agreements with them are referred to as "Alair Homes Master Franchisees.")

F. The restrictions and controls on your operations contained in this Agreement are intended to protect the rights to the Iand to enhance the Alair Homes® franchise system by maintaining a high quality of products and services provided under the Marks.

G. You desire to obtain the license and franchise to be an Alair Homes Master Franchisee and own and operate an Alair Homes Master Franchise under the Marks in strict

accordance with the Master Franchise Systems and the Unit Systems (together, the "Systems"), and the standards and specifications established by us, and we are amenable to granting you a license and franchise to be an Alair Homes Master Franchisee in accordance with the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the parties understand and agree as follows:

1. Grant of Franchise. Subject to and in accordance with the terms of this Agreement, we hereby award you the right and license, and you hereby accept the right, license and obligation, during the Term (as defined below), to use and displayIarks, and to use the Systems, to operate an Alair Homes Master Franchise in the Region (as defined below) upon the terms and subject to the provisions of this Agreement.

2. Our Obligations.

(a) Before you open your Alair Homes Master Franchise for business, we will:

(i) Allow you to attend the Master Franchise Training Program (as defined below).

(ii) Consult with you by telephone, e-mail or otherwise with respect to all aspects of establishing and operating your Alair Homes Master Franchise. We may, in our discretion, and depending upon the geographic proximity between us, provide on-site consultation. If you request more than our average amount of on-site assistance, we may require you to pay our On-site Assistance Fee provided for in Section 8.

(iii) Lend to you one copy of our operations manuals, which contain our mandatory and suggested specifications, standards and procedures for operating your Alair Homes Master Franchise (as modified from time to time, the "Operations Manual"). The Operations Manual may be embodied in electronic or other media and/or which may be comprised of a series of volumes under various titles. We may make all or part of the Operations Manual available to you through various means, including the Internet. We may modify the Operations Manual periodically. You must keep your copy of the Operations Manual current, and in a secure location at the Premises. The Operations Manual is confidential, and you may not copy, duplicate, record or otherwise reproduce any part of it. If there is any disparity between our copy of the Operations Manual and your copy, our copy will govern.

Your opening of your Alair Homes Master Franchise for business constitutes your acknowledgement and agreement that we have completely and satisfactorily fulfilled all of our obligations that we are required to fulfill prior to the opening of your Alair Homes Master Franchise.

(b) After you open your Franchise for business, we will:

(i) Provide continuing training and education and facilitate information and experience sharing among Alair Homes Master Franchisees, Alair Homes Unit Franchisees and Canadian franchisees (the "Alair Homes Community") and support among the Alair Homes Community through on-site operational support, periodic system-wide conference calls, online training and focus groups.

(ii) We will provide to you franchise disclosure documents, and may provide to you system-wide marketing, promotional, advertising and other materials to be used by you in connection with identifying and soliciting prospective Alair Homes Unit Franchisees, training, supervising and supporting Alair Homes Unit Franchisees in your Region and otherwise operating your Alair Homes Master Franchise (collectively, the "Master Franchise Materials"), and you must use the Master Franchise Materials. We are the sole source of the franchise disclosure documents and may be the sole source of the other Master Franchise Materials. You must pay us, within 10 days of our invoice, an amount equal to our costs and expenses relating to the Master Franchise Materials.

(iii) Provide a portion of the content for your monthly regional sessions with your Alair Homes Unit Franchisees. You will provide additional, local-based content for your monthly regional sessions.

(iv) Allow you to use our Marks and the Master Franchise Systems in connection with operating your Alair Homes Master Franchise.

(v) Allow you to use our proprietary software that manages and streamlines project management, customer relations management and business operations (the "Proprietary Software"), which contains a franchise sales portal to facilitate and manage your Alair Homes Unit Franchisee recruiting and sales efforts, a vendor database, provides scheduling, budgeting, bidding, accounting, invoicing, billing and other functions and provides you and the Alair Homes Unit Franchisees in your Region access to current information with respect to their projects. In addition, we will provide necessary ongoing maintenance, repairs, upgrades, access and/or updates to the Proprietary Software. At any time that you do not operate an Alair Homes Unit Franchise, you will be required to pay the Proprietary Software Maintenance or Access Fee provided in Section 8.

(vi) Market the Alair Homes franchise system through various media (such as online marketing and collateral material for marketing campaigns).

(vii) Consult with you by telephone, e-mail or otherwise with respect to all aspects of operating your Alair Homes Master Franchise. We may, in our discretion, and depending upon the geographic proximity between us, provide on-site consultation. If you request more than our average amount of on-site assistance, we may require you to pay our On-site Assistance Fee provided for in Section 8.

(c) If you request, we will provide certain accounting management system and services to you for the fees that we charge our Alair Homes Master Franchisees from time to time. You are not obligated to use our accounting management system and services in connection with the operation of your Alair Homes Master Franchise.

(d) Certain elements of this assistance will be provided to you by our Affiliates and/or other parties that we engage to, among other things, provide training and support to our Alair Homes Master Franchisees.

3. Being an Alair Homes Master Franchisee.

(a) As an Alair Homes Master Franchisee, you agree to, as our independent representative, identify and solicit prospective Alair Homes Unit Franchisees to operate Alair Homes Unit Franchises within the Region and train, supervise and support Alair Homes Unit Franchisees within the Region, all in accordance with and subject to the terms and provisions of this Agreement. As an Alair Homes Master Franchisee you must also purchase and initially operate an Alair Homes Unit Franchise. Although we permit the Manager (as defined below) to operate one or more Alair Homes Unit Franchises, after the Master Franchise Commencement Date (as defined below) we encourage Alair Homes Master Franchisees to hire qualified employees to operate their Alair Homes Unit Franchises or to sell their Alair Homes Unit Franchises to other qualified persons. As an Alair Homes Master Franchisee, you will not offer or sell Alair Homes Unit Franchises, nor will you sign or negotiate franchise agreements with Alair Homes Unit Franchisees.

(b) You may not actively operate your Alair Homes Master Franchise (i) until you have operated an Alair Homes Unit Franchise to our satisfaction, in our sole discretion, for at least one year, which period of time we may reduce or waive, in our sole discretion, (ii) until you complete, to our satisfaction, the Master Franchise Training Program and (iii) unless we determine, in our sole discretion, that you have the ability to successfully operate your Alair Homes Master Franchise. (The date designated by us as the date as of which you may actively operate your Alair Homes Master Franchise is referred to as the "Master Franchise Commencement Date.")

(c) Prior to the Master Franchise Commencement Date you must prepare for your active operation of your Alair Homes Master Franchise, as we may, in our sole discretion, determine. That preparation includes, among other things, researching the local market and working with our marketing team to develop a marketing plan, developing initial marketplace and subtrade relationships, developing brand recognition in the Region, obtaining advice on local contracting, tax, legal and other matters.

(d) Although we will conduct some marketing activities for Alair Homes Unit Franchisees, marketing and advertising for prospective Alair Homes Units Franchisees to operate Alair Homes Unit Franchises in the Region is your responsibility and will be conducted at your expense.

(e) Beginning on the Master Franchise Commencement Date you must identify and solicit prospective Alair Homes Unit Franchisees that are of good character, have adequate financial resources and otherwise meet our qualifications and criteria, as we, in our sole discretion, may establish from time to time, to operate Alair Homes Unit Franchises within the Region that are satisfactory to us, in our sole discretion. You must pre-screen and interview such prospective Alair Homes Unit Franchisees and obtain such materials and other information that we determine to be necessary, appropriate and/or desirable with respect to such prospective Alair Homes Unit

Franchisee that we, in our sole discretion, request. If you in good faith believe that such prospective Alair Homes Unit Franchisee is of good character, has adequate financial resources and otherwise meets such qualifications and criteria (each, a "Candidate"), you must promptly provide to us such materials and information, together with your pre-screening materials and information and your evaluation of the Candidate.

(f) You acknowledge and agree that you have no right to commit to a Candidate that it will be granted an Alair Homes Unit Franchise, to negotiate a franchise agreement for an Alair Homes Unit Franchise or to sell Alair Homes Unit Franchises, and that we, in our sole discretion, have the right to determine whether or not to grant an Alair Homes Unit Franchise to a Candidate, to negotiate franchise agreementI Candidates and to sell an Alair Homes Unit Franchise to Candidates.

(g) You agree to meet and maintain the development schedule contained in Exhibit A hereto (the "Development Schedule"). If you do not meet and maintain the Development Schedule, we will have the right to terminate this Agreement. Our refusal to grant Alair Homes Units Franchises to Candidates you identify and refer to us will not excuse your failure to meet and maintain the Development Schedule. Errors, omissions or delays that may occur in connection with the preparation of franchise disclosure documents and related materials, and/or for the failure to maintain, at any particular time, a current franchise disclosure document and/or a currently-effective franchise disclosure document in any state or other jurisdiction, will not excuse your failure to meet and maintain the Development Schedule.

(h) Notwithstanding anything contained in this Agreement to the contrary, you may not solicit prospective Alair Homes Unit Franchisees (i) at any time during which we do not have a current franchise disclosure document with respect to Alair Homes Unit Franchises, (ii) at any time during which, and in or involving place with respect to which, we do not have a currently-effective franchise disclosure document in the applicable states or other jurisdictions or (iii) at any other time during which, or in or involving any place in which, it would be contrary to any applicable law or regulation to do so.

(i) Notwithstanding anything contained in this Agreement to the contrary, in connection with soliciting prospective Alair Homes Unit Franchisees, you may only use the franchise disclosure document and related materials that we provide to you and that are still current, as we may, in our sole discretion, determine. If your activities require the preparation, amendment, registration or filing of information or any disclosure or other documents containing information about you, you must promptly provide such information or documents to us and you may not solicit prospective Alair Homes Unit Franchisees unless and until you have provided same to us and we have modified or updated the franchise disclosure document and related materials and the modified or updated franchise disclosure document has been declared effective in the applicable states or other jurisdictions. In connection with our annual franchise disclosure document update and registration renewal, when we request information or any disclosure or other documents containing information about you and/or your Alair Homes Master Franchise, you must promptly provide such information or documents to us and when we request that you execute documents in connection therewith, you must promptly do so. You must promptly review all information pertaining to you to comply with applicable legal requirements for offering and selling

franchises in the Region and verify its accuracy. You acknowledge that we and our Affiliates will not be liable to you for any errors, omissions or delays that may occur in connection with the preparation of franchise disclosure documents and related materials, or for the failure to maintain, at any particular time, a current franchise disclosure document and/or a currently-effective franchise disclosure document in any state or other jurisdiction.

(j) Notwithstanding anything contained in this Agreement to the contrary, in connection with soliciting prospective Alair Homes Unit Franchisees, you must (i) obtain and maintain such registrations, licenses and permits, including registration as a franchise broker, as we, in our sole discretion, determine to be necessary, appropriate or desirable, (ii) not make any statements that differ from, or are contrary to, any statements contained in the then-current franchise disclosure document for Alair Homes Unit Franchisees, (iii) not make any financial performance representations or any other statement that may be required to be disclosed in Item 19 of the then–current franchise disclosure document for Alair Homes Unit Franchisees, other than financial performance representations actually contained in the then-current franchise disclosure document for Alair Homes Units Franchisees, if any, (iv) not make any misrepresentations or material omissions and (v) comply in all respects with applicable laws and regulations. In connection with your marketing and advertising activities, in addition to using the Master Franchise Materials, you may use your own advertising materials, provided that those materials have been prepared, and will be published or distributed, in accordance with the System Standards and have been approved by us prior to publication or distribution.

(k) Your additional responsibilities beginning on the Master Franchise Commencement Date include, among other things, establishing marketplace and subtrade relationships, developing sales opportunities, onboarding, training, supervising and supporting Alair Homes Unit Franchisees in the Region, obtaining advice and staying current on the local market and local laws and policies and communicating same to us and the Alair Homes Unit Franchisees in your Region and maintaining ongoing brand recognition in your Region and such other responsibilities and obligations that we may, in our sole discretion, determine.

(l) You acknowledge that you are being delegated certain of our responsibilities under the franchise agreements with the Alair Homes Unit Franchisees in the Region. You agree to perform those responsibilities as described in this Agreement and as otherwise communicated by us to you, all in accordance with the applicable franchise agreement and the Alair Homes Unit Franchisee operations manual. You acknowledge and agree that your rights as a Master Franchisee are only by virtue of this Agreement and that you are not in any manner a party, third-party beneficiary or holder of any other right, title or interest in or to any franchise agreement with an Alair Homes Unit Franchisee, other than franchise agreements entered into between us and you or your Affiliates. You must ascertain, from time to time, through field audits, reviews and inspections, that each Alair Homes Unit Franchisee in the Region has complied satisfactorily with all of the terms and conditions of its franchise agreement, the Alair Homes Unit Franchisee operations manual and the Unit Systems, and must promptly notify Alair Homes Unit Franchisees in the Region in writing, with a copy and evaluation report to us, of any deficiencies; provided, however, the Master Franchisee understands and acknowledges that its inspections and reports are advisory only and that we will have (i) the right to inspect and ascertain compliance of all Alair Homes Unit Franchisees in the Region as if this Agreement were not in effect, (ii) the sole right to

send notices of default to Alair Homes Unit Franchisees in the Region, (iii) the sole right to terminate an Alair Homes Unit Franchisee's franchise agreement and (iv) the sole right to take any legal action with respect to any default or any violation of an Alair Homes Unit Franchisee's franchise agreement. If you believe that any Alair Homes Unit Franchisees has breached its franchise agreement or any other agreement with us, you must document in writing all facts related to the alleged breach and request in writing that we investigate that alleged breach. If, as a result of our investigation, we determine that there is a breach by that Alair Homes Unit Franchisee of its franchise agreement or any other agreement with us, we will, in our sole discretion, take such action as eem appropriate.

(m) It will be considered a conflict of interest and breach of this Agreement for you to advise an Alair Homes Unit Franchisee to violate its franchise agreement or advise an Alair Homes Unit Franchisee to disregard any of its obligations under its franchise agreement.

(n) In order to avoid a conflict-of-interests and to ensure your independence and objectiveness, you may not, and must cause your family members not to, directly or indirectly, loan to, or borrow money or anything of value from, any Alair Homes Unit Franchisee, except for Alair Homes Unit Franchises owned by you or your Affiliates. Furthermore, you must not, and must cause your family members not to, directly or indirectly, have any business relationship with an Alair Homes Unit Franchisee, except for Alair Homes Unit Franchises majority-owned by you or your Affiliates, including minority ownership of an Alair Homes Unit Franchisee or any other relationship from which you, directly or indirectly, receive or expect to receive a fee, commission, payment or other consideration from or with respect to an lair Homes Unit Franchisee.

(o) You must at all times faithfully, honestly and diligently perform your obligations under this Agreement and continuously exert your best efforts to promote and enhance the development, operation and good will of the Alair Homes franchise system. During the term of any franchise agreement with respect to any Alair Homes Unit Franchise owned or operated by you or your Affiliates, you and your Affiliates must at all times faithfully, honestly and diligently perform your and their obligations under such agreements and continuously exert your best efforts to promote and enhance the development, operation and good will of the Alair Homes franchise system.

4. <u>The Region</u>.

(a) The area within which you will operate your Alair Homes Master Franchise (the "Region") is identified in <u>Exhibit A</u> hereto. The Region will be exclusive, which means that we will not operate, or grant another person the right to operate, an Alair Homes Master Franchise within the Region during the term of the Master Franchise Agreement. There are no restrictions on our right, or the right of our affiliates or other Alair Homes Master Franchisees, to identify and solicit prospective Alair Homes Unit Franchisees to operate Alair Homes Unit Franchises (or similar businesses under other trademarks) in your Region. However, we will refer all leads for prospective Alair Homes Unit Franchisees to operate Alair Homes Unit Franchises within the Region to you. Although we or another person may identify and solicit prospective Alair Homes Unit Franchisees to operate Alair Homes Unit Franchises within the Region, you will receive the

Net Franchise Fee (as defined below) paid to us by an Alair Homes Unit Franchisee in your Region between the Master Franchise Commencement Date and the expiration or termination of the Master Franchise Agreement with respect to all Alair Homes Unit Franchisees that operate Alair Homes Unit Franchises within the Region, provided that they sign their franchise agreements after the Master Franchise Commencement Date, and you will receive the Net Payments (as defined below) received after the Master Franchise Commencement Date and before the expiration or termination of the Master Franchise Agreement with respect to all Alair Homes Unit Franchisees that operate Alair Homes Unit Franchises within the Region, in each case provided that you are not in breach of your obligations under the Master Franchise Agreement. Note, though, that your right to receive Net Franchise Fees and Net Payments is subject to the conditions stated in Section 7.

(b) You must operate your Alair Homes Master Franchise from an office that you select that is located within the Region. Your office may be located at your residence or a commercial site. The decision to operate your Alair Homes Master Franchise at that office will be made solely by you, without any reliance upon any information provided (if any), recommendation made (if any) or approval given (if any) by us or our Representatives (as defined below). We will not assist you in locating your office or negotiating the purchase or lease of your office. We will not assist you in conforming your office to local ordinances and building codes, obtaining required permits or constructing, remodeling or decorating your office. You may change the location of your office at any time upon notice to us, provided that your new location is within the Region and you de-idenIy your prior premises.

(c) You may not operate your Alair Homes Master Franchise outside of the Region. You may not market prospective Alair Homes Unit Franchisees who are located outside of the Region unless you obtain our confirmation that your and our offers and sales of franchises in the relevant area would comply with applicable state law. If any prospective Alair Homes Unit Franchisee that you identify purchases an Alair Homes Unit Franchise to be operated outside of the Region, you will not be entitled to receive the Net Franchise Fee with respect to that Alair Homes Unit Franchise, or any other amount. We reserve all rights that this Agreement does not expressly grant to or confer upon you and we or our Affiliates or other franchisees may, directly or indirectly, within, from, into or outside of the Region establish and/or operate Alair Homes Unit Franchises and/or market, advertise and/or promote the Alair Homes franchise system.

5. <u>Training</u>.

(a) We will provide you an initial training program (the "Master Franchise Training Program") which, as of the Effective Date, is a training program held through conference calls and webinars. The content, manner of communication and conduct and number of hours of the Master Franchise Training Program may be modified from time to time, in our sole discretion.

(b) If you are an individual, you must attend and successfully complete, to our satisfaction, the Master Franchise Training Program before the Master Franchise Commencement Date. If you are an entity, an individual who owns at least a 25% equity interest in the franchisee entity (the "Managing Principal") must attend and successfully complete, to our satisfaction, the Master Franchise Training Program before the Master Franchise Commencement Date. Other

Representatives (as defined below) that we approve may also attend the Master Franchise Training Program, provided that they sign the Confidentiality and Restrictive Covenant Agreement in the form required by us. The fee for one person attending the Master Franchise Training Program is included in the initial franchise fee. You will be required to pay the Additional Training Fee stated in Section 8 for additional people attending the Master Franchise Training Program. In addition, you must pay any wages or compensation owed to, and all travel, lodging, meal, and transportation expenses incurred by, all of your attendees at the Master Franchise training Program. If you or the Managing Principal, as the case may be (the "Manager"), do not attend and successfully complete, to our satisfaction, the Master Franchise Training Program before the Master Franchise Commencement Date, we may, in our sole discretion, terminate this Agreement.

(c) We will provide you continuing training and education and facilitate information and experience sharing and support within the Alair Homes Community (the "Mandatory Continuing Training"). The content, manner of communication and conduct and number of hours of the Mandatory Continuing Training may be modified from time to time, in our discretion. If the Manager does not attend the Annual Master Franchisee Meeting, or attend and actively participate in at least 75% of the other Mandatory Continuing Training, we will have the right to terminate the Master Franchise Agreement.

(d) In addition, we may provide additional optional training programs and/or refresher courses from time to time.

(e) You will be responsible for your travel, meals, lodging and related expenses. We may impose a fee for any or all of the continuing training.

6. <u>Operating Your Alair Homes Master Franchise</u>.

(a) (i) You must open your Alair Homes Master Franchise for business within 45 days after the Effective Date. Otherwise, we may terminate this Agreement.

(ii) We may from time-to-time incorporate into the Alair Homes franchise system new products and services that we believe will be successful, or modify or discontinue existing products and services. If we incorporate any new products or services into the Alair Homes franchise system, they will be a part of your responsibilities and obligations under this Agreement. If we modify or discontinue any existing products or services, you will be required to do so.

(iii) You will be required to participate in all local, regional and national test, promotional or other programs, initiatives and campaigns adopted by us in which we require you to participate. We reserve the right to designate which of our franchisees may, or will be required to, participate in such programs, initiatives and campaigns. If we designate you for participation in any such program, initiative or campaign, you must participate when and as required by us.

(iv) You may not offer, sell or provide any other products or services at, from or through your Alair Homes Master Franchise or the premises upon which you operate your Alair Homes Master Franchise, or conduct any other business at, from or through your Alair Homes Master Franchise or such premises, unless we specifically approve the offering and sale or

provision of those products or services in writing. In addition, you may not offer, sell or provide any product or service specified by us in any configuration, form or manner other than that specifically approved by us in writing. You may only market your Alair Homes Master Franchises and use the Marks on the Internet through our website and in the manner we approve in writing. You may not use other channels of distribution to market prospective Alair Homes Unit Franchisees, except in the manner we approve in writing.

(v) If we believe that any product or service offered, sold or provided by you or at or from the premises upon which you operate your Alair Homes Master Franchise or used in connection with your Alair Homes Master Franchise may be dangerous, unsafe, unsanitary, unhealthy, unauthorized or illegal, or otherwise reflects adversely upon the Marks or the goodwill associated with the Alair Homes franchise system, we will request that you remove, discard or discontinue that product or service item and you must do so immediately. If you do not do so immediately, we may do so, at your expense. In addition, we may require you to cease operating your Alair Homes Master Franchise until we are satisfied that any such product or service is no longer being offered, sold or provided and/or used in connection with your Alair Homes Master Franchise.

(b) You must operate your Alair Homes Master Franchise strictly in accordance with this Agreement and the Operations Manual and with the rules, regulations, instructions, policies and procedures as may from time to time be issued by us for the conduct of the Master Franchise Business as we may, in our discretion, deem appropriate (the Operations Manual and those the rules, regulations, instructions, policies and procedures are collectively referred to as the "System Standards"). You acknowledge and agree that compliance with all of the System Standards is essential for the success of yIair Homes Master Franchise and to preserve the goodwill of the Marks. Therefore, you agree at all times to operate and maintain your Alair Homes Master Franchise strictly in accordance with each and every System Standard.

(c) (i) You must operate your Alair Homes Master Franchise with the highest integrity and good business standards, and must use your best efforts to enhance, to our satisfaction, your Alair Homes Master Franchise, the Alair Homes franchise system and the goodwill associated with the Marks. You must give prompt, courteous and efficient service to Alair Homes Unit Franchisees in the Region. In all dealings with Alair Homes Unit Franchisees, you must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You must refrain from any business or advertising practice that may be injurious to your Alair Homes Master Franchise, the Alair Homes franchise system and the goodwill associated with the Marks. Your marketing, promotional and advertising must be completely clear, factual and not misleading and must conform to the highest standards of ethical marketing, promotional and advertising, as well as the marketing, promotional and advertising policies we prescribe from time to time.

(ii) You must not publicly disparage the Alair Homes Franchise system, the Marks, Franchisor's services or products, Franchisor or any of Franchisor's Affiliates, Representatives, Master Franchisees or franchisees, (b) willfully bring the Alair Homes Franchise system, the Marks, Franchisor's services or products, Franchisor or any of Franchisor's Affiliates, Representatives, Master Franchisees or Unit Franchisees into disrepute or (c) commit libel or

slander or take any illegal actions against the Alair Homes Franchise system, the Marks, Franchisor's services or products, Franchisor or any of Franchisor's Affiliates, Representatives, Master Franchisees or Unit Franchisees. In furtherance, but not in limitation of, clause (a), you shall not disparage the Alair Homes Franchise system, the Marks, Franchisor's services or products, Franchisor or any of Franchisor's Affiliates, Representatives, Master Franchisees or Unit Franchisees in the media or other public fora, such as blogs, podcasts and social media. Notwithstanding clauses (a) and (b), you may (i) openly and honestly discuss your experience in the Alair Homes Franchise system with prospective or existing Unit Franchisees and Master Franchisees, (ii) discuss complaints and system issues with existing Unit Franchisees and Master Franchisees and (iii) express honest opinions and state facts in depositions, sworn testimony and other legal proceedings.

(d) You must operate your Alair Homes Master Franchise and be available to us and Alair Homes Unit Franchisees the days and hours that we may require from time to time, which requirements may be waived by us, in our discretion.

(e) (i) Your Alair Homes Master Franchise must be personally supervised at all times by the Manager, who has successfully completed, to our satisfaction, the Master Franchise Training Program and who has been approved by us. The Manager must spend at least 40 hours per week actively operating and supervising your Alair Homes Master Franchise. The Manager must exert your, his or her full-time efforts to manage and supervise the operation of your Alair Homes Master Franchise and may not engage in any other business or other activity (other than Alair Homes Unit Franchises), directly or indirectly, that may conflict with your, his or her obligations under this Agreement. Although we permit the Manager to operate one or more Alair Homes Unit Franchises, after the Master Franchise Commencement Date we encourage Alair Homes Master Franchisees to hire qualified employees to operate their Alair Homes Unit Franchises or to sell their Alair Homes Unit Franchises to other qualified persons.

(ii) For purposes of maintaining transparency in your Alair Homes Master Franchise operations, focusing your efforts on your Alair Homes Master Franchise and other purposes that we may deem appropriate, if you or any of your Representatives, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), is involved, or intends to become involved, in any commercial or other venture (a "Related Business") that relates to the home building, home renovation and/or commercial contracting industry, including, without limitation, a Related Business that may offer, sell or provide goods or services to you, Alair Homes Unit Franchisees or their customers, you must notify us of your (a) involvement in that Related Business and obtain our consent prior to the Effective Date and (b) intent to become involved in that Related Business prior to becoming so involved and obtain our consent prior to becoming involved in that Related Business. We will have the right to terminate this Agreement if you fail to notify us that you or your Representative (x) is involved in a Related Business as of the Effective Date or we do not consent to your or your Representative's involvement in a Related Business as of the Effective Date or (y) intends to become involved in a Related Business or we do not consent to your or your Representative's involvement in a Related Business but you or your Representative nevertheless becomes involved in a Related Business.

(f) You must hire or engage, train and supervise efficient, competent and courteous employees and/or independent contractors of good character for the operation of your Alair Homes Master Franchise and you must train your employees and/or independent contractors in accordance with our specifications for the conduct of your Alair Homes Master Franchise. You must ensure that all employees and/or independent contractors whose duties include contact with Alair Homes Unit Franchisees have sufficient literacy and fluency in the English language to adequately serve Alair Homes Unit Franchisees in connection with your Alair Homes Master Franchise. You will be solely responsible for hiring, engaging and discharging, and for setting the wages or other compensation and terms of employment or engagement of, your employees and/or independent contractors. Except for the Master Franchise Training Program and the Mandatory Continuing Training, you will be solely responsible for training the employees of the Master Franchise Business. You must use your best efforts to cause your employees and/or independent contractors to comply with your obligations under this Agreement and the Operations Manual and you will be responsible for their actions and omissions in connection with the conduct of the Master Franchise Business, including their failure to comply with your obligations under this Agreement and the Operations Manual and/or violations of law.

(g) You must obtain e-mail service through our designated vendor and supplier and use that e-mail address as your primary e-mail address in connection with your Alair Homes Master Franchise. You must obtain Franchise Sales and Onboarding Management Software through our designated vendor or supplier. You must obtain cloud data storage through our designated vendor and supplier and use that cloud data storage as your sole cloud or back-up data storage. At any time that you do not own and operate an Alair Homes Unit Franchise, you must pay the fees to those designated vendors and suppliers through us in accordance with Section 8.

(h) (i) In order to maintain the high standards of product and service quality and consistency associated with the Marks, and the uniformity of the Alair Homes franchise system, we may require that you purchase certain goods and services items and services (a) from us and/or our Affiliates, even though we or they may be your only source of those goods and/or services, (b) from vendors and/or suppliers on our list of designated vendors and suppliers, as it may exist from time to time, and/or (c) in accordance with the System Standards, and you will be required to do so.

(ii) We may remove a reasonable number of samples of your goods and/or communicate with, and obtaining documents and other materials and information from, your vendors, suppliers, employees, independent contractors, customers, lenders, lessors and other persons, for purposes of confirming whether you are performing your obligations to those persons, confirming the quality and the adequacy of the products and services provided by you, confirming compliance with your obligations under this Agreement and for any other purpose related to this Agreement and/or the relationship between the parties that we, in our discretion, determine to be necessary, appropriate or desirable. You agree to assist and cooperate with us and our Representatives in that regard. You hereby consent to our (or our Representatives) taking any or all of such actions, expressly waive any and all rights that you may have in connection with the disclosure of those materials and that information to us (or our Representatives) and consent to the use of those materials and that information by us (or our Representatives). You will promptly sign such other and further documents, and take such other and further actions, as we may request to

confirm or effectuate our rights pursuant to this Section 6(h). You must pay, or reimburse us for, at our election, any expenses that we (or our Representatives) may incur in connection this Section 6(h).

(iii) Except for the Master Franchise Materials, e-mail service and cloud data storage, if we require that you purchase certain goods and/or services from us or our Affiliates or from designated vendors and/or suppliers, you may request that we add certain vendors or suppliers to our list of list of designated vendors and suppliers. We may require you to submit samples or specifications for examination or testing, at your expense, to determine if your requested vendors and/or suppliers and their products or services meet our specifications. You must also pay, or reimburse us for, at our option, our costs and expenses in connection with that evaluation and/or testing. We will advise you of our approval or denial of approval within 45 days after receipt of all applicable information and, if we approve a vendor or supplier, you may purchase the subject products and/or services from that vendor or supplier. We may, however, revoke our approval at any time by notifying you of that revocation. We do not presently have formal criteria for vendor or supplier approval; if and when we adopt formal criteria, the criteria will be made available to you upon your request.

(iv) We reserve the right to make a profit on goods and/or services that you or other franchisees may purchase from us or our Affiliates and/or receive a rebate or other consideration from our designated vendors and suppliers, or other persons, in connection with goods and/or services purchased by you and other franchisees from those vendors and suppliers, or other persons, or otherwise derive revenue from required purchases or leases; provided, however, that with respect to goods and services that do not contain the Marks and are not proprietary to us, we will use our commercially reasonable efforts to cause the price paid by you for goods and services from those vendors and suppliers not to exceed the price at which you can otherwise obtain such goods and services.

(v) You acknowledge that we and any designated vendors and suppliers have a direct and legitimate interest in the manner in which our or their products and services are marketed, including the prices at which products and services are offered to customers. As a service to you and other franchisees, we may, but are not obligated to, utilize our experience and the data obtained from our Affiliates and franchisees to establish and maintain a suggested schedule of prices for products and services of the Master Franchise Business.

(i) You must obtain and maintain all bonds, licenses, permits and certifications required, or determined by us to be desirable, to be held by you in connection with the conduct of your Alair Homes Master Franchise. It is your sole obligation to research all applicable federal, state and local laws, regulations and ordinances governing the operation of your Alair Homes Master Franchise to ensure that your operation of your Alair Homes Master Franchise does not violate any federal, state or local law, regulation or ordinance. You must secure and maintain in force throughout the Term all required bonds, licenses, permits and certifications relating to the operation of your Alair Homes Master Franchise and operate your Alair Homes Master Franchise in full compliance with all applicable laws, regulations and ordinances and in accordance with our policies. In all dealings with Alair Homes Unit Franchisees, customers, suppliers, vendors, employees, independent contractors, us and the public, you and your Representatives must adhere

to the highest standards of honesty, integrity, fair dealing and ethical conduct. You must refrain from any business or advertising practice that might injure your Alair Homes Master Franchise, the Alair Homes franchise system, us, our Affiliates and/or the goodwill associated with the Marks. You must notify us within 24 hours of any notice of violation of any law, regulation or ordinance relating to health, cleanliness or safety. You must notify us within five days of (i) the commencement of any action, suit or proceeding relating to the Business, (ii) the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality that might adversely affect your operation or financial condition or that of your Alair Homes Master Franchise (including the revocation or threatened revocation of any bond, license, permit or certification applicable to your Alair Homes Master Franchise) and (iii) any notice of violation of any other law, regulation or ordinance relating to your Alair Homes Master Franchise. You must notify us within two days of your receipt of an unsatisfactory or failing governmental inspection report.

(j) You must pay when due all debts and obligations incurred by you in connection with the operation of your Alair Homes Master Franchise, including all applicable tax liabilities and all liabilities to designated vendors and suppliers. If you fail to pay any amount you are required to pay, or perform any obligation you are required to perform, we may, but are not obligated to, pay that amount and/or take any action necessary to cure the default. You must immediately pay to us the amount we paid or the amount we expend to cure that default, plus interest from the date paid or expended by us. This right will accrue whether or not we terminate this Agreement.

(k) You must, at your sole cost and expense, procure and maintain in full force and effect at all times during the term of this Agreement, insurance policies of the types and in the minimum amounts that we may from time to time require, as stated in the Operations Manual and/or other materials that we may provide to you (including errors and omissions insurance), that are required in your lease (if any) and that are required by applicable law. All insurance policies must be issued by insurance carriers rated A+ or better by A.M. Best Company, Inc. All insurance policies be primary (non-contributory), must name us and our Affiliates as additional insureds, must provide that your failure to comply with any term, condition or provision of the contract, and any other conduct by you, will not void or otherwise affect the protection afforded to us (or our affiliates) under the policy, must contain a waiver by the insurance carriers of all subrogation rights against us and must provide that we will receive 30 days' prior written notice of termination, expiration, cancellation or modification of any such policy. If you sustain a loss by reason of fire, flood or other casualty of a type typically covered by insurance, and that casualty is caused wholly or partially by our (or our Affiliates') acts or omissions, you must look solely to the proceeds of your insurance policy for reimbursement of the loss, and neither you nor any insurance carrier may recover damages against us (or our Affiliates) by way of direct action, subrogation, assignment of claims or otherwise. You will waive all rights of recovery by you, any insurance carrier or other person against us, and must notify each insurance carrier of that waiver. You agree to furnish to us prior to opening your Alair Homes Master Franchise, annually and upon request certificates of insurance or other evidence of the maintenance, renewal or extension of each such policy. If you at any time fail or refuse to maintain in effect any insurance coverage required by us, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies in this Agreement, may, but need not, obtain such insurance coverage on behalf of you, and you must

promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to us, on demand, any costs and premiums incurred by us and we may, at our option, debit your account for the amount of such costs or premiums, together with interest thereon. Your failure to provide insurance coverage as required will be considered a material breach of this Agreement. Your obligation to obtain and maintain the insurance coverage required by this Agreement will not be limited in any way by reason of any insurance maintained by us, nor will your performance of such obligations relieve you of any indemnification obligations contained in this Agreement.

(l) You must comply with our quality control, operational and customer service requirements, including the System Standards and/or resolving issues with Alair Homes Unit Franchisees in a manner consistent with the System Standards or as we may otherwise require.

(m) If you abandon (as evidenced by your Alair Homes Master Franchise being closed for business for more than seven consecutive days or some other affirmative act, such as the authorization or auction or sale of equipment) or otherwise fail to operate your Alair Homes Master Franchise properly, we may elect to operate (or select a designee to operate) your Alair Homes Master Franchise for a reasonable period on your behalf, and pay us the Management Fee provided for in Section 8 of this Agreement.

(n) You must obtain, at your expense, the computer and communications systems, equipment, software and programming that we designate (as modified by us from time to time, the "Computer System"). You must obtain and maintain continuous access to the Internet and to our website in a manner that will enable you to download and upload required information (without regard to size) and to otherwise interact with us, your Alair Homes Unit Franchisees and other persons, in such manner as we may specify. You must comply with the policies relating to the Computer System that we specify from time to time, including our e-mail, social media and other IT policies, payment card industry policies, hardware policies and other policies. The Computer System must be capable of supporting the Proprietary Software and be accessible by us remotely. You acknowledge that we and our Affiliates and our respective Representatives will have unrestricted independent access to all information generated and stored in the Computer System at any time and reserve the right to access the Computer System without prior notice to you. We and/or our Affiliates and our respective Representatives will remotely access the Computer System. All information and data generated by the Computer System is our property. You must, at your expense, upgrade, update and/or replace that computer system, equipment, software and programming software and programming when we believe that it is necessary, appropriate or desirable. You are solely responsible for protecting yourself from viruses, computer hackers and other computer-related problems, and you may not sue us for any harm caused by such computer-related problems. You are responsible for backing up and otherwise protecting your information and data on the Computer System. You are also responsible for recording and restoring all software license keys.

(o) You must attend, at your expense, all periodic meetings and conference calls of franchisees that we determine are mandatory for all franchisees, or groups of franchisees (as designated by us), such as franchisees within a particular geographic region. We may impose a fee for attending those meetings.

(p) You must maintain such books and records as are required by law and such books and records as we may from time to time require, in our discretion, in the English language and in an orderly fashion, utilizing the software programs and chart of accounts designated by us, and in accordance with standard accounting procedures. You must maintain your books and records on the premises upon which you operate your Alair Homes Master Franchise. All books and records maintained by you relating to your Alair Homes Master Franchise must be retained by you during the Term and for the seven-year period following the Transfer, expiration or termination of this Agreement. We may disclose to any person (including any lender or lessor of yours) or use for any purpose, any financial or other information regarding you and/or your Alair Homes Master Franchise, without obtaining your consent.

(q) You must submit to us in the English language such operating, financial, tax and other statements, information, returns and reports as we may, in our discretion, require from time to time, in the form and manner that we may require, in our discretion (collectively, the "Statements"). We may inspect and/or cause our Representatives to inspect, at any time, the Statements and other books and records. Upon request, you must provide us and/or our Representatives access to, or copies of, such books and records upon our request, as we may request, at your expense.

(r) We may audit, or cause our Representatives to audit, your books and records. You must provide us and our Representatives access to your books and records, and cooperate with the conduct of any audit. We will pay all costs and expenses in connection with any audit unless (i) the audit was performed in connection with confirming your compliance with this Agreement, (ii) the audit is due to your failure to allow us access to your books and/or records, (iii) the audit is due to your failure to submit Statements, (iv) you fail to cooperate with our audit or (v) the audit reveals a deficiency of 2% or more in the amounts owed to us for any period. In that event, you must promptly pay, or reimburse us for (at our election), all of our costs and expenses in connection with the audit, and must pay us the amount of any underpayment, plus interest and late fees.

(s) You are not required to have us or our affiliates provide a full-cycle back-end accounting management system and full-cycle accounting management services to you. The accounting management system and services would provide accounting functions and financial reports (such as paying accounts payable, collecting accounts receivable, managing cash flow and calculating profit and loss), but will not generate year-end financial statements, which must be generated by your accountant. However, if you do engage us or our affiliates to do so, you must pay us the fees that we charge, at our standard rates, and you must, at your expense, engage our designated vendor to provide the sales tax preparation services and you must purchase payroll software and services from our designated vendors and suppliers.

(t) You must deposit all revenue and other receipts from operations of your Alair Homes Master Franchise into a bank account that you designate to us (the "Account") within two days of your receipt, including all cash, checks and credit card receipts. You must maintain all of your cash and cash equivalent assets in the Account and may only withdraw funds from that account (by check, online payments, withdrawal or otherwise) in accordance with our cash-on-hand policies that are designed to, among other things, ensure that customers' payments are retained in the Account until needed to pay vendors and suppliers related to those customers'

projects, customers' payments to you are not used for payments for other customers' projects, funds are not withdrawn and profits are not withdrawn by you until such profits are earned by project (or phase of project) completion. If funds are debited from the Account by us for payments authorized by this Agreement or by you in violation of our cash-on-hand policies, you must promptly restore to the Account the funds necessary to bring the Account balance in compliance with our cash-on-hand policies.

7. Compensation Payable to you for your Services.

(a) Subject to Section 7(b) and your payment of the franchise fee, we will pay you (i) 50% of the Net Franchise Fee paid to us by an Alair Homes Unit Franchisee in your Region between the Master Franchise Commencement Date and the expiration or termination of the Master Franchise Agreement, provided that they sign their franchise agreements after the Master Franchise Commencement Date and before the expiration or termination of the Master Franchise Agreement, and (ii) a service fee in an amount equal to 50% of the Net Payments paid to us by Alair Homes Unit Franchisees in your Region between the Master Franchise Commencement Date and the expiration or termination of the Master Franchise Agreement; provided, however, that you will not receive any payments with respect to Net Payments paid by you or your Affiliates unless and until a second Alair Homes Unit Franchise in your Region has been awarded and becomes operational.

(b) If you are in breach of your obligations under this Agreement (for example, you are not performing your obligations to support Alair Homes Unit Franchisees), you will not be entitled to receive part or all, as we may determine, in our sole discretion, of the Net Payments to which you would otherwise be entitled, and we will retain those amounts. We may, in our sole discretion, also defer payment of the Net Franchise Fees to which you would be entitled until you cure any such breach. If you timely cure any such breach, we will pay to you the Net Franchise Fees so deferred, without interest. If you do not timely cure any such breach, we will retain the Net Franchise Fees so deferred. In addition, if we assume management of your Alair Homes Master Franchise, all or part of the Net Payments may be retained by us as a Management Fee. We may also set-off any amounts that you owe us or our Affiliates against any amounts that we or our Affiliates might owe you.

(c) The term "Net Franchise Fee" means the initial franchise fee paid to us by an Alair Homes Unit Franchisee (other than you and your Affiliates), less (i) the amount that we directly or indirectly pay or incur for that Alair Homes Unit Franchisee's training, (ii) the amount of franchise broker, finder or similar fees that we directly or indirectly pay or incur in connection with the sale of that Alair Homes Unit Franchise, (iii) the portion of the initial franchise fee paid to us by an Alair Homes Unit Franchisee (other than you and your Affiliates) that we pay to the Master Franchise Brand Fund, if any, with respect to that Alair Homes Unit Franchisee ("Franchisor's Master Franchise Brand Fund Contribution") and (iv) any amount that we refund or return to that Alair Homes Unit Franchisee. If payment of an Alair Homes Unit Franchisee's initial franchise fee is deferred, we will pay you your portion of the Net Franchise Fee as and when we receive payment of the initial franchise fee if we receive it before the expiration or termination of the Master Franchise Agreement. Any amounts we receive for interest or other financing expenses will not be considered a part of the initial franchise fee.

(d) The term "Net Payments" means the amounts designated by us as royalties (for example, excluding Accounting Systems and Services Fees and any required marketing or advertising payments) paid to us by an Alair Homes Unit Franchisee, less any amount that we refund or return to that Alair Homes Unit Franchisee.

(e) Any costs and expenses (including attorneys' fees) that we incur in connection with collecting the initial franchise fee and/or royalties from Alair Homes Unit Franchisees will be deducted from the initial franchise fee and/or royalties, as the case may be, upon which the calculation of the Net Franchise Fee and Net Payments is based.

(f) You have no right to receive any portion of any other fees, payments or other amounts that we may receive from, on behalf of or with respect to Alair Homes Unit Franchisees or the Alair Homes franchise system.

8. Fees and Payments.

(a) (i) You must pay us, in cash or by check, a franchise fee in an amount equal to $74,500 plus $9,000 for each Alair Homes Unit Franchise required to be developed within the Region. The franchise fee is payable to us as follows:

(a) $74,500 is payable upon signing this Agreement; and

(b) $9,000 will be payable each time we grant an Alair Homes Unit Franchises in your Region.

(ii) In consideration of (x) administrative, legal and other expenses incurred by us in granting this franchise and (y) our lost or deferred opportunity to enter into this Agreement with others, the franchise fee is nonrefundable, and is fully earned by us when you sign this Agreement.

(b) (i) We may, in our sole discretion, develop a Master Franchisee webpage for you on our website. Your webpage will be developed, hosted, supported, maintained, updated, customized and modified by us. You or we may request certain updates, customization and/or modifications to your webpage. However, your requested updates, customization and modifications are subject to our sole discretion. You must pay us, within 10 days of our invoice, 105% of our costs and expenses plus the then-current fees in connection with developing, hosting, supporting, maintaining, updating, customizing and modifying your webpage.

(ii) If you would like to any Master Franchise Materials to be customized for you or your Region, and we agree to do so, we will do so. You must pay to us, within 10 days of our invoice, an amount equal to our then-current fees for customizing the Master Franchise Materials, plus any filing, legal and other fees in connection with submitting your customized Master Franchise Materials to state regulators.

(iii) If your Region is located in a state that requires registration or exemption of franchise offerings, you must pay to us, within 10 days of our invoice, an amount equal to your proportionate share (as we, in our sole discretion, determine, but currently based upon the number

of Master Franchisees in your state) of our costs and expenses (including filing, legal and other fees and disbursements) in connection with registering the offering of Alair Homes Unit Franchises in your state or applying for an applicable exemption.

(iv) You must use the Audit Software that we designate from time to time for you to audit, review and oversee your Alair Homes Unit Franchisees' operations. You must pay to us, as an Audit Software Fee, 50% of the fees and costs associated with your access to and use of the Audit Software. The set-up fee, if any, will be paid within 10 days of our invoice and the continuing fees will be paid monthly, or as we otherwise designate. It is your responsibility, at your expense, to populate the Audit Software on a monthly basis with respect to your Alair Homes Unit Franchisees and their projects. However, if you request that we populate the Audit Software for you, or if we, in our sole discretion, require to you have us populate the Audit Software for you, you must pay to us 105% of our costs and expenses in connection with doing so, plus our then-current fees in connection therewith.

(v) Upon signing this Agreement, you must pay us a Master Franchise Brand Fund Payment in the amount of $2,000. In addition, you will be required to pay to us, from time to time, within 10 days of our invoice, your proportionate share (as we determine) of the portion of the Master Franchise Brand Fund Expenditure (as defined below) that is not covered by Master Franchisees' Master Franchise Brand Fund Payments and Franchisor's Master Franchise Brand Fund Contributions (the "Additional Master Franchise Brand Fund Payments").

(vi) Your Master Franchise Brand Fund Payment and your Additional Brand Fund Payments will be retained in the Master Franchise Brand Fund. The Master Franchise Brand Fund will be used for expenditures (the "Master Franchise Brand Fund Expenditure") that, in our discretion, develop national Alair Homes Unit Franchise recruitment campaigns and to market the Alair Homes Unit Franchise franchise and/or promote, enhance or further the Alair Homes brand or the Alair Homes franchise system, including standardized/template marketing material for Alair Homes businesses, advertising, promotional, marketing and public relations expenses, hiring marketing, public relations and advertising agencies and personnel to assist in developing the Alair Homes brand name, the Alair Homes website, the Alair Homes intranet, designing and preparing scripts and advertisement templates, photography and other artwork, expenses associated with listings in telephone books, travel expenses in connection with promotions and market meetings, training, development of Marks and materials bearing the Marks, production of circulars and media, advertisements, coupons and promotional materials, sponsorships and conducting market research, taste studies, focus groups and advertising tracking studies. Any amounts in the Master Franchise Brand Fund not spent during the fiscal year during which they were collected will be used during the following fiscal years; any amounts expended in excess of the amount in the Master Franchise Brand Fund during any fiscal year (together with amounts not expended during prior fiscal years) will be debited from the following years' or the prior years' Master Franchise Brand Fund. Any amounts in the Master Franchise Brand Fund not spent during the fiscal year during which they were collected may be used by us for other purposes on a short-term basis provided that that use does not impair the availability of those amounts for advertising purposes.

(vii) You must pay to us, within 10 days of our invoice, 50% of our costs and expenses in connection with validating prospective Alair Homes Unit Franchisees in your Region.

(viii) If (a) you request that we provide a service or certain goods, or perform anything else specifically for you and/or your Region, and we agree to do so or (b) we believe it is reasonably necessary for us to provide a service or certain goods, or perform anything else specifically for you and/or your Region, you must pay to us, within 10 days of our invoice, our costs and expenses in connection therewith.

(ix) If and when we establish an advertising cooperative in the marketing area in which the Region is located, you must participate in that advertising cooperative. We will determine the geographic scope and membership of each advertising cooperative. We may change, dissolve or merge any of the advertising cooperatives. We and/or our Affiliates (if we or our Affiliates operate an Alair Homes Master Franchise in your marketing area) and the Alair Homes Master Franchisees in your marketing area will administer the advertising cooperative, which may assess a fee for administration or advertising. We or our Affiliates will be entitled to one vote per Alair Homes Master Franchise that we then operate in your marketing area. If we do not operate any Alair Homes Master Franchises within your marketing area, we may elect to participate in your advertising cooperative as a non-voting member. Advertising cooperatives will not be required to operate from written governing documents. However, if your advertising cooperative operates from written governing documents, you will be able to review those documents once you become an Alair Homes Master Franchisee. We will not require advertising cooperatives to prepare periodic financial statements, but the advertising cooperative may elect to do so.

(x) You must pay to us, within 10 days of our invoice, 50% of any legal fees or expenses that we incur in connection with Alair Homes Unit Franchisees in your Region plus 50% of any amounts that we pay as damages or settlement payments in connection with litigation, arbitration or other proceedings with Alair Homes Unit Franchisees in your Region; provided, however, that if any of such amounts arise out of (a) your or your Representatives' actions or omissions, (b) the operation of your Alair Homes Master Franchise, including all safety and employee matters, and/or (c) your failure or your Representatives' failure to perform and comply with your obligations under this Agreement or any of the agreements or documents executed in connection herewith, including the failure to obtain or comply with the agreements contemplated by Section 14, you must pay us 100% of these amounts pursuant to Section 15.

(d) You will pay us, prior to attendance or participation, any meeting fees and training fees we may impose in connection with attending or participating in periodic local and regional meetings and training other than the Master Franchise Training Program. You will bear the travel, meals, lodging and related expenses in connection with attending or participating in the meetings, training and any Discovery Days that you attend.

(e) You will pay us, upon invoice, any Proprietary Software Maintenance or Access Fees we may impose in connection with maintaining, repairing, upgrading, accessing and/or updating the Proprietary Software. At any time that you own an Alair Homes Unit Franchise and are paying Proprietary Software Maintenance or Access Fees as an Alair Homes Unit Franchisee, you will not be required to pay additional Proprietary Software Maintenance or Access Fees as an Alair Homes Master Franchisee.

(f) You will pay us, on the first day of each month, any e-mail and cloud data storage fees that we may impose. At any time that you own an Alair Homes Unit Franchise and are paying e-mail and cloud data storage fees as an Alair Homes Unit Franchisee, you will not be required to pay additional e-mail and cloud data storage fees as an Alair Homes Master Franchisee.

(g) If we provide more than our average amount of on-site assistance at your request, you will pay us, upon invoice, our then-current on-site assistance fee, and pay or reimburse us for our travel, meals, lodging and related expenses.

(h) If you use unapproved advertising or marketing materials, you will pay us, on demand, an unauthorized advertising fee in the amount of $1,000 per occurrence.

(i) If you use unauthorized products or services, you will pay us, on demand, an unauthorized product usage fee in the amount of $500 per day, from the day that you begin such unauthorized use until the day that you permanently discontinue such unauthorized use.

(j) (i) If we do something that you are required to do, but do not do (for example, if we de-identify the premises upon which you operate your Alair Homes Master Franchise upon relocation, expiration or termination after you failed to do so or if we pay insurance premiums that you failed to pay), you will pay us, upon invoice, an amount equal to 105% of our costs and expenses in connection with that action plus the then-current fees in connection with that action, plus interest at the rate of 18% per annum or the highest commercial contract interest rate the law allows, whichever is less, from the date paid by us until repaid in full by you.

(ii) If our legal team spends time reviewing your documents, transactions or matters (for example, if you or a franchisee in your Region requests a change or updates are required to our standard construction agreements for your Region), you will pay us, upon invoice, the then-current fees and expenses of our in-house legal assistance and/or the fees and expenses of our outside legal counsel.

(k) If we pay any state taxing authority any sales taxes, use taxes, personal property taxes or similar taxes or any taxes with respect to the franchise fee or other payments collected by us with respect to the conduct of your Alair Homes Master Franchise (except for taxes that we pay to your state that are offset by a reduction in payments to another state), you will pay us, upon invoice, an amount equal to the amount that we paid to such state taxing authority, plus interest at the rate of 18% per annum or the highest commercial contract interest rate the law allows, whichever is less, from the date paid by us until repaid in full by you.

(l) If we assume management of your Alair Homes Master Franchise, we may retain as a management fee (the "Management Fee") an amount that we, in our sole discretion, determine, up to 100% of the Net Payments otherwise payable to you during the period during which we assume management of your Alair Homes Master Franchise.

(m) If a payment to us or our Affiliates is late, if you submit any required reports late or if you do not perform any other obligation on a timely basis, you will pay us, on demand, a late fee in the amount of $100 per occurrence.

(n) If you have failed to pay, when due, any amounts payable to us or our Affiliates pursuant to this Agreement, that delinquent amount will bear interest at the rate of 18% per annum or the highest commercial contract interest rate the law allows, whichever is less, from the due date until the delinquent amount has been paid in full. You acknowledge and agree that this Section 8(o) does not reflect our agreement to accept any payments after the due date or to extend credit to, or otherwise finance the operation of, your Alair Homes Master Franchise, and that our acceptance of delinquent payments does not constitute a waiver of our right to terminate this Agreement, or any other right pursuant to this Agreement.

(p) Despite any designation you make, we may apply any of your payments to us or our Affiliates to any amount payable to us or our Affiliates pursuant to this Agreement or any other agreement or in connection with the operation of your Alair Homes Master Franchise. In addition, we may set-off any amounts that you owe us or our Affiliates against any amounts that we or our Affiliates might owe you. However, you may not set-off any amounts that we owe you or your Affiliates against any amounts that you or your Affiliates might owe us, and you waive any right you may have to do so.

(q) All of the above fees and all other payments contained or referenced in this Agreement may be modified by us from time to time without your approval. Those fees or other payments will be no greater than the fees and payments then being charged to new Alair Homes Master Franchisees.

(r) Simultaneously with the execution and delivery of this Agreement, you must sign and deliver to us an electronic funds transfer (EFT) authorization form, in the form attached hereto as Exhibit B, authorizing us to automatically electronically debit the Account for all fees (other than the franchise fee) and other amounts payable to us or our Affiliates (including amounts that we or our Affiliates collect for third parties) pursuant to this Agreement and otherwise in connection with the operation of your Alair Homes Master Franchise, as well as any other documents that we or your bank may require from time to time in connection therewith. We will debit the Account for all amounts payable to us or our Affiliates (including amounts that we or our Affiliates collect for third parties) pursuant to this Agreement and/or in connection with the operation of your Alair Homes Master Franchise. We reserve the right to require you to pay any amounts payable to us or our Affiliates by such other means as we may specify from time to time. Simultaneously with the execution and delivery of this Agreement, you must provide us with: (i) your bank's name, address and account number; and (ii) a voided check from the Account. You must immediately notify us of any change in your banking relationship, including changes in Account numbers.

(s) Your obligations under this Agreement and the other documents executed in connection herewith (as well as other Master Franchise Agreements that you and your Affiliates enter into with us or our Affiliates), including your obligations under this Section 8, will be secured by all of your assets, including, without limitation, your furniture, fixtures and equipment, cash, cash equivalents and accounts, and accounts receivable, pursuant to a Security Agreement, in the form requested by us (the "Security Agreement").

9. Intellectual Property.

(a) Your right to use the Marks, the Systems, the Copyrights, the Innovations and the Confidential Information (as such terms are defined below) (collectively, the "Intellectual Property") is derived solely from this Agreement and is limited to the operation of your Alair Homes Master Franchise in accordance with this Agreement and the System Standards. You acknowledge and agree that we maintain and reserve all rights to the Intellectual Property except as expressly stated in this Agreement. You will not have the exclusive right to use the Intellectual Property. You may not offer or grant any sublicense or other rights to use the Intellectual Property to any person. You must use the Intellectual Property only in the manner prescribed by us. You may market and advertise to identify and solicit Alair Homes Unit Franchisees to operate Alair Homes Unit Franchises within your Region. In connection with your marketing and advertising activities, you may use your own advertising materials, provided that those materials have been prepared, and will be published or distributed, in accordance with the System Standards and have been approved by us prior to publication or distribution. You must include the Marks in advertising, promotional and/or marketing materials with respect to your Alair Homes Master Franchise, but those materials must be prepared, published and distributed, in accordance with the System Standards and must be approved by us prior to publication or distribution. Your unauthorized use of the Intellectual Property is a breach of this Agreement and infringes upon our rights in the Intellectual Property. You acknowledge and agree that your use of the Intellectual Property and any goodwill established by that use will automatically vest in us and inure to our exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Intellectual Property upon you (other than the right to operate your Alair Homes Master Franchise in accordance with this Agreement and the System Standards). Upon the expiration or termination of this Agreement, you may not, directly or indirectly, use the Intellectual Property in any manner or for any purpose whatsoever. You agree that you will not in any way infringe upon, harm or contest our rights or our Affiliates' rights to use of the Intellectual Property.

(b) (i) You must use the Marks as the sole identification of your Alair Homes Master Franchise (subject to the notices of independent ownership we designate). You may not use any Mark, or any part thereof, (a) as part of any corporate or legal business name, (b) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we have licensed to you), (c) in selling any unauthorized services or products; or (d) in any other manner we have not expressly authorized in writing. You may not use any Mark in advertising the transfer, sale or other disposition of your Alair Homes Master Franchise, its assets or any ownership interest in you (if you are a corporation, partnership, limited liability company or other business entity) without our approval. You must prominently and conspicuously display the Marks at the premises upon which you operate your Alair Homes Master Franchise in the manner we prescribe and on forms, advertising, supplies and other materials we designate. Use of any Marks must be accompanied by the registration, service mark, trademark or other symbol, as designated by us, in close proximity to the Marks. You must give the notices of trademark and service mark registrations that we specify and obtain any fictitious or assumed name registrations required under applicable law.

(ii) For purposes of this Agreement, the term "Marks" means (a) all trade names, trademarks, service marks, logos, product identifiers, symbols, selections and/or designations, including all registrations and applications for the same, owned by us or used in connection with Alair Homes Unit Franchises and/or Alair Homes Master Franchises (collectively,

"Alair Homes Franchises") and (b) the trade dress used in connection with Alair Homes Franchises and/or the System, including the characteristics of the visual appearance and/or design of products and packaging that signify Alair Homes and its franchisees as the source of the products and services to consumers, including the total appearance and image of the premises upon which you operate your Alair Homes Master Franchise and/or Alair Homes Unit Franchisees operate their Alair Homes Unit Franchises, Alair Homes home designs (if any), Alair Homes products and packaging, all related features such as design, size, texture, shape, color or color combinations, and graphics of Alair Homes and Alair Homes Franchises and/or their products and services and their packaging, and all advertising and marketing techniques used to promote Alair Homes and Alair Homes Franchises, as well as specifically including all signage, product and service displays, all product and service configurations (collectively, "Trade Dress"). The term "Marks" includes any modified, additional and/or substitute Marks.

(c) (i) Any reproduction of any items or materials suitable for copyright protection by us (the "Copyrights"), including the Copyrighted Materials (as defined below), must bear a copyright notice in the form designated by us. All advertising, promotional and/or marketing materials generated by or for you or your Principals (as defined below), directors, officers, managers or employees will be deemed a work for hire, and all ownership rights, including any copyrights, in such advertising, promotional and/or marketing materials are hereby assigned by you to us. In addition, you will require all of your Representatives to sign the Confidentiality and Restrictive Covenant Agreements obligating them to assign all of their right, title and interest in and to the Copyrights to us and to sign such other and further documents as we may request to effectuate this provision.

(ii) For purposes of this Agreement, the term "Copyrighted Materials" means all versions, variations and adaptations of the following materials in tangible form, either produced by us, produced on our behalf as works for hire or derived from works produced by or on behalf of us: (a) the Operations Manual and the other documents and materials containing the System Standards, (b) training materials (including printed, audio, video or electronic materials), (c) plans and specifications for Alair Homes Franchises, (d) product identification posters, photographs and graphics, (e) advertising, promotional and/or marketing materials, (f) labels, forms and reports provided by us, (g) any computer software developed or modified for use in the operation of Alair Homes Franchises, (h) all Trade Dress and Trade Dress elements and (i) any other materials protected by copyright law or marked or identified by us as protected by copyright.

(d) We will be entitled to use the name, likeness and voice of you and your Representatives for purposes of promoting the Alair Homes franchise system, us and our products and services, including all photos and audio and video recordings of you and your Representatives, and you hereby irrevocably consent thereto. You acknowledge that we will own all right, title and interest, to the extent allowed by law, in and to all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as "moral rights," "artist's rights," "publicity rights" or the like associated with such photos and audio and video recordings, and hereby assigns and transfers unto us the full and exclusive right, title, and interest in and to such publicity rights. At our request, you will obtain from any or all of your Representatives written consent, in such form as we may request.

(e) During the Term, you and your Representatives may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, formulae, products, packaging or other concepts and intellectual property relating to your Alair Homes Master Franchise and related goods and services (the "Innovations"). You hereby assign any and all of your right, title and interest in and to the Innovations, including any intellectual property rights, to us, and agree to cooperate with us and our counsel in the protection of the Innovations, including the perfecting of title thereto, and agree to sign such other and further documents as we may request to effectuate this provision.

(f) You agree to notify us immediately of any apparent infringement of, or challenge to, the Intellectual Property, your use of any Intellectual Property or any person's claim of any rights in any Intellectual Property, and not to communicate with any person other than us and our attorneys and your attorneys, regarding any such infringement, challenge or claim. We may take the action we deem appropriate (including no action) and exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other proceeding arising from any infringement, challenge or claim, or otherwise concerning any Intellectual Property. You must sign any documents and take any actions that we, in our discretion, deem necessary, appropriate and/or desirable, to protect and maintain our interests in the Intellectual Property. We are not required to protect your right to use the Intellectual Property or protect you against claims of infringement or unfair competition arising out of your use of the Marks. However, we will indemnify you for all damages for which you are held liable in any lawsuit arising out of your use of the Marks in compliance with this Agreement, provided that you notify us immediately when you learn about any related claim, proceeding or lawsuit, we have had the opportunity to defend such lawsuit, you have cooperated with us in connection with such defense and you have discontinued the use of the infringing Marks promptly upon our request. We have the right to defend any such claim, proceeding or lawsuit on your behalf, but are not required to do so.

(g) If we, in our discretion, at any time or from time to time, determine that it is advisable for us and/or you to modify or discontinue using any Intellectual Property and/or use one or more additional or substitute items of Intellectual Property, you must comply with our directions in connection therewith. We need not reimburse you for your costs and expenses in connection with complying with these directions, for any loss of revenue due to any modified or discontinued Intellectual Property or for your expenses of promoting a modified, additional or substitute item of Intellectual Property.

(h) You may not solicit other Master Franchisees or franchisees, or use the lists of Master Franchisees or franchisees, for any commercial or other purpose, other than purposes directly related to the operation of your Alair Homes Master Franchise, without our approval. You will cause your Representatives to comply with those restrictions.

10. <u>Confidential Information</u>.

(a) You acknowledge that (i) we are engaged in a highly competitive business, the success of which is dependent upon, among other things, the Confidential Information (as defined below), (ii) you and some or all of your Representatives will be in a position of confidence and trust with us in which you and some or all of your Representatives will have access to certain

Confidential Information, (iii) the Confidential Information constitutes valuable trade secrets that are intended to remain confidential and would be invaluable in the hands of any of our competitors and (iv) disclosure of the Confidential Information would irreparably damage us and our Affiliates, our respective franchisees and our and their respective businesses and goodwill and that you would be liable for that damage. All Confidential Information is and will be and remain our property. You must take reasonable steps (including complying with all security measures adopted by us) to prevent unauthorized disclosure of the Confidential Information.

(b) You agree, on your own behalf and on behalf of your Representatives, to maintain in strict secrecy and confidence all Confidential Information you or they receive, whether from us, our Representatives or otherwise, whether prior to or after the Effective Date, and must not disclose any Confidential Information to any individual or entity or use any Confidential Information for any purpose (including any purpose detrimental to us or our Affiliates, our respective franchisees and our and their respective businesses and goodwill; provided, however, that you and your Representatives may:

(i) Use the Confidential Information as strictly necessary in connection with the operation of your Alair Homes Master Franchise strictly in accordance with this Agreement;

(ii) Disclose the Confidential Information to your Representatives as strictly necessary in connection with the performance of your or Representative's duties in connection with the operation of your Alair Homes Master Franchise strictly in accordance with this Agreement; and

(iii) Disclose the Confidential Information pursuant to a subpoena or other legal process, provided that you (x) disclose only the minimum Confidential Information so required to be disclosed and (y) provide to us reasonable notice (but in any case not less than three days) that you or your Representative intends to so disclose the Confidential Information, together with the nature and substance of the Confidential Information intended to be so disclosed, so that we can object thereto.

(c) You must at all times take all steps reasonably necessary and/or requested by us to ensure that the Confidential Information is kept confidential, including, without limitation, complying with all applicable policies, procedures and practices that we have established, or may hereafter establish, with respect to the Confidential Information.

(d) All Confidential Information, including all copies thereof in tangible form (including, without limitation, information in computer software, firmware or other electronic storage media) must be returned or destroyed (whichever we designate) promptly upon the earlier of (i) our written request and (ii) the date of Transfer, expiration or termination of this Agreement. We may communicate your obligations pursuant to this Agreement to any customer or other individual or entity with whom you or your Representatives have a relationship, to the extent deemed necessary by us for the protection of our rights under this Agreement.

(e) For purposes of this Agreement, the term "Confidential Information" means any and all trade secrets and any and all proprietary or other information of or concerning us and our Affiliates and our respective businesses, activities, assets and prospects, including the systems,

home design, remodel, construction, business, promotional, marketing and advertising formats, materials, information, policies, practices, methods, technology and other systems, procedures, processes, techniques, formulae, goods and services and other information contained in the Operations Manual, all information and data generated by the Computer System and all other information and data related to your Alair Homes Master Franchise, all customer, employee, referral source, vendor and supplier lists and records, trade secrets, research, product plans and systems, products, services, markets, forecasts, strategies, systems and information, advertising concepts and executions, sketches, photographs, know-how, drawings, computer software, systems and programs, database technologies and systems, price lists, markets, business plans, marketing and financial information, in whatever form, manner, nature or medium (whether orally or in written or other tangible form, including, without limitation, magnetic media, electronic or other means), without regard to whether such information is provided directly by us or our Affiliates or our respective Representatives, and any Derivative Materials (as defined below). "Confidential Information" also includes any information that we and/or our Affiliates has received from a third party that we and/or our Affiliates is obligated to treat as confidential. For purposes of this Agreement, the term "Derivative Materials" means any notes, memoranda, analyses, compilations, reports, studies, interpretations or other documents or communications prepared by or for the benefit of you, your Affiliates or your respective Representatives that contain, reflect or are based upon, in whole or in part, any Confidential Information. Notwithstanding the foregoing, the following shall not be included within the definition of "Confidential Information:"

(i) Information that was publicly known or generally known within the construction industry at the time of communication thereof by us or on our behalf;

(ii) Information that becomes publicly known or generally known within the construction industry through no fault of you, your Affiliates or your respective Representatives subsequent to the time of communication thereof by us or on our behalf;

(iii) Information that you can demonstrate was in the possession of you, your Affiliate or your respective Representatives at the time of communication thereof by us or on our behalf, or is received by you, your Affiliates or your respective Representatives free of any obligation of confidence to us or our Affiliates; and

(iv) Information that you can demonstrate is, after the Effective Date but prior to the time of communication thereof by us or on our behalf, independently developed by you, your Affiliate or your respective Representatives without the use of or recourse to Confidential Information or a breach or violation of this Agreement.

(f) Upon your breach of any of the terms of this Section 9, we may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which we may be entitled. You agree that the rights conveyed by this Agreement are of a unique and special nature and that our remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Section 10, without the necessity of posting bond therefor or proof of actual damages.

(g) You will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made:

(i) In confidence to a federal, state or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; or

(ii) In a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

If you file a lawsuit for retaliation by us for your reporting a suspected violation of law, you may disclose the trade secret to your attorney and use the trade secret information in the court proceeding, if you file any document containing the trade secret under seal and do not disclose the trade secret except pursuant to a court order.

11. Restrictive Covenants.

(a) You may not, during the term of this Agreement, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competitive Business (as defined below). For purposes of this Agreement, the term "Competitive Business" means a business that, directly or indirectly, (i) offers or provides home building services, home renovation services and/or commercial contracting services and/or (ii) offers or sells licenses or franchises for the operation of businesses that offer or provide home building services, home renovation services and/or commercial contracting services.

(b) You may not, during the Restrictive Period (as defined below), directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competitive Business within the Restrictive Area (as defined below); provided, however, that you may be employed or engaged by an entity that is engaged a Competitive Business if (i) such entity does not derive more than 10% of its gross revenue from home building services, home renovation services and/or commercial contracting services, (ii) you have no ownership or financial interest (other than a salary or fair market value consulting fee) in such entity and (iii) you are not, directly or indirectly, providing any home building services, home renovation services and/or commercial contracting services for such entity. For purposes of this Agreement, the term "Restrictive Period" means the two-year period after the Transfer, expiration or termination of this Agreement; provided, however, that if a court of competent jurisdiction determines that such period is unenforceable, the term "Restrictive Period" means the one-year period after the Transfer, expiration or termination of this Agreement. For purposes of this Agreement, the term "Restrictive Area" means the Region plus a 10-mile radius around the Region; provided, however, that if a court of competent jurisdiction determines that such geographic area is unenforceable, the term "Restrictive Area" means the Region.

(c) You acknowledge that the provisions of this Section 11 (including the time restraints and geographic scope) are reasonable and necessary and agree that your failure to adhere strictly to the restrictions contained in this Section 11 will cause substantial and irreparable damage to us, our Affiliates and our respective franchisees. Upon your breach of any of the terms of this Section 11, we may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which we may be entitled. You agree that the rights conveyed by this Agreement are of a unique and special nature and that our remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Section 11, without the necessity of posting bond therefor or proof of actual damages. You acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants contained in this Section 11 will not deprive you of your personal goodwill or ability to earn a living.

(d) The parties understand and agree that we may reduce the scope of any provision of this Section 11 without obtaining your consent or approval and you agree that you will thereafter

comply with that provision as so modified. If the scope of any restriction contained in this Section 11 is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and both you and we agree that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision of this Section 11 is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision of this Agreement or the legality, validity or enforceability of that provision in any other jurisdiction.

12. Transfers.

(a) You may not offer or grant any subfranchise of the license, franchise or other rights granted pursuant to this Agreement without our express consent, which consent may be withheld by us, in our discretion.

(b) (i) You acknowledge and agree that your rights and obligations pursuant to this Agreement are personal to you and that we have granted such rights to you in reliance upon the business skill, financial capacity and personal character of you and your Principals. Accordingly, you may not sell, assign, transfer, convey, give away, pledge, mortgage or otherwise dispose of or encumber, by operation of law or otherwise ("Transfer"), (a) the license, franchise or other rights granted pursuant to this Agreement, your Alair Homes Master Franchise or any of your rights and/or obligations pursuant to this Agreement and/or any direct or indirect interest in this Agreement, or (b) any equipment, real property or other assets used in connection with your Alair Homes Master Franchise (other than in the ordinary course of business) (collectively, "Your Rights"), without our prior consent, which will not be unreasonably withheld. The Transfer or issuance of stock or any other equity interest in you (if a corporation, partnership, limited liability company, partnership, trust or other entity) and any merger, consolidation or other reorganization of you (if a corporation, partnership, limited liability company, partnership, trust or other entity) will be deemed to be a Transfer subject to the provisions of this Section 12. Any Transfer not authorized pursuant to this Section 12 is void and of no force or effect. You represent and warrant that, as of the Effective Date, the stock or other equity interests in you are directly and indirectly owned as stated in Exhibit A hereto.

(ii) It is agreed that our withholding of consent (a) because the prospective transferee (the "Transferee") would not satisfy our then-current qualifications for franchisees, (b) because the financial or other terms of the Transfer may, in our judgment, have an adverse impact upon the Transferee's potential ability to operate, or potential success in operating, your Alair Homes Master Franchise, (c) because the transaction does not require you to subordinate your right to receive any post-closing payments from the Transferee to the Transferee's obligations to us or (d) at a time when you (or your Affiliates or your or their Representatives) or the Transferee (if he is an existing franchisee of ours) is in breach of, or default under, this Agreement or any other agreement with us or our Affiliates is reasonable.

(iii) You expressly authorize us to evaluate and investigate the potential Transferee and/or transaction and acknowledge that our contact with the potential Transferee will

not constitute improper or unlawful conduct. We are not obligated, however, to evaluate and/or investigate the potential Transferee and/or transaction. You waive any claim with respect to or based upon tortious interference with contractual or business relationship in connection with or arising out of any action that we take in connection with the potential Transferee or the Transfer, including the withholding of approval of any potential Transferee and/or Transfer.

(ii) If you desire to Transfer Your Rights, you must provide us with a request for Transfer, accompanied by financial and other information regarding the potential Transferee as we may require, all pertinent terms of the transaction (which transaction must be for cash and no other consideration and must not grant you a security interest in this Agreement (or the Transferee's Master Franchise Agreement)) (collectively, the "Required Materials") plus 50% of the Transfer Fee (the "Transfer Deposit"), payable in cash or by check. For purposes of this Agreement, the term "Transfer Fee" means an amount equal to the sum of (a) 25% of the then-current initial franchise fee plus (b) the then-current Master Franchise Training Program fee, if any person will attend the Master Franchise Training Program.

(iii) Within 30 days after our receipt of all of the Required Materials (the "Response Period"), we will notify you that (a) we desire to acquire Your Rights (or have our designee acquire Your Rights) on the same terms and conditions as contained in the Required Materials, (b) the Transfer is approved or (c) the Transfer is not approved.

(iv) If we notify you that we desire to acquire Your Rights (or have our designee acquire Your Rights), that transaction will be closed within 60 days after the end of the Response Period upon the same terms and conditions contained in the Required Materials. You must pay us the balance of the Transfer Fee, in cash or by check, at the time of the closing.

(v) If we notify you that the Transfer is approved, you may Transfer Your Rights to the Transferee upon the same terms and conditions contained in the Required Materials within 60 days after the end of the Response Period, provided that prior to Transferring Your Rights:

(a) The Transferee signs the Master Franchise Agreement in the form then generally being offered to prospective Alair Homes franchisees; provided, however, that the region in that Master Franchise Agreement will be the Region, the term of the Master Franchise Agreement will the term remaining under this Agreement and the Transferee will not be obligated to pay the initial franchise fee.

(b) Each Principal and Representative of the Transferee signs an agreement in the forms then being signed by Principals and Representatives of new franchisees;

(c) The Transferee or its Managing Principal attend and successfully complete, to our satisfaction, the Master Franchise Training Program, if they have not previously attended the Master Franchise Training Program;

(d) You and your Principals sign an acknowledgement that certain provisions of this Agreement (including the confidentiality, non-hiring and non-competition

provisions) will continue to be binding upon you and your Principals, in the form that we may require;

(e) You and your Affiliates, and your respective Principals, sign a general release of us and our Affiliates, in the form that we may require;

(f) You pay us the balance of the Transfer Fee, in cash or by check;

(g) You return to us the Operations Manual and the other documents and materials containing the System Standards, all training materials and all other property of ours (including all materials relating to the Intellectual Property);

(h) The Transfer documents clearly effectuate the Transfer, contain an acknowledgement by the Transferee that we make no representation or warranty with respect to the rights and/or assets being Transferred and/or the viability or value of your Alair Homes Master Franchise; and

(i) All amounts outstanding by you or your Affiliates to us or our Affiliates as of the date of the closing are paid at the closing and all breaches of or defaults under this Agreement or any other agreement with us or our Affiliates are cured as of the closing.

(vi) If the Transfer is not approved, the Transfer Deposit, less our out-of-pocket expenses in connection with the proposed Transfer, will be refunded to you.

(d) Notwithstanding the foregoing, any Closely-held Transfer (as defined below) will be subject to the other provisions of this Section 12; provided, however, that the Transfer Fee will be an amount equal to the sum of (i) our expenses (including reasonable attorneys' fees) in connection with the Closely-held Transfer plus (ii) the then-current Master Franchise Training Program fee for each individual who will attend the Master Franchise Training Program (unless the Transferee or its Managing Principal has already attended the Master Franchise Training Program) and we will not have the right of first refusal contemplated by Section 12(c). In addition, in connection with a Closely-held Transfer, no one will be entitled to attend the Master Franchise Training Program at our expense. For purposes of this Agreement, the term "Closely-held Transfer" means a Transfer to an individual or entity that controls, is controlled by or is under common control with you (Franchisee).

(e) Notwithstanding the foregoing, any attempt to directly or indirectly Transfer your Alair Homes Master Franchise or Your Rights upon your death, your Disability (as defined below) or the dissolution of your marriage (if your rights and/or obligations pursuant to this Agreement and/or any direct or indirect interest in this Agreement, or an interest therein, will be Transferred to your spouse or a Principal's spouse upon dissolution of marriage) (or, if you are a corporation, limited liability, partnership, trust or other entity, a Principal's death, a Principal's Disability or the dissolution of a Principals marriage) will be subject to the restrictions on Transfer contained in this Section 12; provided, however, that the Transfer Fee will be an amount equal to our expenses (including reasonable attorneys' fees) in connection with that Transfer plus the then-current Master Franchise Training Program fee for each individual who will attend the Master Franchise Training Program (unless the Transferee or its Managing Principal have already attended the Master

Franchise Training Program) and we will not have the right of first refusal contemplated by Section 12(c). However, if a Transfer in accordance with this Section 12(e) is not effectuated within 90 days after death, Disability or dissolution of marriage in accordance with the provisions of this Section 12, we may terminate this Agreement. For purposes of this Agreement, the term "Disability" means the inability, due to a mental or physical impairment, to operate your Alair Homes Master Franchise, if such inability has continued or is expected to continue for a period of more than 90 days during any 12-month period. The determination of "Disability" will be made by us in good faith.

13. Term.

(a) The term of this Agreement (the "Term") will commence on the Effective Date (as defined on the signature page of this Agreement) and will expire 10 years from the Master Franchise Commencement Date, unless sooner terminated or extended pursuant hereto.

(b) (i) You will not have the right to renew this Agreement. However, subject to the other provisions of this Section 13(b), and provided that we are then offering Alair Homes Master Franchises in the state(s) in which your Alair Homes Master Franchise conducts business, at the expiration of the Term, you will have the right (the "Successor Franchise Right") to enter into a new Master Franchise Agreement in the form then generally being offered to prospective Alair Homes Master Franchisees (together with the documents to be executed in connection therewith, the "First Successor Master Franchise Agreement") for a 10-year period (the "First Successor Term"), which Successor Master Franchise Agreement will grant you the right to enter into one additional Master Franchise Agreement at the end of the First Successor Term, in the form then generally being offered to prospective Alair Homes franchisees (together with the documents to be executed in connection therewith, the "Second Successor Master Franchise Agreement") for a 10-year period (the "Second Successor Term"). You acknowledge that the terms of the First Successor Master Franchise Agreement and the Second Successor Master Franchise Agreement will be as then generally applicable to new franchisees granted at the time and may differ from those contained in this Agreement, except that you will not be obligated to pay the initial franchise fee and you will not be entitled to attend the Master Franchise Training Program. You acknowledge that the First Successor Master Franchise Agreement and the Second Successor Master Franchise Agreement will contain additional development requirements.

(ii) Subject to the other provisions of this Section 13(b), you may exercise the Successor Franchise Right by notifying us in writing (the "Notice of Election"), no later than the Notice Deadline (as defined below), that you intend to exercise the Successor Franchise Right and then, no later than the Execution Deadline (as defined below) executing and returning to us the First Successor Master Franchise Agreement or the Second Successor Master Franchise Agreement, as applicable. For purposes of this Agreement, the term "Notice Deadline" means the date 180 days before the expiration of the Term or the First Successor Term, as applicable and the term "Execution Deadline" means the date 30 days after you receive our then-current Franchise Disclosure Document, if applicable, and execution copies of the First Successor Master Franchise Agreement or the Second Successor Master Franchise Agreement, as applicable; provided, however, that if the Execution Deadline is prior to the expiration of any waiting period required

by applicable law, such 30-day period will be extended by the minimum number of days necessary to comply with applicable law.

(iii) Your Successor Franchise Right is conditioned upon your fulfillment of each and all of the following conditions precedent:

(a) At the time you deliver the Notice of Election to us and at all times thereafter until the commencement of the First Successor Master Franchise Agreement or the Second Successor Master Franchise Agreement, as applicable, you and your Representatives must have fully performed, in all material respects, all obligations under this Agreement and the documents executed in connection with this Agreement, the Operations Manual and all other agreements then in effect between you (or your Affiliates) or your Representatives (or your Affiliates' Representatives) and us (or our Affiliates).

(b) You and your Representatives must not have a history of Repeated Breaches (as defined below) during the Term or the First Successor Term, as applicable. For purposes of this Agreement, the term "Repeated Breaches" means that you or your Representatives have been in breach of any obligation under this Agreement, the Operations Manual and all other agreements then in effect between you (or your Affiliates) or your Representatives (or your Affiliates' Representatives) and us (or our Affiliates) three or more times during any rolling 24-month period.

(c) The Manager must attend such training programs and refresher courses as we may request.

(d) Simultaneously with the execution of the First Successor Master Franchise Agreement or the Second Successor Master Franchise Agreement, as applicable, you must, pay a fee in the amount of $15,000.

(e) Simultaneously with the execution of the First Successor Master Franchise Agreement or the Second Successor Master Franchise Agreement, as applicable, you must, and must cause each of your Affiliates and your respective Principals to, execute and deliver to us a general release, on a form prescribed by us of any and all known and unknown claims against us, our Affiliates, our Representatives and our Affiliates' Representatives. The release may cover future consequences of acts, omissions events and circumstances predating the date of the release, but will not release, in advance, future acts, omissions or events that have not occurred at the time the release is executed.

(iv) If we are not offering new franchises, are in the process of revising, amending or renewing our form of Master Franchise Agreement and/or Franchise Disclosure Document, or are not lawfully able to offer you our then-current form of Master Franchise Agreement, at the time you deliver the Notice of Election, we may, in our discretion, (i) offer to renew this Agreement upon the same terms contained herein or (ii) offer to extend the then-current on a week-to-week basis following the expiration of the then-current hereof for as long as we deem necessary or appropriate so that we may lawfully deliver our then-current form of Master Franchise Agreement and/or Franchise Disclosure Document.

(v) If applicable law requires that we give notice to you prior to the expiration of the then-current term, this Agreement will remain in effect on a week-to-week basis until we have given the notice required by such applicable law.

14. Principals, Managing Principals and Representatives.

(a) If you (Franchisee) are an entity, you hereby designate the individual identified in Exhibit A, who owns at least a 25% equity interest in you (Franchisee) as the managing Principal (the "Managing Principal"). The Managing Principal will be the individual with whom we may (i) deal for purposes of administering and coordinating this Agreement and our relationship with you (Franchisee) and (ii) treat as the sole owner of an equity interest in you (Franchisee) in the event of a dispute among your Principals. You (Franchisee") hereby irrevocably authorize the Managing Principal to act on behalf of, and to bind, you. The Managing Principal may be changed from time to time upon our mutual agreement. For purposes of this Agreement, the term "Principal" means each individual (and his/her spouse), corporation, partnership, limited liability company or other entity that owns, directly or indirectly, a 5% or greater equity interest in an entity.

(b) Simultaneously with signing this Agreement, you must deliver to us a signed Agreement to be Bound and to Guarantee, in the form requested by us (the "Agreement to be Bound and to Guarantee"), pursuant to which each of the Principals agrees to perform, and guarantees, your obligations to us and our Affiliates, including agreeing to be bound by certain of the provisions of this Agreement (including Sections 9, 10 and 11) and the Security Agreement. At any time after the signing of this Agreement a person becomes a Principal, you must promptly (on the date that a person becomes a Principal) deliver to us a signed Agreement to be Bound and to Guarantee, in the form requested by us, pursuant to which each of such new Principal agrees to perform, and guarantees, your obligations to us and our Affiliates, including agreeing to be bound by certain of the provisions of this Agreement (including Sections 9, 10 and 11) and the Security Agreement.

(c) Simultaneously with signing this Agreement, you must deliver to us a signed Confidentiality and Restrictive Covenant Agreement, in the form requested by us, pursuant to which each of the Representatives other than the Principals agrees to be bound by certain of the provisions of this Agreement (including Sections 9, 10 and 11). At any time after the signing of this Agreement a person becomes a Representative other than a Principal, you must promptly (within five days after such person becomes a Representative) deliver to us a signed Confidentiality and Restrictive Covenant Agreement, in the form requested by us, pursuant to which each of such new Representatives agrees to be bound by certain of the provisions of this Agreement (including Sections 9, 10 and 11). For purposes of this Agreement, the term "Representative" means your Principals, directors, officers, managers, employees and independent contractors.

(d) Your failure to comply with the provisions of this Section 14 will entitle us to terminate this Agreement. A breach of any provision of an Agreement to be Bound and to

Guarantee by any Principal and a breach of any provision of a Confidentiality and Restrictive Covenant Agreement by a Representative will entitle us to terminate this Agreement.

(e) If you (franchisee) are an entity, on or prior to the Effective Date, you must provide to us true, correct and complete copies of your governing documents (for example, if you are a corporation, you must provide to us your Articles or Certificate of Incorporation, your Bylaws and any Shareholders' Agreements), the governing documents of any equity owners that are entities and any other documents that reflect equity ownership and/or the right to control you. By delivering those documents to us, you represent and warrant that they are true, correct and complete.

15. Indemnification. You must protect, defend and indemnify us, our Affiliates and our respective Representatives and their respective successors and assigns (collectively, the "Indemnified People") and must hold the Indemnified People harmless (with counsel acceptable to us) for, from and against any and all damages, claims, demands, liabilities, losses, costs and expenses (including reasonable attorneys' fees), of every kind and nature, suffered or incurred by any of the Indemnified People in connection with any lawsuit, action, proceeding or claim arising out of (a) your or your Representatives' actions or omissions, (b) the operation of your Alair Homes Master Franchise, including all safety and employee matters, and/or (c) your failure or your Representatives' failure to perform and comply with your obligations under this Agreement or any of the agreements or documents executed in connection herewith, including the failure to obtain or comply with the agreements contemplated by Section 14. At our election, we may (but are not obligated to) undertake or assume, at your expense, the defense of any lawsuit, action, proceeding or claim and conduct and supervise all settlement negotiations related to any such lawsuit, action, proceeding or claim. Such undertaking or assumption will not extinguish, diminish or otherwise affect your indemnification obligations pursuant to this Section 15.

16. Termination.

(a) You will be in material default under this Agreement and this Agreement and all rights granted to you pursuant to this Agreement will automatically terminate without notice to you upon the occurrence of an Insolvency Event (as defined below).

(b) You will be in material default under this Agreement and we may, at our option, terminate this Agreement and all rights granted to you pursuant to this Agreement without affording you an opportunity to cure the default, effective immediately upon notice to you, upon the occurrence of any of the following events of default:

(i) If the Manager fails to successfully complete, to our satisfaction, the Master Franchise Training Program before the Master Franchise Commencement Date;

(ii) If you or any of your Principals is convicted of, or enters a plea of no contest to, a felony, a crime involving moral turpitude or any other crime or offense that we believe may have an adverse effect on us, the Alair Homes franchise system, the Marks or the good will associated therewith;

(iii) If a threat or danger to public health or safety results from the operation of your Alair Homes Master Franchise;

(iv) If any of your representations or warranties contained in this Agreement or any statement made or materials given in connection with acquiring the franchise contemplated by this Agreement was not true, correct and complete upon the signing of this Agreement by you or us, becomes untrue, incorrect or incomplete in any material respect at any time or if any misrepresentation or fraud was or is committed in connection with this Agreement;

(v) If you or your Representatives fail to perform any obligation (other than the payment of monies owed to us or any of our Affiliates) under this Agreement or any other agreement with us or our Affiliates and that failure is, in our discretion, not curable;

(vi) If your or your Representatives repeatedly (three or more times) fails to pay any monies owed to us or any of our Affiliates or perform any obligation, or repeated Events of Default (as defined below) occur (either one obligation and/or Event of Default three times, three obligations and/or Events of Default one time each or any combination thereof) under this Agreement, or any other agreement with us or our Affiliates;

(vii) If you operate your Alair Homes Master Franchise in a manner, or engage in any other conduct, that may have an adverse effect on us, the Alair Homes franchise system, the Marks or the good will associated therewith;

(viii) If you Transfer (or attempt to Transfer) this Agreement or Your Rights in a manner not permitted pursuant to Section 12 or if your rights under this Agreement are not Transferred within the 90-day period referenced in Section 12(e);

(ix) If any other Master Franchise Agreement, franchise agreement or any other agreement between us or any of our Affiliates and you or any of your Affiliates (other than another Master Franchise Agreement for failure to meet and maintain the development schedule) is terminated;

(x) If you or any of your Affiliates engages in any conduct that violates any law, regulation or ordinance with respect to the operation of your Alair Homes Master Franchise;

(xi) If you have not opened your Alair Homes Franchise for business within 45 days after the Effective Date;

(xii) If you cease to operate or otherwise abandon your Alair Homes Master Franchise, as evidenced by your Alair Homes Master Franchise being closed for business for more than seven consecutive days or some other affirmative act, such as the authorization or auction or sale of equipment);

(xiii) If you lose, or fail to obtain or maintain, any permit or license necessary to operate your Alair Homes Master Franchise;

(xiv) If you fail to perform or otherwise breach any of your obligations under the Security Agreement;

(xv) If the Manager does not attend and actively participate in 75% of the monthly Regional training programs and/or the weekly system-wide conference calls;

(xvi) If you fail to comply with the provisions of Sections 9, 10, 11 or 14, any of your Principals breach any provision of an Agreement to be Bound and to Guarantee or any of your Representatives breaches of any provision of a Confidentiality and Restrictive Covenant Agreement; or

(xvii) If you fail to notify us that you or your Representative is involved in a Related Business as of the Effective Date or we do not consent to your or your Representative's involvement in a Related Business as of the Effective Date or if you fail to notify us that you or your Representative intends to become involved in a Related Business or we do not consent to your or your Representative's involvement in a Related Business but you or your Representative nevertheless becomes involved in a Related Business.

(xviii) If you fail to comply with our quality control and customer service requirements, including the System Standards (including our construction and other operational guidelines), requirements for resolving customer issues in a manner consistent with the System Standards (including our construction and other operational guidelines) or as we may otherwise require and/or you fail to score satisfactorily on our periodic quality and operations control inspections.

(c) You will be in material default under this Agreement and we may, at our option, terminate this Agreement and all rights granted to you pursuant to this Agreement, upon the occurrence of any of the following events of default, if you have not cured such defaults within the stated cure period:

(i) If you fail to pay any monies owed to us or any of our Affiliates under this Agreement or any other agreement with us or our Affiliates, or any monies owed to any third party (including any government agency), and that failure has not been cured within 15 days after we have provided notice of that failure to you;

(ii) If you or your Representatives fail to perform any obligation (other than the payment of monies owed to us or any of our Affiliates) under this Agreement or any other agreement with us or our Affiliates and that failure is, in our discretion, curable, and that failure has not been cured within 15 days after we have provided notice of that failure to you; provided, however, that if that failure cannot be cured within that 15-day period, such failure may be cured within the time necessary to effect that cure (but not longer than 90 days), provided that that cure has been commenced immediately and pursued diligently and continuously thereafter; or

(iii) If you are in a negative cash on hands (COH) position and you have not cured that deficiency within 15 days after we have provided notice of that failure to you.

(d) (i) Any of the above events or occurrences pursuant to which we have the right to terminate this Agreement or pursuant to which this Agreement will be automatically terminated is referred to as an "Event of Default." You acknowledge and agree that all of the Events of Default, and each of them individually, constitutes "good cause" for termination of this Agreement.

(ii) Each provision, condition and term of this Agreement is material, and a breach or violation of any of them will constitute a default of that party's obligations under this Agreement.

(e) For purposes of this Agreement, the term "Insolvency Event" means any of the following: (i) you become insolvent (defined as the inability to pay your debts in the ordinary course of business or an excess of liabilities over assets, as the case may be), (ii) you make a general assignment for the benefit of creditors, (iii) you file a voluntary petition under any section or chapter of federal bankruptcy laws or any similar law of the United States or any state, (iv) you admit in writing your inability to pay your debts in the ordinary course of business, (v) you are adjudicated bankrupt or insolvent in proceedings filed against you under any section or chapter of federal bankruptcy laws or any similar law of the United States or any state, (vi) a bill in equity or other proceeding for the appointment of a receiver of you (or other custodian, either permanent or temporary, for your business or assets, or any part thereof) is filed and consented to by you, (vii) a receiver (or other custodian, either permanent or temporary, for your business or assets, or any part thereof) is appointed by any court of competent jurisdiction, (viii) proceedings for a composition with creditors under any state or federal law are instituted by or against you, (ix) a final judgment against you remains unsatisfied or of record for 30 days or longer (unless a *supersedeas* bond is filed), (x) you are dissolved, (xi) execution is levied against your business or assets, (xii) suit to foreclose upon any lien or mortgage against the premises upon which you operate your Alair Homes Master Franchise, or your assets or under this Agreement or any other Master Franchise Agreement or franchise agreement is instituted and not dismissed within 30 days, (xiii) any involuntary lien exceeding $10,000 is placed on your Alair Homes Master Franchise or your assets and is not promptly (but in any event within 30 days) removed or bonded against; (xiv) the real or personal property of your Alair Homes Master Franchise or any other Master Franchise Agreement or franchise agreement will be sold after levy by a sheriff, marshal or constable or (xv) any of the foregoing occurs with respect to one or more of your Principals.

17. Post-termination Obligations.

(a) Upon the expiration or termination of this Agreement for any reason:

(i) You will forfeit all fees paid and will not be entitled to receive any payments from us pursuant to Section 7 or otherwise.

(ii) All goodwill associated with your Alair Homes Master Franchise, and your use of the Marks and the other Intellectual Property, is, and will be, our property, and you will receive no payment therefor or rights therein.

(iii) You must immediately cease operating your Alair Homes Master Franchise and using the Intellectual Property. If you fail to do so, you must pay us, upon demand, a fee in the amount of $25,000 plus our costs and expenses in connection with ceasing the operation of your Alair Homes Master Franchise and/or your use of the Intellectual Property.

(iv) You must immediately (a) return to us the Operations Manual and the other documents and materials containing the System Standards, all training materials and all other property of ours (including all materials relating to the Intellectual Property), (b) cancel all assumed names or equivalent business registrations relating to the use of the Marks, (c) notify the telephone company and all listing agencies of the termination of your right to use the Marks and, of your assignment of your telephone numbers (including all cell and mobile telephone numbers) to us, (d) not, directly, or indirectly, identify yourself with us or the Marks or the other Intellectual Property and (e) if requested by us, renovate the premises upon which you operate your Alair Homes Master Franchise to eliminate the Marks and de-identify the premises upon which you operate your Alair Homes Master Franchise to remove all Trade Dress, returning it to a "vanilla shell," at your expense. We may enter the premises upon which you operate your Alair Homes Master Franchise and recover the Operations Manual and the other documents and materials containing the System Standards, all training materials and all other property of ours (including all materials relating to the Intellectual Property). You hereby irrevocably appoint and constitute us and our representatives and agents, with full power of substitution, as your agent and attorney-in-fact for and on behalf of, and in your name, and at your expense, to take any or all of the above actions, without liability for trespass. This special power of attorney will be deemed to be coupled with an interest and irrevocable.

(v) You must pay to us, within 10 days of the expiration or termination of this Agreement, all amounts outstanding to us or our Affiliates from you or your Affiliates.

(vi) You must refrain from, directly or indirectly at any time or in any manner (except with respect to Alair Homes Master Franchises and Alair Homes Unit Franchises then owned and operated by you) identifying yourself or any business as a current or former Alair Homes Master Franchisee or Alair Homes Unit Franchisee or authorized agent of us or our Affiliates.

(b) In addition, upon the expiration or termination of this Agreement, we may, but will not be obligated to, purchase, or have our designee purchase all, or any portion of, the signage, equipment and other tangible assets of your Alair Homes Master Franchise for an amount equal to the Value (as defined below). If we are required, by law, regulation or court order, to purchase the signage, equipment and/or other tangible assets used in connection with your Alair Homes Master Franchise, the purchase price will be equal to the Value, which you acknowledge is fair market value. For purposes of this Agreement, the term "Value" means, subject to applicable law, (i) with respect to signage, $1.00 and (ii) with respect to all other assets, an amount equal to your cost for those assets, less depreciation and amortization using a 200% declining balance method over a five-year period. If all, or any portion of, your assets that are being purchased by us or our designee are subject to liens, we or our designee may pay, on your behalf, the lienholders that portion of the purchase price for your assets (which may be the entire purchase price) that is necessary to obtain the release of those assets from the liens, in lieu of paying you those funds. Prior to receiving any

amounts pursuant to this Section 17(b), you must otherwise comply with your obligations under this Section 17 and you and your Affiliates, and your respective Principals, must sign and deliver to us a general release of us and our Affiliates, in the form that we, in our discretion, may require. Further, we may apply any amounts payable to you pursuant to this Section 17(b), or otherwise pursuant to this Agreement, against any unpaid amounts payable to us or our Affiliates pursuant to this Agreement or any agreement between us or our Affiliates and you and your Affiliates.

(c) If this Agreement is terminated by you for any reason other than our material breach of our material obligations under this Agreement or is terminated by us due to an Event of Default, you must pay to us, on demand, as liquidated damages for the early termination of this Agreement, and not as a penalty, $50,000. You acknowledge and agree that our time, efforts and expenditures in connection with your becoming a Alair Homes Master Franchisee and your operation of your Alair Homes Master Franchise would not be adequately compensated unless and until the full term of this Agreement has been completed . Such liquidated damages relate only to our resulting loss of the benefit of the bargain and will not preclude our entitlement to damages that we may suffer resulting from your breach and/or your actions or omissions.

18. Miscellaneous. You must not represent or imply that your Alair Homes Franchise is owned by us. Upon our request, you must post a sign in the premises upon which you operate your Alair Homes Master Franchise and/or indicate in your materials to the effect that you are an independent contractor and that your Alair Homes Master Franchise is not owned or operated by us. You will be an independent contractor, and nothing contained in this Agreement will be construed to create or imply a fiduciary relationship between the parties, nor to make either party a general or specific agent, legal representative, employee, joint venturer, partner or servant of the other. You are in no way authorized to sign any contract or agreement, to make any representation or warranty or to create any obligation (express or implied) on our behalf. You will be responsible for your own taxes (including any taxes levied upon your Alair Homes Master Franchise with respect to compensation or otherwise).

(a) Each provision, condition and term of this Agreement is material, and a breach or violation of any of them will constitute a default of that party's obligations under this Agreement.

(b) All communications or notices (including approvals and consents) required or permitted to be given or served under this Agreement must be in the English language and must be in writing and will be deemed to have been duly given or made if (i) delivered in person or by courier (including by Federal Express or other courier), (ii) deposited in the United States mail, postage prepaid, for mailing by certified or registered mail, return receipt requested, (iii) faxed or (iv) delivered by e-mail, and addressed to the address, fax number or e-mail address stated on the signature page of this Agreement). All communications and notices will be effective upon delivery in person or by courier to the address stated in this Agreement, upon being deposited in the United States mail in the manner stated above, upon being faxed in the manner stated above or delivered by e-mail in the manner stated above. Any party may change its address, fax number or e-mail address by giving notice, stating its new address, fax number or e-mail address to the other party to this Agreement as provided in the foregoing manner.

(c) Subject to Section 12, which restricts your rights to assign this Agreement and your rights hereunder, this Agreement will be binding upon and inure to the benefit of the parties and their respective assigns, legal representatives, executors, heirs and successors. Any attempt by you to assign this Agreement, or any of your rights hereunder, or to delegate your obligations hereunder, without compliance with the terms of Section 12 will be void. Notwithstanding anything contained in this Agreement to the contrary, we may assign this Agreement, or any of our rights hereunder, or delegate any of our obligations hereunder without your consent or the consent of any other person. You expressly agree that we have the right to delegate the performance of any or all of our obligations pursuant to this Agreement to our Affiliates or third parties without obtaining your consent or approval.

(d) (i) Notwithstanding anything contained in this Agreement to the contrary, we retain the right to modify and amend the Systems, the System Standards and the Operations Manual and to issue rules, regulations, instructions, policies and procedures for the conduct of the Master Franchise Business from time to time, in our discretion, without obtaining your consent.

(ii) Except as otherwise contemplated by this Agreement, no amendment, modification or waiver of any condition, provision or term of this Agreement will be valid or of any effect unless made in a writing specifying with particularity the nature and extent of the amendment, modification or waiver and signed by both parties to this Agreement.

(e) No waiver by us of any default or series of defaults in performance by you, and no failure, refusal or neglect of us to exercise any right, power or option given to us hereunder or under any other franchise or license agreement between us (or our Affiliates) and you (or your Affiliates), whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Alair Homes Master Franchise that is the subject of this Agreement) or to insist upon strict compliance with or performance of your or your Affiliates' obligations under this Agreement, any other franchise or license agreement between us (or our Affiliates) and you (or your Affiliates), whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Alair Homes Master Franchise that is the subject of this Agreement), shall constitute a waiver of the provisions of this Agreement with respect to any subsequent default thereof or a waiver by us (or our Affiliates) of our or its right at any time thereafter to require exact and strict compliance with the provisions hereof or thereof. We will consider written requests by you for our consent to a waiver of any obligation imposed by this Agreement. You agree, however, that we are not required to act uniformly with respect to waivers, requests and consents as each request will be considered on a case-by-case basis, and nothing shall be construed to require us to grant any such request. Any waiver granted by us will be without prejudice to any other rights we may have, will be subject to continuing review by us and may be revoked, in our discretion, at any time and for any reason, effective upon 10 days prior written notice to you. We make no representations or warranties upon which you may rely, and assumes no liability or obligation to you by providing any waiver, approval, acceptance, consent, assistance or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

(f) Notwithstanding anything contained in this Agreement to the contrary, at any time that you are in breach of your obligations under this Agreement, or any other agreement between

us or our Affiliates and you or your Affiliates, or an Event of Default (as defined below) has occurred, we may, in addition to all other remedies available to us, (i) defer the performance of our obligations under this Agreement or such other agreement, (ii) defer the opening of your Alair Homes Master Franchise until your or your Affiliate's breach has been cured and/or (iii) remove or suspend access to information about your Alair Homes Master Franchise from our website and/or your access to our training, the Alair Homes Community, our support, sessions, conference calls, online training and focus groups until your or your Affiliate's breach has been cured. Our exercise of any of such rights will not constitute a waiver of our rights under this Agreement or such other agreement, including the right to terminate this Agreement or such other agreement, or serve as a basis for any claim by you or your Affiliate that we did not perform our obligations in a timely manner.

(g) This Agreement, including the other agreements and documents contained as exhibits hereto or referred to herein, contains the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties with respect to that subject matter. Notwithstanding the foregoing, nothing contained in this Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document furnished to you.

(h) Unless expressly provided to the contrary, all references in this Agreement to:

(i) The term "Affiliate" means a person directly or indirectly controlling, controlled by or under common control with another person

(ii) The term "including" means "including, without limitation;"

(iii) The term "person" means an individual, a corporation, a limited liability company, a partnership, a trust and/or another entity;

(iv) The term "termination" includes termination and expiration; and

(v) Our discretion or judgment means our sole and absolute discretion or judgment, and any determination (such as approval or consent), decision or judgment required or permitted to be taken or given by us will be subject to our sole and absolute discretion.

(vi) All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, will, where appropriate, include all other genders and the singular will include the plural and vice versa.

(vii) Neither this Agreement nor any uncertainty or ambiguity herein will be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and will be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto. You and we intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

(i) If you (Franchisee) consist of more than one individual or entity, or a combination thereof, the obligations and liabilities of each such individual or entity to us are joint and several, and such individuals and/or entities will be deemed to be a general partnership.

(j) All captions, headings or titles in the sections of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement or a limitation of the scope of the particular section to which they apply.

(k) This Agreement may be signed in two or more counterparts, each of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties. The signature of a party on a faxed or electronically transmitted document will be considered, for all purposes, an original signature, and the delivery of a document by fax or electronic transmission will have the same effect as delivery of the original document.

(l) **Subject to applicable law, except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 *et. seq.*), this Agreement will be governed by, and construed and enforced in accordance with, the law of Arizona, regardless of any conflict-of-law provisions to the contrary.**

(m) The parties acknowledge and agree that all disputes and claims relating to or arising out of this Agreement or any other agreement entered into between the parties, the rights and obligations of the parties, or any other claims or causes of action relating to the making, interpretation or performance of either party under this Agreement or any other agreement between the parties, other than Excepted Disputes (as defined below), shall be settled by arbitration in Maricopa County, Arizona in accordance with the Federal Arbitration Act and Commercial Arbitration Rules of the American Arbitration Association ("AAA"). The rights and duties of the parties to this Agreement to resolve any disputes by arbitration shall be governed by the Federal Arbitration Act, as amended. The following shall supplement and, in event of a conflict, shall govern any arbitration: If the claim is for less than $50,000 then the matter shall be heard before a single arbitrator, selected by mutual agreement of the parties; if the parties cannot agree upon a single arbitrator, the arbitrator shall be selected in accordance with the Federal Arbitration Act and Commercial Arbitration Rules of the AAA. If the claim or a counterclaim is for $50,000 or more, the matter shall be heard before a panel of three arbitrators and each party shall appoint an arbitrator, and the appointed arbitrators shall appoint a neutral arbitrator from the AAA's list of arbitrators. Subject to Section 18(q), each party must bear its own costs of arbitration including the fee for the arbitrator they appointed; provided, however, that the neutral or the single arbitrator's fee shall be shared equally by us and you. The arbitrator's or arbitrators' award shall be rendered within 7 days of the close of the hearing and may include an award of reasonable attorneys' fees and costs to the prevailing party. The arbitrator(s) shall have no authority to amend or modify the terms of this Agreement. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration, except to the extent such issue may have been determined in another proceeding between the parties. Judgment upon the award of the arbitrator shall be submitted for confirmation to the United States District Court for the District of Arizona and, if confirmed, may be subsequently entered in any court having competent jurisdiction. This agreement to arbitrate shall survive any termination or expiration of

this Agreement. For purposes of this Agreement, the term "Excepted Disputes" means disputes and claims (i) arising out of the Security Agreement or (ii) pursuant to which we are seeking injunctive relief (with respect to the Marks, Confidential Information, other Intellectual Property, our rights under Section 11 or otherwise).

(n) **Subject to applicable law, each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in Maricopa County, Arizona, and each party consents to the jurisdiction of those courts.**

(o) **The parties hereby waive the right to (i) a jury trial, (ii) initiate or participate in a class action in any form and (iii) seek or collect punitive, consequential and special damages in any forum.**

(p) In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing party may recover reasonable attorneys' fees and costs incurred in connection with any arbitration, court or other proceeding. In addition, you will be obligated to pay our reasonable attorneys' fees and costs in connection with your breach of any provision of this Agreement and/or our enforcing our rights under this Agreement.

(q) Notwithstanding anything contained in this Agreement to the contrary, upon any breach by you of any of the terms of this Agreement, we may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which we may be entitled. You agree that the rights conveyed by this Agreement are of a unique and special nature and that our remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Agreement, without the necessity of posting bond therefor or proof of actual damages.

(r) The remedies of the parties under this Agreement are cumulative and will not exclude any other remedies to which any party may be lawfully entitled. Expiration or termination of this Agreement shall be without prejudice to any other rights or remedies that we or your may have in law or in equity, including the right to recover benefit of the bargain damages.

(s) The parties acknowledge that each party was represented (or had the opportunity to be represented) by legal counsel in connection with this Agreement and that each of them and its counsel have reviewed this Agreement, or have had an opportunity to do so, and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement.

(t) Any individual signing below on behalf of a corporation, partnership, limited liability company or other entity personally represents that he or she has full authority to bind the party or parties on whose behalf he or she is signing.

(u) Notwithstanding anything contained in this Agreement to the contrary, the provisions of this Agreement that may affect the parties' rights and obligations after the termination

of this Agreement will survive the termination of this Agreement, including Sections 9, 10, 11, 14 through 19.

(v) Each party agrees to do all acts and things and to make, sign and deliver such written instruments as may from time to time be reasonably required to carry out the terms and provisions of this Agreement.

(w) Whenever the last day for the exercise of any privilege or discharge of any duty under this Agreement falls upon Saturday, Sunday or any legal holiday under Arizona law, the party having that privilege or duty will have until 5:00 p.m. Phoenix, Arizona time, on the next succeeding regular business day to exercise that privilege or to discharge that duty.

(x) Unless otherwise directed by us, all amounts contemplated by this Agreement will be paid in United States Dollars and deposited in the bank account specified by the recipient. Computation of any amounts to be paid that require conversion between currencies will be made at the selling rate for United States Dollars quoted by our United States bank on the date on which payment is made. You will pay all costs of currency exchange.

19. **Acknowledgements**. To induce us to sign this Agreement and grant you a franchise, you acknowledge and agree as follows:

(a) That you have independently investigated the opportunity to establish and operate an Alair Homes Master Franchise and that, like any other business, the nature of an Alair Homes Master Franchise may, and probably will, evolve and change over time.

(b) That an investment in an Alair Homes Master Franchise involves significant business risks.

(c) That the successful operation of an Alair Homes Master Franchise will depend primarily upon your efforts, capabilities and management skills and general economic conditions and trends.

(d) That attracting and retaining customers for your Alair Homes Master Franchise will require a high level of customer service and strict adherence to the Systems and the System Standards and that you are committed to maintaining the Systems and the System Standards.

(e) That you have not received or relied upon, and we expressly disclaim making, any representation, warranty or guaranty, express or implied, as to the potential or actual revenues, profits, earnings, or success of your Alair Homes Master Franchise.

(f) That you have no knowledge of any representations made about the opportunity to establish and operate an Alair Homes Master Franchise by us, our Affiliates or any other person that are contrary to the terms and conditions of this Agreement.

(g) That you have represented to us, to induce our entering into this Agreement, that all statements you have made and all materials you have given us in acquiring the franchise contemplated by this Agreement are true, correct and complete and that you have made no

misrepresentations, fraud or material omissions in obtaining the franchise contemplated by this Agreement.

(h) That you have read this Agreement and understand and accept that the terms and covenants in this Agreement are reasonably necessary for us to maintain our high standards of products and service, as well as the uniformity of those standards at each Alair Homes Master Franchise and to protect and preserve the goodwill of the Marks and the other Intellectual Property.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement effective as of _____ (the "Effective Date").

Name of Franchisee:_____
Check One: Individual __ Corporation __ Limited Liability Company__ Trust__

State of Organization:_____

Signature of Franchisee:_____

Title of Signatory:_____

Address of Franchisee:_____

Fax Number of Franchisee:_____ E-mail of Franchisee:_____

Alair Enterprises USA, Inc.

By:_____
Rob Cecil, President

Address: Attention: Mr. Blair McDaniel
96 Wallace Street
Nanaimo, British Columbia V9R 0E2, Canada
Fax #: 855-882-1649
E-mail: blair@alairhomes.com

Spousal Consent

(to be executed if Franchisee is a married individual)

The undersigned is the spouse of the Franchisee identified in the Master Franchise Agreement, dated as of _____, between his or her spouse and Alair Enterprises USA, Inc., an Arizona corporation (together with any state Rider, the "Agreement"), to which this Spousal Consent is attached, with respect to Franchisee's Master Franchisee rights.

The undersigned hereby declares that he/she has read the Agreement, including each of the documents that are exhibits to or referenced in the Agreement, in its entirety and, being fully convinced of the wisdom and equity of the terms of the Agreement, including each of the documents that are exhibits to or referenced in the Agreement, and in consideration of the premises and of the provisions of the Agreement, the undersigned hereby expresses his or her acceptance of the same and does agree to its provisions.

The undersigned further agrees that in the event of the death of his or her spouse, the provisions of this Agreement, including each of the documents that are exhibits to or referenced in the Agreement, will be binding upon him/her.

The undersigned further agrees that he/she will at any time make, execute and deliver such instruments and documents that may be necessary to carry out the provisions of the Agreement, including each of the documents that are exhibits to or referenced in the Agreement.

This instrument is not a present transfer or release of any rights that the undersigned may have in any of the community property of his or her marriage.

DATED _____

_____

[Signature of Spouse]

_____

[Print Name of Spouse]

Exhibit A to Master Franchise Agreement
Key Terms

1. Region:

_____

_____

_____

2. Stock or other equity ownership of Franchisee:

Name* (if a married individual, list spouse also)	Stock or other Equity Ownership
Total	100%

*If a married individual, list spouse also. If an unmarried individual, state "an unmarried person." If a corporation, limited liability company or other entity, list the entity, the type of entity, its state of organization and the names of its stockholders or other equity owners and their respective percentage interests.

3. Development Schedule:

Period	**Cumulative Minimum Number of Alair Homes Unit Franchises Sold and Opening for Business and Operating in the Region**	**Cumulative Minimum Number of Alair Homes Unit Franchises Open for Business and Operating in the Region**	**Last Day of Period**
First			
Second			
Third			
Fourth			
Fifth			
Sixth			
Seventh			
Eighth			
Ninth			
Tenth			

The first Period commences on the Master Franchise Commencement Date and expires on the date in the fourth column above. Each subsequent Period commences on the date immediately-succeeding the last date of the preceding Period. The minimum number of Alair Homes Unit

Franchises open for business is cumulative. Therefore, if you meet the Development Schedule in the second column above prior to end of a particular Period, your Development Schedule will be satisfied provided that you maintain the minimum number of Alair Homes Unit Franchises open for business throughout the remainder of the term of the Master Franchise Agreement, as stated in the third column above. To avoid any doubt, if an Alair Homes Unit Franchise has ceased doing business, has been terminated or otherwise is not operational, that Alair Homes Unit Franchise would not be included in either the second column or the third column. Alair Homes Unit Franchises open for business prior to the AR Commencement Date do not count toward fulfillment of the minimum number of Alair Homes Unit Franchises sold and opening for business in the second column above during any Period.

4. Name of Managing Principal:_____

Exhibit B to Master Franchise Agreement
Electronic Funds Transfer Authorization

The undersigned hereby authorizes Alair Enterprises USA, Inc., an Arizona corporation ("Franchisor") to initiate variable data entries to my account identified below for royalties, advertising fund payments, accounting systems and services payments and other authorized amounts. The undersigned authorizes the financial institution indicated below to debit the undersigned's account. The undersigned acknowledges that he, she or it is in full control of his, her or its payment, that he, she or it has the right to hold or stop this electronic payment by giving Franchisor notice of revocation, which shall be effective 30 days after Franchisor receives such notice of revocation.

Section 1	Financial Institution Information		
Bank Name	Phone #	ABA Routing #	
Type of Account	Account #		
Section 2	Authorization		
Name of Franchisee/Account Holder:			
Signature:		Date:	
Print Name:		Phone #:	

Attach Pre-printed Voided Check Here.
Pre-printed check must include Account Holder's name or business name, address and bank account number and the Bank's name, phone number and routing number.

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE ILLINOIS FRANCHISE DISCLOSURE ACT

Illinois law governs the franchise agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' 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.

Date:_____

Name of Franchisee:

_____

Signature of Franchisee:

_____

Title of Signatory:

_____

Alair Enterprises USA, Inc.

By:_____
Rob Cecil, President

MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW

The Master Franchise Agreement shall be amended to provide the following:

1. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

3. 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.

4. 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.

Date:_____
Name of Franchisee:_____
Signature of Franchisee:_____
Title of Signatory:_____

Alair Enterprises USA, Inc.

By:_____
Rob Cecil, President

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE MINNESOTA FRANCHISE ACT

1. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, waiver of jury trial or the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or the Master Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

2. With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subdivisions 3, 4 and 5, which require (except in certain specified cases) that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Master Franchise Agreement and that consent to the transfer of the franchise will not be unreasonably withheld.

3. We will protect your rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair not to protect your right to use the trademarks. See Minnesota Statutes, Section 80C.12, Subdivision 1(g).

4. Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release.

5. You cannot consent to our obtaining injunctive relieve. We may seek injunctive relief. See Minnesota Rules 2860.4400J. Also, a court will determine if a bond is required.

6. The Master Franchise Agreement requires that litigation be held in Arizona. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, we cannot require that you consent to our obtaining injunctive relief, although we may seek injunctive relief. Any requirement(s) for a bond will be determined by the court. We may not require that you waive your rights to a jury trial.

Date:_____

Name of Franchisee:_____

Signature of Franchisee:_____

Title of Signatory:_____

Alair Enterprises USA, Inc.

By:_____
Rob Cecil, President

WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT

THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE WASHINGTON FRANCHISE INVESTMENT PROTECTION ACT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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 provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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.

The undersigned does hereby acknowledge receipt of this Addendum.

Date:_____
Name of Franchisee:_____
Signature of Franchisee:_____
Title of Signatory:_____

Alair Enterprises USA, Inc.

By:_____
Rob Cecil, President

Exhibit C
Agreement to be Bound and to Guarantee

AGREEMENT, dated as of the date stated at the end of this Agreement (the "Effective Date"), executed by the guarantors identified in Section 25 of this Agreement (each a "Guarantor") in favor of Alair Enterprises USA, Inc., an Arizona corporation ("Alair Homes").

RECITALS

WHEREAS, as an inducement for Alair Homes to execute and deliver, and to perform its obligations under, that certain Master Franchise Agreement (the "Master Franchise Agreement"), dated as of the date set forth in Section 25 of this Agreement, by and between Alair Homes and the franchisee identified in Section 25 of this Agreement ("Franchisee"), Guarantor has agreed to jointly and severally guarantee the obligations of Franchisee to Alair Homes and its Affiliates (including, without limitation, obligations under the Master Franchise Agreement and the Security Agreement) and to be bound by certain of the provisions contained in the Master Franchise Agreement.

WHEREAS, Guarantor owns, directly or indirectly, a 5% or greater equity interest in Franchisee.

WHEREAS, Guarantor acknowledges and agrees that Alair Homes will materially rely upon Guarantor's obligations under this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the execution and delivery of the Master Franchise Agreement by Alair Homes, and the performance of Alair Homes' obligations thereunder, Guarantor agrees, for the benefit of Alair Homes and its Affiliates, as follows:

1. Defined Terms. All capitalized terms used, but not defined, herein have the meanings given them in the Master Franchise Agreement.

2. Guaranty. Guarantor unconditionally guarantees and promises to pay to Alair Homes and/or its Affiliates and to perform, for the benefit of Alair Homes and/or its Affiliates, on demand, any and all obligations and liabilities of Franchisee in connection with, with respect to or arising out of the Master Franchise Agreement and and/or any other agreement with Alair Homes or its Affiliates, including, without limitation, the Security Agreement. This is a guaranty of payment and not of collection. This Agreement will remain in full force and effect until all amounts payable by Guarantor shall have been validly, finally and irrevocably paid in full and all obligations to be performed by Guarantor shall have been validly, finally and irrevocably performed in full.

3. Confidentiality.

(a) Guarantor acknowledges that (i) Alair Homes is engaged in a highly competitive business, the success of which is dependent upon, among other things, the Confidential Information (as defined below), (ii) Guarantor, Franchisee and some or all of their Representatives

will be in a position of confidence and trust with Alair Homes in which Guarantor, Franchisee and some or all of their Representatives will have access to certain Confidential Information, (iii) the Confidential Information constitutes valuable trade secrets that are intended to remain confidential and would be invaluable in the hands of any of Alair Homes' competitors and (iv) disclosure of the Confidential Information would irreparably damage Alair Homes and its Affiliates, its respective franchisees and their respective businesses and goodwill and that Guarantor would be liable for that damage. All Confidential Information is and will be and remain Alair Homes' property. Guarantor must take reasonable steps (including, without limitation, complying with all security measures adopted by Alair Homes) to prevent unauthorized disclosure of the Confidential Information.

(b) Guarantor agrees to maintain in strict secrecy and confidence all Confidential Information Guarantor, Franchisee, Franchisee's Affiliates or their respective Representatives receive, whether from Alair Homes, its Representatives or otherwise, whether prior to or after the Effective Date, and must not disclose any Confidential Information to any individual or entity or use any Confidential Information for any purpose (including, without limitation, any purpose detrimental to Alair Homes or its Affiliates, their respective franchisees and their respective businesses and goodwill; provided, however, that Guarantor may:

(i) Use the Confidential Information as strictly necessary in connection with the operation of Franchisee's Alair Homes Franchise strictly in accordance with the Master Franchise Agreement;

(ii) Disclose the Confidential Information to Franchisee's Representatives as strictly necessary in connection with the performance of Guarantor's duties in connection with the operation of Franchisee's Alair Homes Franchise strictly in accordance with the Master Franchise Agreement; and

(iii) Disclose the Confidential Information pursuant to a subpoena or other legal process, provided that Guarantor (x) discloses only the minimum Confidential Information so required to be disclosed and (y) provide to Alair Homes reasonable notice (but in any case not less than three days) that Guarantor intends to so disclose the Confidential Information, together with the nature and substance of the Confidential Information intended to be so disclosed, so that Alair Homes can object thereto.

(c) Guarantor must at all times take all steps reasonably necessary and/or requested by Alair Homes to ensure that the Confidential Information is kept confidential, including, without limitation, complying with all applicable policies, procedures and practices that Alair Homes has established, or may hereafter establish, with respect to the Confidential Information.

(d) All Confidential Information, including, without limitation, all copies thereof in tangible form (including, without limitation, information in computer software, firmware or other electronic storage media) must be returned or destroyed (whichever we designate) promptly upon the earlier of (i) Alair Homes' written request and (ii) the date of Transfer, expiration or termination of the Master Franchise Agreement. Alair Homes may communicate Guarantor's obligations pursuant to this Agreement to any customer or other individual or entity with whom Guarantor, Franchisee, any of its Affiliates or any of their respective Representatives have a relationship, to

the extent deemed necessary by Alair Homes for the protection of Alair Homes' rights under this Agreement or the Master Franchise Agreement.

(e) For purposes of this Agreement, the term "Confidential Information" means any and all trade secrets and any and all proprietary or other information of or concerning Alair Homes and its Affiliates and their respective businesses, activities, assets and prospects, including, without limitation, the systems, home design, remodel, construction, business, promotional, marketing and advertising formats, materials, information, policies, practices, methods, technology and other systems, procedures, processes, techniques, formulae, goods and services and other information contained in the Operations Manual, all information and data generated by the Computer System and all other information and data related to Franchisee's Alair Homes Franchise, all customer, employee, referral source, vendor and supplier lists and records, trade secrets, research, product plans and systems, products, services, markets, forecasts, strategies, systems and information, advertising concepts and executions, sketches, photographs, know-how, drawings, computer software, systems and programs, database technologies and systems, price lists, markets, business plans, marketing and financial information, in whatever form, manner, nature or medium (whether orally or in written or other tangible form, including, without limitation, magnetic media, electronic or other means), without regard to whether such information is provided directly by Alair Homes or its Affiliates or their respective Representatives, and any Derivative Materials (as defined below). "Confidential Information" also includes any information that Alair Homes and/or its Affiliates has received from a third party that Alair Homes and/or its Affiliates is obligated to treat as confidential. For purposes of this Agreement, the term "Derivative Materials" means any notes, memoranda, analyses, compilations, reports, studies, interpretations or other documents or communications prepared by or for the benefit of Guarantor, Franchisee, its Affiliates or their respective Representatives that contain, reflect or are based upon, in whole or in part, any Confidential Information. Notwithstanding the foregoing, the following shall not be included within the definition of "Confidential Information:"

(i) Information that was publicly known or generally known within the construction industry at the time of communication thereof by Alair Homes or on its behalf;

(ii) Information that becomes publicly known or generally known within the construction industry through no fault of Guarantor, Franchisee, Franchisee's Affiliates or their respective Representatives subsequent to the time of communication thereof by Alair Homes or on its behalf;

(iii) Information that Guarantor can demonstrate was in the possession of Guarantor, Franchisee, Franchisee's Affiliate or their respective Representatives at the time of communication thereof by Alair Homes or on its behalf, or is received by Guarantor, Franchisee, Franchisee's Affiliates or their respective Representatives free of any obligation of confidence to Alair Homes or its Affiliates; and

(iv) Information that Guarantor can demonstrate is, after the Effective Date but prior to the time of communication thereof by Alair Homes or on its behalf, independently developed by Guarantor, Franchisee, Franchisee's Affiliate or their respective Representatives without the use of or recourse to Confidential Information or a breach or violation of the Master Franchise Agreement, this Agreement or a similar agreement.

(f) Upon Guarantor's breach of any of the terms of this Section 3, Alair Homes may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and the Master Franchise Agreement and to pursue any other remedy to which Alair Homes may be entitled. Guarantor agrees that the rights conveyed by this Agreement are of a unique and special nature and that Alair Homes' remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Section 3, without the necessity of posting bond therefor or proof of actual damages.

(g) Guarantor will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made:

(i) In confidence to a federal, state or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; or

(ii) In a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

If Guarantor files a lawsuit for retaliation by Alair Homes for Guarantor's reporting a suspected violation of law, Guarantor may disclose the trade secret to Guarantor's attorney and use the trade secret information in the court proceeding, if Guarantor files any document containing the trade secret under seal and does not disclose the trade secret except pursuant to a court order.

4. Restrictive Covenants.

(a) Guarantor may not, during the term of the Master Franchise Agreement, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competitive Business (as defined below). For purposes of this Agreement, the term "Competitive Business" means a business that, directly or indirectly, (i) offers or provides home building services, home renovation services and/or commercial contracting services and/or (ii) offers or sells licenses or franchises for the operation of businesses that offer or provide home building services, home renovation services and/or commercial contracting services.

(b) Guarantor may not, during the Restrictive Period (as defined below), directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competitive Business within the Restrictive Area (as defined below); provided, however, that Guarantor may be employed or engaged by an entity that is engaged a Competitive Business if (i) such entity does not derive more than 10% of its gross revenue from home building services, home renovation services and/or commercial contracting services, (ii) Guarantor has no ownership or financial interest (other than a salary or fair market value consulting fee) in such entity and (iii) Guarantor is are not, directly or indirectly, providing any home building services, home renovation services and/or commercial contracting services for such entity. For purposes of this Agreement, the term "Restrictive Period" means the two-year period after the Transfer, expiration or termination of the Master Franchise Agreement; provided, however, that if a court of competent jurisdiction determines that such

period is unenforceable, the term "Restrictive Period" means the one-year period after the Transfer, expiration or termination of the Master Franchise Agreement. For purposes of this Agreement, the term "Restrictive Area" means the Region plus a 10-mile radius around the Region; provided, however, that if a court of competent jurisdiction determines that such geographic area is unenforceable, the term "Restrictive Area" means the Region.

(c) Guarantor acknowledges that the provisions of this Section 4 (including, without limitation, the time restraints and geographic scope) are reasonable and necessary and agree that Guarantor's failure to adhere strictly to the restrictions contained in this Section 4 will cause substantial and irreparable damage to Alair Homes, its Affiliates and their respective franchisees. Upon Guarantor's breach of any of the terms of this Section 4, Alair Homes may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and the Master Franchise Agreement and to pursue any other remedy to which Alair Homes may be entitled. Guarantor agrees that the rights conveyed by this Agreement are of a unique and special nature and that Alair Homes' remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Section 4, without the necessity of posting bond therefor or proof of actual damages. Guarantor acknowledges that Guarantor possesses skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants contained in this Section 4 will not deprive Guarantor of Guarantor's personal goodwill or ability to earn a living.

The parties understand and agree that Alair Homes may reduce the scope of any provision of this Section 4 without obtaining Guarantor's consent or approval and Guarantor agrees that it will thereafter comply with that provision as so modified. If the scope of any restriction contained in this Section 4 is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and Guarantor and Alair Homes agree that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision of this Section 4 is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision of this Agreement or the legality, validity or enforceability of that provision in any other jurisdiction.

5. Privacy Rights. Alair Homes will be entitled to use the name, likeness and voice of Guarantor for purposes of promoting the Alair Homes franchise system, Alair Homes and its products and services, including, without limitation, all photos and audio and video recordings of Guarantor, and Guarantor hereby irrevocably consents thereto. Guarantor acknowledges that Alair Homes will own all right, title and interest, to the extent allowed by law, in and to all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as "moral rights," "artist's rights," "publicity rights" or the like associated with such photos and audio and video recordings, and hereby assigns and transfers unto Alair Homes the full and exclusive right, title, and interest in and to such publicity rights. At Alair Homes' request, Guarantor will obtain from any or all of Franchisee's Representatives written consent, in such form as Alair Homes may request.

6. Copyrights. Any reproduction of any items or materials suitable for copyright protection by Alair Homes (the "Copyrights"), including, without limitation, the Copyrighted Materials (as defined below), must bear a copyright notice in the form designated by us. All advertising, promotional and/or marketing materials generated by or for Franchisee, Guarantor or Franchisee's Representatives will be deemed a work for hire, and all ownership rights, including, without limitation, any copyrights, in such advertising, promotional and/or marketing materials are hereby assigned by Guarantor to Alair Homes. In addition, Guarantor hereby assigns and transfers to Alair Homes any and all rights it may have in or to the Copyrights, including, without limitation, the Copyrighted Material, and agrees to sign such other and further documents as Alair Homes may request to effectuate the provisions of this Section 6. For purposes of this Agreement, the term "Copyrighted Materials" means all versions, variations and adaptations of the following materials in tangible form, either produced by us, produced on our behalf as works for hire or derived from works produced by or on behalf of us: (a) the Operations Manual and the other documents and materials containing the System Standards, (b) training materials (including, without limitation, printed, audio, video or electronic materials), (c) plans and specifications for Alair Homes Franchises (as defined in the Master Franchise Agreement), (d) product identification posters, photographs and graphics, (e) advertising, promotional and/or marketing materials, (f) labels, forms and reports provided by Alair Homes, (g) any computer software developed or modified for use in the operation of Alair Homes Franchises, (h) all Trade Dress and Trade Dress elements and (i) any other materials protected by copyright law or marked or identified by Alair Homes as protected by copyright.

7. Innovations. During the term of the Master Franchise Agreement, Guarantor may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, formulae, products, packaging or other concepts and intellectual property relating to Franchisee's Alair Homes Franchise and related goods and services (the "Innovations"). Guarantor hereby assigns any and all of its right, title and interest in and to the Innovations, including, without limitation, any intellectual property rights, to us, and agree to cooperate with us and our counsel in the protection of the Innovations, including, without limitation, the perfecting of title thereto, and agrees to sign such other and further documents as Alair Homes may request to effectuate the provisions of this Section 7.

8. Franchise List. Guarantor may not solicit other franchisees, or use the lists of franchisees, for any commercial or other purpose, other than purposes directly related to the operation of Franchisee's Alair Homes Franchise, without Alair Homes' approval.

9. Waiver. Guarantor hereby waives all requirements as to presentment for payment, protest, diligence and demand and notice of acceptance, default, protest, demand, dishonor and nonpayment, and all benefits and requirements of Arizona Revised Statutes Section 12-1641, et seq., and Rule 17(f) of the Arizona Rules of Civil Procedure for the Superior Courts of Arizona, which set forth certain rights and obligations among guarantors, debtors and creditors, if applicable. This Agreement will not be affected in any way by (a) the absence of any action to obtain such amounts from Franchisee or any other guarantor or indemnitor or of any recourse to any security for such amounts or (b) any extension, waiver, compromise or release of any or all of the obligations of Franchisee or any guarantor.

10. Subrogation. Guarantor hereby agrees that it will not exercise any rights of subrogation that it may acquire due to any payment or performance of the obligations of Franchisee pursuant

to this Agreement unless and until all amounts payable to Alair Homes or its Affiliates, and all obligations for the benefit of Alair Homes or its Affiliates, shall have been validly, finally and irrevocably paid and performed in full.

11. Enforceability. If the scope of any restriction contained in this Agreement is too broad to permit the enforcement of such restriction to its fullest extent, then such restriction will be enforced to the maximum extent permitted by law, and Guarantor hereby consents and agrees that such scope may be judicially limited or modified accordingly in any proceeding brought to enforce such restriction. Each covenant contained in this Agreement is independent and severable and, to the extent that any such covenant shall be declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, such declaration will not affect the legality, validity or enforceability of any other provision contained herein or the legality, validity or enforceability of such covenant in any other jurisdiction.

12. Joint and Several. If more than one person signs this Agreement as a Guarantor, his, her or its obligation will be joint and several.

13. Waiver. No delay or omission on the part of Alair Homes Party in exercising any of its rights hereunder, nor the acquiescence in or waiver by Alair Homes Party of a breach of any term, covenant or condition of this Agreement, shall be deemed or construed to operate as a waiver of such rights or acquiescence thereto except in the specific instance for which given. In all events, any such waiver must be in a writing signed by Alair Homes. Any waiver that fails to meet such requirements shall be invalid and void.

14. Notices. All notices and other communications to either party shall be in writing and shall be delivered personally or sent by registered or certified United States mail, postage prepaid, to the intended recipient at its address stated below its signature. Each such notice shall be effective upon personal delivery or three days after deposit in the United States mail in the foregoing manner.

15. Governing Law; Jurisdiction and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the law of the State of Arizona, notwithstanding any conflict of law provisions to the contrary. Each party agrees that any litigation between the parties shall be commenced and maintained only in a court located in Maricopa County, Arizona, and each party consents to the jurisdiction and venue of such courts and waives any right to object thereto.

16. Jurisdiction. Subject to applicable law, each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in Maricopa County, Arizona, and each party consents to the jurisdiction of those courts.

17. Waiver of Rights. The parties hereby waive the right to (a) a jury trial, (b) initiate or participate in a class action in any form and (c) seek or collect punitive, consequential and special damages in any forum.

18. Attorneys' Fees. In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing party may recover reasonable attorneys'

fees and costs incurred in connection with any arbitration, court or other proceeding. In addition, Guarantor will be obligated to pay Alair Homes' reasonable attorneys' fees and costs in connection with Guarantor's failure to perform its obligations under this Agreement and/or Alair Homes' enforcing its rights under this Agreement.

19. Entire Agreement. This Agreement and the Master Franchise Agreement contain the entire understanding and agreement of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings between the parties with respect to that subject matter. Notwithstanding the foregoing, nothing contained in this Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document furnished to you.

20. Terminology; Captions. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, will, where appropriate, include all other genders and the singular will include the plural and vice versa. All captions, headings or titles in the sections of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement or a limitation of the scope of the particular section to which they apply.

21. Rule of Construction. Neither this Agreement nor any uncertainty or ambiguity herein will be construed or resolved against the drafter hereof, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and will be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto. The parties intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, then the provision shall be given the meaning that renders it enforceable.

22. Authority. Any individual signing below on behalf of a corporation, partnership, limited liability company or other entity personally represents that he or she has full authority to bind the party or parties on whose behalf he or she is signing.

23. Survival. Notwithstanding anything contained in this Agreement to the contrary, the provisions of this Agreement that may affect the parties' rights and obligations after the termination of the Master Franchise Agreement will survive the termination of this Agreement and the Master Franchise Agreement.

24. Further Assurances. Each party agrees to do all acts and things and to make, sign and deliver such written instruments as may from time to time be reasonably required to carry out the terms and provisions of this Agreement.

25. Date of Master Franchise Agreement:_____
Name(s) of Guarantor(s): _____
_____
Name of Franchisee:_____

(signatures on following page)

EXECUTED as of _____

Name:_____
(Print Name)

Executed by:_____
(Sign Name)

Address:_____
_____

Name:_____
(Print Name)

Executed by:_____
(Sign Name)

Address:_____
_____

CONSENT OF SPOUSE

The undersigned spouse of a party to the foregoing Agreement to be Bound and to Guarantee (the "Agreement") confirms that he/she has read the Agreement, understands same and consents and agrees to the terms of the Agreement.

Date: _____

_____	_____
(Sign Name)	(Sign Name)
_____	_____
(Print Name)	(Print Name)

Exhibit D
Confidentiality and Restrictive Covenant Agreement

AGREEMENT, dated as of the date stated at the end of this Agreement (the "Effective Date"), executed by the directors, officers, managers, employees and independent contractors (“Party”) of the franchisee identified in Section 19 of this Agreement (“Franchisee") in favor of Alair Enterprises USA, Inc., an Arizona corporation ("Alair Homes").

RECITALS

WHEREAS, as an inducement for Alair Homes to execute and deliver, and to perform its obligations under, that certain Master Franchise Agreement (the "Master Franchise Agreement"), dated as of the date set forth in Section 19 of this Agreement, by and between Alair Homes and Franchisee, Alair Homes requires that Party agree to be bound by certain of the provisions contained in the Master Franchise Agreement.

WHEREAS, Party acknowledges and agrees that Alair Homes will materially rely upon Party’s obligations under this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the execution and delivery of the Master Franchise Agreement by Alair Homes, and the performance of Alair Homes' obligations thereunder, Party agrees, for the benefit of Alair Homes and its Affiliates, as follows:

1. Confidentiality.

(a) Party acknowledges that (i) Alair Homes is engaged in a highly competitive business, the success of which is dependent upon, among other things, the Confidential Information (as defined below), (ii) Party and Franchisee will be in a position of confidence and trust with Alair Homes in which Party and Franchisee will have access to certain Confidential Information, (iii) the Confidential Information constitutes valuable trade secrets that are intended to remain confidential and would be invaluable in the hands of any of Alair Homes' competitors and (iv) disclosure of the Confidential Information would irreparably damage Alair Homes and its Affiliates (as defined below), its respective franchisees and their respective businesses and goodwill and that Party would be liable for that damage. All Confidential Information is and will be and remain Alair Homes' property. Party must take reasonable steps (including, without limitation, complying with all security measures adopted by Alair Homes) to prevent unauthorized disclosure of the Confidential Information. For purposes of this Agreement, the term “Affiliates” means an individual or entity controlling, controlled by or under common control with another individual or entity.

(b) Party agrees to maintain in strict secrecy and confidence all Confidential Information Party or Franchisee receives, whether from Alair Homes, its Representatives or otherwise, whether prior to or after the Effective Date, and must not disclose any Confidential Information to any individual or entity or use any Confidential Information for any purpose (including, without limitation, any purpose detrimental to Alair Homes or its Affiliates, their

respective franchisees and their respective businesses and goodwill; provided, however, that Party may:

(i) Use the Confidential Information as strictly necessary in connection with the operation of Franchisee's Alair Homes Franchise strictly in accordance with the Master Franchise Agreement;

(ii) Disclose the Confidential Information to Franchisee's directors, officers, managers, employees and independent contractors as strictly necessary in connection with the performance of Party's duties in connection with the operation of Franchisee's Alair Homes Franchise strictly in accordance with this Agreement; and

(iii) Disclose the Confidential Information pursuant to a subpoena or other legal process, provided that Party (x) discloses only the minimum Confidential Information so required to be disclosed and (y) provide to Alair Homes reasonable notice (but in any case not less than three days) that Party intends to so disclose the Confidential Information, together with the nature and substance of the Confidential Information intended to be so disclosed, so that Alair Homes can object thereto.

(c) Party must at all times take all steps reasonably necessary and/or requested by Alair Homes to ensure that the Confidential Information is kept confidential, including, without limitation, complying with all applicable policies, procedures and practices that Alair Homes has established, or may hereafter establish, with respect to the Confidential Information.

(d) All Confidential Information, including, without limitation, all copies thereof in tangible form (including, without limitation, information in computer software, firmware or other electronic storage media) must be returned or destroyed (whichever we designate) promptly upon the earlier of (i) Alair Homes' written request and (ii) the date of a transfer of Franchisee's Alair Homes Franchise, expiration or termination of the Master Franchise Agreement. Alair Homes may communicate Party's obligations pursuant to this Agreement to any customer or other individual or entity with whom Party, Franchisee or any of Franchisee's Affiliates have a relationship, to the extent deemed necessary by Alair Homes for the protection of Alair Homes' rights under this Agreement or the Master Franchise Agreement.

(e) For purposes of this Agreement, the term "Confidential Information" means any and all trade secrets and any and all proprietary or other information of or concerning Alair Homes and its Affiliates and their respective businesses, activities, assets and prospects, including, without limitation, the systems, home design, remodel, construction, business, promotional, marketing and advertising formats, materials, information, policies, practices, methods, technology and other systems, procedures, processes, techniques, formulae, goods and services and other information contained in the Operations Manual, all information and data generated by the Computer System and all other information and data related to Franchisee's Alair Homes Franchise, all customer, employee, referral source, vendor and supplier lists and records, trade secrets, research, product plans and systems, products, services, markets, forecasts, strategies, systems and information, advertising concepts and executions, sketches, photographs, know-how, drawings, computer software, systems and programs, database technologies and systems, price lists, markets, business plans, marketing and financial information, in whatever form, manner, nature or medium (whether orally or in written or other tangible form, including, without limitation, magnetic media,

electronic or other means), without regard to whether such information is provided directly by Alair Homes or its Affiliates or their respective Representatives, and any Derivative Materials (as defined below). "Confidential Information" also includes any information that Alair Homes and/or its Affiliates has received from a third party that Alair Homes and/or its Affiliates is obligated to treat as confidential. For purposes of this Agreement, the term "Derivative Materials" means any notes, memoranda, analyses, compilations, reports, studies, interpretations or other documents or communications prepared by or for the benefit of Party, Franchisee or its Affiliates that contain, reflect or are based upon, in whole or in part, any Confidential Information. Notwithstanding the foregoing, the following shall not be included within the definition of "Confidential Information:"

(i) Information that was publicly known or generally known within the construction industry at the time of communication thereof by Alair Homes or on its behalf;

(ii) Information that becomes publicly known or generally known within the construction industry through no fault of Party, Franchisee or Franchisee's Affiliates subsequent to the time of communication thereof by Alair Homes or on its behalf;

(iii) Information that Party can demonstrate was in the possession of Party or Franchisee at the time of communication thereof by Alair Homes or on its behalf, or is received by Party or Franchisee free of any obligation of confidence to Alair Homes or its Affiliates; and

(iv) Information that Guarantor can demonstrate is, after the Effective Date but prior to the time of communication thereof by Alair Homes or on its behalf, independently developed by Party or Franchisee without the use of or recourse to Confidential Information or a breach or violation of the Master Franchise Agreement, this Agreement or a similar agreement.

(f) Upon Party's breach of any of the terms of this Section 1, Alair Homes may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and the Master Franchise Agreement and to pursue any other remedy to which Alair Homes may be entitled. Party agrees that the rights conveyed by this Agreement are of a unique and special nature and that Alair Homes' remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Section 1, without the necessity of posting bond therefor or proof of actual damages.

(g) Party will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made:

(i) In confidence to a federal, state or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; or

(ii) In a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

If Party files a lawsuit for retaliation by Alair Homes for Party’s reporting a suspected violation of law, Party may disclose the trade secret to Party’s attorney and use the trade secret information in

the court proceeding, if Party files any document containing the trade secret under seal and does not disclose the trade secret except pursuant to a court order.

2. Restrictive Covenants.

(a) Party may not, during the period that Party is a director, officer, manager, employee or independent contractor of Franchisee, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competitive Business (as defined below). For purposes of this Agreement, the term "Competitive Business" means a business that, directly or indirectly, (i) offers or provides home building services, home renovation services and/or commercial contracting services and/or (ii) offers or sells licenses or franchises for the operation of businesses that offer or provide home building services, home renovation services and/or commercial contracting services.

(b) Party may not, during the Restrictive Period (as defined below), directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a Competitive Business within the Restrictive Area (as defined below); provided, however, that Party may be employed or engaged by an entity that is engaged a Competitive Business if (i) such entity does not derive more than 10% of its gross revenue from home building services, home renovation services and/or commercial contracting services, (ii) Party has no ownership or financial interest (other than a salary or fair market value consulting fee) in such entity and (iii) Party is are not, directly or indirectly, providing any home building services, home renovation services and/or commercial contracting services for such entity. For purposes of this Agreement, the term "Restrictive Period" means the one-year period after the date that Party ceases to be a director, officer, manager, employee or independent contractor of Franchisee; provided, however, that if a court of competent jurisdiction determines that such period is unenforceable, the term "Restrictive Period" means the six-month period after the date that Party ceases to be a director, officer, manager, employee or independent contractor of Franchisee. For purposes of this Agreement, the term "Restrictive Area" means the Region (as defined in Section 19) plus a 10-mile radius around the Region; provided, however, that if a court of competent jurisdiction determines that such geographic area is unenforceable, the term "Restrictive Area" means the Region.

(c) Party acknowledges that the provisions of this Section 2 (including, without limitation, the time restraints and geographic scope) are reasonable and necessary and agree that Party's failure to adhere strictly to the restrictions contained in this Section 2 will cause substantial and irreparable damage to Alair Homes, its Affiliates and their respective franchisees. Upon Party's breach of any of the terms of this Section 2, Alair Homes may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and the Master Franchise Agreement and to pursue any other remedy to which Alair Homes may be entitled. Party agrees that the rights conveyed by this Agreement are of a unique and special nature and that Alair Homes' remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce any provision of this Section 2, without the necessity of posting bond therefor or proof of actual damages. Party acknowledges that Party possesses skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants contained in this Section 2 will not deprive Party of Party's personal goodwill or ability to earn a living.

(d) The parties understand and agree that Alair Homes may reduce the scope of any provision of this Section 2 without obtaining's Party's consent or approval and Party agrees that it will thereafter comply with that provision as so modified. If the scope of any restriction contained in this Section 2 is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and Party and Alair Homes agree that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision of this Section 2 is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision of this Agreement or the legality, validity or enforceability of that provision in any other jurisdiction.

3. Privacy Rights. Alair Homes will be entitled to use the name, likeness and voice of Party for purposes of promoting the Alair Homes franchise system, Alair Homes and its products and services, including, without limitation, all photos and audio and video recordings of Party, and Party hereby irrevocably consents thereto. Party acknowledges that Alair Homes will own all right, title and interest, to the extent allowed by law, in and to all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as "moral rights," "artist's rights," "publicity rights" or the like associated with such photos and audio and video recordings, and hereby assigns and transfers unto Alair Homes the full and exclusive right, title, and interest in and to such publicity rights.

4. Copyrights. Any reproduction of any items or materials suitable for copyright protection by Alair Homes (the "Copyrights"), including, without limitation, the Copyrighted Materials (as defined below), must bear a copyright notice in the form designated by us. All advertising, promotional and/or marketing materials generated by or for Franchisee or Party will be deemed a work for hire, and all ownership rights, including, without limitation, any copyrights, in such advertising, promotional and/or marketing materials are hereby assigned by Party to Alair Homes. In addition, Party hereby assigns and transfers to Alair Homes any and all rights it may have in or to the Copyrights, including, without limitation, the Copyrighted Material, and agrees to sign such other and further documents as Alair Homes may request to effectuate the provisions of this Section 4. For purposes of this Agreement, the term "Copyrighted Materials" means all versions, variations and adaptations of the following materials in tangible form, either produced by us, produced on our behalf as works for hire or derived from works produced by or on behalf of us: (a) the Operations Manual and the other documents and materials containing the System Standards, (b) training materials (including, without limitation, printed, audio, video or electronic materials), (c) plans and specifications for Alair Homes franchises, (d) product identification posters, photographs and graphics, (e) advertising, promotional and/or marketing materials, (f) labels, forms and reports provided by Alair Homes, (g) any computer software developed or modified for use in the operation of Alair Homes franchises, (h) all Trade Dress and Trade Dress elements and (i) any other materials protected by copyright law or marked or identified by Alair Homes as protected by copyright.

5. Innovations. During the term of the Master Franchise Agreement, Party may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, formulae, products, packaging or other concepts and intellectual property relating to Franchisee's Alair Homes Franchise and related goods and services (the "Innovations"). Party

hereby assigns any and all of its right, title and interest in and to the Innovations, including, without limitation, any intellectual property rights, to us, and agree to cooperate with us and our counsel in the protection of the Innovations, including, without limitation, the perfecting of title thereto, and agrees to sign such other and further documents as Alair Homes may request to effectuate the provisions of this Section 5.

6. Franchise List. Party may not solicit other franchisees, or use the lists of franchisees, for any commercial or other purpose, other than purposes directly related to the operation of Franchisee's Alair Homes Franchise, without Alair Homes' approval.

7. Enforceability. If the scope of any restriction contained in this Agreement is too broad to permit the enforcement of such restriction to its fullest extent, then such restriction will be enforced to the maximum extent permitted by law, and Party hereby consents and agrees that such scope may be judicially limited or modified accordingly in any proceeding brought to enforce such restriction. Each covenant contained in this Agreement is independent and severable and, to the extent that any such covenant shall be declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, such declaration will not affect the legality, validity or enforceability of any other provision contained herein or the legality, validity or enforceability of such covenant in any other jurisdiction.

8. Waiver. No delay or omission on the part of Alair Homes Party in exercising any of its rights hereunder, nor the acquiescence in or waiver by Alair Homes Party of a breach of any term, covenant or condition of this Agreement, shall be deemed or construed to operate as a waiver of such rights or acquiescence thereto except in the specific instance for which given. In all events, any such waiver must be in a writing signed by Alair Homes. Any waiver that fails to meet such requirements shall be invalid and void.

9. Notices. All notices and other communications to either party shall be in writing and shall be delivered personally or sent by registered or certified United States mail, postage prepaid, to the intended recipient at its address stated below its signature. Each such notice shall be effective upon personal delivery or three days after deposit in the United States mail in the foregoing manner.

10. **Governing Law; Jurisdiction and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the law of the State of Arizona, notwithstanding any conflict of law provisions to the contrary. Each party agrees that any litigation between the parties shall be commenced and maintained only in a court located in Maricopa County, Arizona, and each party consents to the jurisdiction and venue of such courts and waives any right to object thereto.**

11. **Jurisdiction. Subject to applicable law, each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in Maricopa County, Arizona, and each party consents to the jurisdiction of those courts.**

12. **Waiver of Rights. The parties hereby waive the right to (a) a jury trial, (b) initiate or participate in a class action in any form and (c) seek or collect punitive, consequential and special damages in any forum.**

13. Attorneys' Fees. In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing party may recover reasonable attorneys' fees and costs incurred in connection with any arbitration, court or other proceeding. In addition, Party will be obligated to pay Franchisee's reasonable attorneys' fees and costs in connection with Party's failure to perform its obligations under this Agreement and/or Franchisee's enforcing its rights under this Agreement.

14. Entire Agreement. This Agreement contains the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties with respect to that subject matter.

15. Terminology; Captions. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, will, where appropriate, include all other genders and the singular will include the plural and vice versa. All captions, headings or titles in the sections of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement or a limitation of the scope of the particular section to which they apply.

16. Survival. Notwithstanding anything contained in this Agreement to the contrary, the provisions of this Agreement that may affect the parties' rights and obligations after the termination of the Master Franchise Agreement will survive the termination of the Master Franchise Agreement.

17. Further Assurances. Each party agrees to do all acts and things and to make, sign and deliver such written instruments as may from time to time be reasonably required to carry out the terms and provisions of this Agreement.

18. Third Party Beneficiary. The parties expressly intend that Alair Homes is a third party beneficiary of Franchisee's rights under this Agreement and that Alair Homes may enforce Franchisee's rights under this Agreement in its own name or in the name of Franchisee.

19. Date of Master Franchise Agreement:_____
Name(s) of Party:_____
Name of Franchisee:_____
The Region:_____

[signatures on next page]

EXECUTED as of _____

Name:_____
(Print Name)

Executed by:_____
(Sign Name)

Address:_____
_____

Name:_____
(Print Name)

Executed by:_____
(Sign Name)

Address:_____
_____

Exhibit E
Representations and Acknowledgement Statement

This Questionnaire is being executed in connection with you and Alair Enterprises USA, Inc. ("we" or "us') entering into a Master Franchise Agreement for the operation of an Alair Homes Master Franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in connection with this transaction and to be certain that you understand the limitations on claims that you may make by reason of the purchase and operation of your Alair Homes Master Franchise.

Please review each of the following questions carefully and provide honest responses to each question. If you answer "No" to any of the questions below, please explain your answer at the bottom of this Representation and Acknowledgement Statement.

You represent, warrant and acknowledge the following and understand that we will rely upon your responses to the following:

1.	Yes __	No __	Have you received and personally reviewed the Master Franchise Agreement and each attachment or schedule attached to them?
2.	Yes __	No __	Have you received and personally reviewed the Franchise Disclosure Document we provided?
3.	Yes __	No __	Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
4.	Yes __	No __	Do you understand all the information contained in the Franchise Disclosure Document and Master Franchise Agreement?
5.	Yes __	No __	Did you receive the Franchise Disclosure Document at least 14 days before you signed any agreement relating to an Alair Homes Master Franchise or paid any fee to us or any affiliate of ours?
6.	Yes __	No __	Did you receive a complete execution copy of the Master Franchise Agreement, with all material terms filled in, at least 7 days before you signed it?
7.	Yes __	No __	Have you reviewed the Franchise Disclosure Document and Master Franchise Agreement with a lawyer, accountant or other professional advisor?
8.	Yes __	No __	Have you discussed the benefits and risks of developing and operating an Alair Homes Master Franchise with an existing Alair Homes Master Franchisee?
9.	Yes __	No __	Do you understand the risks of developing and operating an Alair Homes Master Franchise?
10.	Yes __	No __	Do you understand that the success or failure of your Alair Homes Master Franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control, such as weather, competition, interest rates, the economy, inflation, labor and supply costs and the marketplace?
11.	Yes __	No __	Do you understand that you are responsible for all safety and employee matters in connection with developing and operating your Alair Homes Master Franchise?
12.	Yes __	No __	Do you understand that you will have a Region?

13. Yes __ No __ Do you understand that, subject to applicable law, with limited exceptions, all disputes or claims between you and us must be arbitrated in Arizona?

14. Yes __ No __ Do you understand that, subject to applicable law, any litigation between you and use will be conducted in Arizona?

15. Yes __ No __ Do you agree that no employee or other person speaking on our behalf has made any statement or promise regarding the estimated expenses involved in operating an Alair Homes Master Franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

16. Yes __ No __ Do you agree that no employee or other person speaking on our behalf has made any statement, promise or agreement, other than those contained in the Master Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support, service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

17. Yes __ No __ Do you agree that no employee or other person speaking on our behalf has made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn or the total amount of income or revenue an Alair Homes Master Franchise will generate?

You must sign and date this Questionnaire the same day that you sign and deliver to us the Master Franchise Agreement and pay your franchise fee. You may not sign or date this Questionnaire the same day as you sign and deliver to us the Receipt for the Franchise Disclosure Document.

EXPLANATION OF ANY NEGATIVE RESPONSES (Refer to Item #):

_____

EXECUTED as of _____

Name:_____ Name:_____
(Print Name) (Print Name)

Executed by:_____ Executed by:_____
(Sign Name) (Sign Name)

Exhibit F
Security Agreement

AGREEMENT, dated as of [date], by and between **[name of franchisee, state and type of entity]** ("Debtor"), and **Alair Enterprises USA, Inc.**, an Arizona corporation ("Secured Party").

1. Grant of Security Interest.

(a) Debtor hereby grants to Secured Party a security interest in Debtor's right, title and interest in and to the Collateral (as hereinafter defined) to secure the payment and/or performance of the Obligations (as hereinafter defined) of Debtor to Secured Party. Debtor acknowledges and agrees that Secured Party has the right to file a financing statement, in substantially the form attached hereto as **Attachment 1**, to perfect Secured Party's right, title and interest in and to the Collateral.

(b) Debtor authorizes and irrevocably appoints Secured Party as Debtor's attorney-in-fact to sign, if necessary, and file, in Debtor's name, financing statements at any time with respect to any of the Collateral, without the Debtor's signature, it being understood and intended by Debtor that such power of attorney is coupled with an interest. At Secured Party's request, Debtor will join with Secured Party in executing one or more financing statements pursuant to the Uniform Commercial Code in forms satisfactory to Secured Party.

(c) For purposes of this Agreement, the following terms have the following meanings:

(i) "Affiliates" means an individual or entity that controls, is controlled by or under common control with another individual or entity.

(ii) "Collateral" means all of Debtor's assets, including, without limitation, furniture, fixtures and equipment, cash, cash equivalents and accounts, and accounts receivable, together with all substitutes therefor and replacements thereof, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, and all proceeds thereof.

(iii) "Master Franchise Agreement" means any and all Master Franchise Agreements entered into between Debtor (or its Affiliates) and Secured Party (or its Affiliates).

(iv) "Obligations" means any and all indebtedness, liabilities and obligations of Debtor (and/or its Affiliates) to Secured Party (and/or its Affiliates"), including, without limitation, the indebtedness, obligations and liabilities of Debtor to Secured Party pursuant to the Master Franchise Agreement and all instruments and documents executed in connection therewith (collectively, the "Related Agreements").

2. Covenants of Debtor.

(a) Debtor shall maintain the Collateral in good operating condition and repair at all times and shall obtain and maintain, with an insurance carrier approved by Secured Party, liability insurance with respect to the delivery and operation of the Collateral, naming Secured Party as an additional insured, and insurance with respect to damage to the Collateral insured for the full insurable value thereof, naming Secured Party as a loss payee. Such policies shall provide that no

such coverage may be cancelled or amended without 30 days' prior written notice to Secured Party by the insurer.

(b) Debtor shall allow Secured Party and its representatives and agents access to the Collateral to examine or inspect the Collateral from time to time upon reasonable notice to Debtor, and shall execute and deliver to Secured Party and all instruments and documents that Secured Party may request in connection with Secured Party's exercise of such right and/or Secured Party's other rights under this Agreement.

3. Representations and Warranties of Debtor. Debtor represents and warrants to Secured Party as follows:

(a) The execution and delivery of this Agreement by Debtor, and the performance by Debtor of its obligations hereunder, are within the scope of Debtor's corporate powers, have been duly authorized by all necessary corporate action, are not in contravention of law or any of the terms of Debtor's Articles of Incorporation or Bylaws (and/or other governing documents) or any agreement to which Debtor is a party, by which Debtor is bound or that is applicable to the Collateral.

(b) Debtor has good title to, and rightful possession of the Collateral, and owns the Collateral free and clear of any liens, encumbrances, security interests, claims, charges, taxes, levies and/or assessments of any kind or nature, other than the security interest created by this Agreement. This Agreement grants Secured Party a first and senior security interest in, and lien on, the Collateral.

4. Events of Default. Debtor shall be in default of its obligations under this Agreement upon the occurrence of any of the following (each of which is referred to as an "Event of Default"):

(a) Failure to timely and fully pay or perform any of Debtor's obligations under Section 2 of this Agreement, any of Debtor's (or another party's) other obligations under the Master Franchise Agreement or any other Related Agreement;

(b) Failure to timely and fully perform any of the other Obligations;

(c) If any of the representations and warranties contained herein was untrue when made or becomes untrue;

(d) Debtor becomes insolvent (defined as the inability to pay its debts in the ordinary course of business, an excess of liabilities over assets or both), files as a debtor in bankruptcy, has a bankruptcy petition filed against it or makes an assignment for the benefit of creditors;

(e) Debtor transfers the Collateral except in the ordinary course of Debtor's business, the Collateral is transferred by operation of law except in the ordinary course of Debtor's business or otherwise or the Collateral is lost, stolen, substantially damaged or destroyed, or the value of the Collateral is reduced below the value of the Obligations; and/or

(f) Debtor is dissolved or it otherwise ceases to exist as an entity.

5. **Rights and Remedies upon Default.** Upon the occurrence of any Event of Default, and at any time thereafter, Secured Party shall have all of the rights and remedies of a secured party under the Uniform Commercial Code, including, without limitation, the following rights:

(a) To declare all Obligations immediately due and payable;

(b) To require Debtor to make the Collateral, or any part thereof, available to Secured Party for possession at a place designated by Secured Party;

(c) To take immediate and exclusive possession of the Collateral or any part thereof, and for that purpose Secured Party may, so far as Debtor can give authority therefor, with or without judicial process, enter upon any premises in which the Collateral or any part thereof may be situated and remove the same therefrom;

(d) To hold, maintain, preserve and prepare the Collateral for public or private sale, in Secured Party's sole discretion, until disposed of, or to retain the Collateral subject to Debtor's right of redemption, in satisfaction of the Debtor's obligations as provided in the Uniform Commercial Code. Secured Party shall give Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. Secured Party may be the purchaser at any public or private sale of the Collateral. The net proceeds realized upon any such disposition, after deduction for the expenses of retaking, holding, preparing for sale, selling or the like, and reasonable attorney's fees and legal expenses incurred by Secured Party, shall be applied in satisfaction of the Obligations secured hereby. Secured Party shall account to Debtor for any surplus realized on such disposition and Debtor shall remain liable for any deficiency.

6. **Waiver.** No delay or omission on the part of Secured Party in exercising any of his rights hereunder, nor the acquiescence in or waiver by Secured Party of a breach of any term, covenant or condition of this Agreement, shall be deemed or construed to operate as a waiver of such rights or acquiescence thereto except in the specific instance for which given. In all events, any such waiver must be in a writing signed by Secured Party. Any waiver that fails to meet such requirements shall be invalid and void.

7. **Notices.** All notices and other communications to either party shall be in writing and shall be delivered personally or sent by registered or certified United States mail, postage prepaid, to the intended recipient at its address stated below its signature. Each such notice shall be effective upon personal delivery or three days after deposit in the United States mail in the foregoing manner.

8. **Set Off.** Secured Party shall have the right to set off against any claim, obligations or indebtedness that it may owe to Debtor any or all of the Obligations.

9. **Termination.** This Agreement shall be a continuing agreement in every respect until such time as the Debtor has paid and/or performed all of the Obligations.

10. **Governing Law; Jurisdiction and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the law of the State of Arizona, notwithstanding any conflict of law provisions to the contrary. Each party agrees that any litigation between**

the parties shall be commenced and maintained only in a court located in Maricopa County, Arizona, and each party consents to the jurisdiction and venue of such courts and waives any right to object thereto.

11. **Attorneys' Fees.** In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing party may recover reasonable attorneys' fees and costs incurred in connection with any proceeding.

12. **Severability**. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision contained in this Agreement shall be prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

EXECUTED as of the date first stated above

[Name of Franchisee]

By:_____
Name:
Title:

Address: _____

_____

Alair Enterprises USA, Inc.

By:_____
Rob Cecil, President

Address: Attention: Rob Cecil
96 Wallace Street
Nanaimo, BC V9R 0E2, Canada

Attachment 1

[redacted]

UCC FINANCING STATEMENT
FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

Alair Enterprises USA, Inc.
96 Wallace Street
Nanaimo, British Columbia V9R 0E2
CANADA

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME					
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX	
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY	

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME					
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX	
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY	

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME **Alair Enterprises USA, INc.**				
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS **96 Wallace Street**	CITY **Nanaimo**	STATE **BC**	POSTAL CODE **V9R 0E2**	COUNTRY **Can**

4. COLLATERAL: This financing statement covers the following collateral:

All of debtor's assets, including, without limitation, furniture, fixtures and equipment, cash, cash equivalents and accounts, and accounts receivable, together with all substitutes therefor and replacements thereof, whether now or hereafter acquired, whether now existing or hereafter arising, and wherever located, and all proceeds thereof

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box: ☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box: ☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA:

FILING OFFICE COPY — UCC FINANCING STATEMENT (Form UCC1) (Rev. 04/20/11) International Association of Commercial Administrators (IACA)

Exhibit G
Sample Release

Franchisee, its Affiliates and their respective shareholders, members and partners, on their own behalf and on behalf of their respective Affiliates and their respective, shareholders, members, directors, officers, employees, representatives and agents (collectively, the "Master Franchisee Parties"), hereby release, discharge and acquit Alair Enterprises USA, Inc., an Arizona corporation ("Franchisor"), and its Affiliates and their respective shareholders, members, directors, officers, employees, representatives and agents (collectively, the "Franchisor Parties") for, from and against any and all claims, demands and causes of action that accrued on or prior to the date hereof (whether now existing or hereafter arising, known or unknown) that the Master Franchisee Parties (or any of them) may now or in the future have against the Franchisor Parties (or any of them), including, without limitation, claims, demands and causes of action that resulted, result or may result from, arise out of or relate to that certain Master Franchise Agreement, dated as of [date], by and between Franchisor and Franchisee, the operation of Franchisee's Alair Homes® Master Franchised business, the offering and sale of Franchisee's Alair Homes® Master Franchised business and/or the relationship among Franchisor (or the other Franchisor Parties) and the Master Franchisee Parties (or any of them) in connection with any of the foregoing

The above does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Date:_____ Franchisee:_____

By:_____

Name:

Title:

_____

[Name of Shareholder/Member]

_____

[Name of Shareholder/Member]

_____

[Name of Shareholder/Member]

[the form you may be required to sign may differ from the above]

Exhibit I
Table of Contents of Operations Manual

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Exhibit J
List of Master Franchisees
(as of August 31, 2022)

Region	Franchisee/Contact Person	Address	City	State	Zip Code	Phone
Arizona	AVI Master Enterprises Ltd. Stu Hopewell and Blair McDaniel	96 Wallace Street	Nanaimo	BC	V9R 0E2	250-824-0279
Colorado	Colorado Master Limited Monica Affleck and Graeme Bell	20619 93 Avenue	Edmonton	BC	T5T 4K6	780-902-5598
Florida (Southwest)	GH SWFL, LLC Glenn Harris III	1700 Medical Lane	Fort Meyers	FL	33907	239-313-7609
Florida (North)	K2 NFRD 18, LLC Daniel Kennerly and Roland "Jim" Krantz	2207 E Michigan Street	Orlando	FL	32806	407-857-8669
Georgia (South)	Southeast Georgia RP, LLC Walter Strong	28 East 41st Street	Savannah	GA	31401	912-233-7690
Georgia (North)	NGARP LLC Peter and David Michelson	124 S. Columbia Drive	Decatur	GA	30030	404-944-9248
Iowa	RP Iowa, LLC Andrew Long	5550 Wild Rose Lane	West Des Moines	IA	50266	515-650-0723
North Carolina (Western)	Johns & Young LP David Young and Duane Johns	3926 Miriam Drive	Charlotte	NC	28205	704-201-9054
North Carolina (Eastern)	JSYNC LP David Young and Duane Johns	3926 Miriam Drive	Charlotte	NC	28205	704-201-9054
Ohio	Nystrom LLC David Nystrom	10 West Streetsboro Street, Suite 2	Hudson	OH	44236	440-893-9600
South Carolina	YoungSmith LP David Young	110 W. 9th North Street	Summerville	SC	29481	416-550-3295
Texas (Northeast)	NETX, LLC James Hammel and Lisa Hammel	2801 Westminister Avenue	Dallas	TX	75205	214-957-6737
Texas (Southeast)	SETX Master, LLC Christopher Bolio and Michelle Bolio	9440 Bamboo Road	Houston	TX	77041	832-731-4684
Texas (Southwest)	Centex Master, LLC Jeffrey Jenkins	1413 Burgundy Way	New Braunfels	TX	78132	830.606.1414
Virginia	Hackman Management LLC Chad Hackman	3100 Clarendon Blvd., Suite 200	Arlington	VA	22201	202-409-1280
Wisconsin	Roc RP, LLC	605 George Street	De Pere	WI	54115	920.370.0707

Exhibit K
List of Franchisees who have Left the System or not Communicated with us

None

Exhibit L
Financial Statements

Alair Enterprises USA, Inc.

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Larson Gross

Independent Auditor's Report

To the Board of Directors
Alair Enterprises USA, Inc.
Nanaimo, British Columbia, Canada

Opinion
We have audited the accompanying financial statements of Alair Enterprises USA, Inc., which comprise the balance sheets as of August 31, 2022, 2021, and 2020, the related statements of income and retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alair Enterprises USA, Inc. as of August 31, 2022, 2021, and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Correction of Error
As discussed in Note 8 to the financial statements, the 2021 and 2020 financial statements have been restated to correct an error related to the recognition of revenue for advertising fund contributions and related expenses. Our opinion is not modified with respect to that matter.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alair Enterprises USA, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

800 447 0177 ▸ larsongross.com
Connected Invested Integrity Personal Initiative Successful

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alair Enterprises USA, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alair Enterprises USA, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Larson Gross PLLC

Bellingham, Washington
December 9, 2022

Alair Enterprises USA, Inc.

Balance Sheets

August 31, 2022, 2021 (As Restated), and 2020 (As Restated)

	2022	2021	2020
Assets			
Current assets			
Cash	$ 1,174,929	$ 1,071,824	$ 982,104
Trade and other accounts receivable	273,326	375,154	458,674
Accounts receivable from related party	5,113	-	-
Prepaid expenses	8,500	9,500	9,500
Advances due from related parties	52,517	23,090	-
Current portion of notes receivable – franchisees	46,500	84,500	70,100
Total current assets	1,560,885	1,564,068	1,520,378
Notes receivable – franchisees	15,988	27,582	79,839
Receivables – regional developers	2,159,250	2,018,250	2,061,000
Deferred tax asset	-	26,600	-
Total assets	$ 3,736,123	$ 3,636,500	$ 3,661,217
Liabilities and Stockholder's Equity			
Current liabilities			
Accounts payable	$ 340,813	$ 393,543	$ 389,408
Income tax payable	97,037	182,254	-
Advance due to related party	-	79,022	176,710
Notes payable – current portion	-	92,751	-
Total current liabilities	437,850	747,570	566,118
Deferred revenue			
Regional developer right franchises	2,159,250	2,018,250	2,061,000
License fees prepaid by franchisees	-	-	1,436
Total deferred revenue	2,159,250	2,018,250	2,062,436
Deferred tax liability	131,500	-	87,200
Notes payable – net of current portion	-	-	92,751
Total liabilities	2,728,600	2,765,820	2,808,505
Stockholder's equity			
Common stock – 1,000 shares authorized, 100 shares issued and outstanding, $1,000 par value	96,131	96,131	96,131
Retained earnings	911,392	774,549	756,581
Total stockholder's equity	1,007,523	870,680	852,712
Total liabilities and stockholder's equity	$ 3,736,123	$ 3,636,500	$ 3,661,217

The accompanying notes are an integral part of these financial statements.

Alair Enterprises USA, Inc.

Statements of Income and Retained Earnings

Years Ended August 31, 2022, 2021 (As Restated), and 2020 (As Restated)

	2022	2021	2020
Revenues			
Franchise royalties	$ 4,892,912	$ 3,430,289	$ 2,595,794
Advertising fund contributions	1,777,080	1,229,838	946,237
Franchise sales	222,546	443,046	765,280
Total revenues	6,892,538	5,103,173	4,307,311
Cost of revenues			
Franchise fees	3,606,088	2,728,408	2,111,685
Advertising and promotion	1,816,826	1,124,890	706,728
Total cost of revenues	5,422,914	3,853,298	2,818,413
Gross profit	1,469,624	1,249,875	1,488,898
General and administrative expenses			
Wages and benefits	438,881	444,021	648,289
Legal and accounting	113,722	67,160	59,866
Travel	9,237	876	2,934
Broker fees	7,000	10,000	15,000
Business fees, dues and licenses	3,842	3,341	2,634
Office expense	1,343	1,327	1,524
Bank charges and other	821	316	675
Total general and administrative expenses	574,846	527,041	730,922
Income from operations	894,778	722,834	757,976
Other income			
Interest income	5,289	3,210	10,698
Forgiveness of Paycheck Protection Program loan	92,751	-	-
Total other income	98,040	3,210	10,698
Income before provision for income tax	992,818	726,044	768,674
Provision for income tax expense (benefit)			
Current	278,662	191,516	19,323
Deferred	158,100	(113,800)	115,800
Total income tax expense (benefit), net	436,762	77,716	135,123
Net income	556,056	648,328	633,551
Retained earnings, beginning of period	774,549	756,581	439,922
Dividends	(419,213)	(630,360)	(316,892)
Retained earnings, end of period	$ 911,392	$ 774,549	$ 756,581

The accompanying notes are an integral part of these financial statements.

Alair Enterprises USA, Inc.

Statements of Cash Flows

Years Ended August 31, 2022, 2021 (As Restated), and 2020 (As Restated)

	2022	2021	2020
Cash flows from operating activities			
Net income	$ 556,056	$ 648,328	$ 633,551
Adjustments to reconcile net income to net cash provided by operating activities:			
Franchise sales in notes receivable, net	49,594	37,857	(50,916)
Deferred income tax expense (benefit)	158,100	(113,800)	115,800
Forgiveness of Paycheck Protection Program loan	(92,751)	-	-
(Increase) decrease in assets			
Trade and other accounts receivable	(39,172)	126,270	(605,194)
Accounts receivable from related party	(5,113)	-	-
Prepaid expenses	1,000	-	-
Increase (decrease) in liabilities			
Accounts payable	(52,730)	4,135	276,179
Income tax payable	(85,217)	182,254	-
Deferred revenue	141,000	(44,186)	239,794
Net cash provided by operating activities	630,767	840,858	609,214
Cash flows from investing activities			
Change in advances due from related parties	(29,427)	(23,090)	-
Net cash used by investing activities	(29,427)	(23,090)	-
Cash flows from financing activities			
Change in advance due to related party	(79,022)	(97,688)	147,118
Proceeds from note payable	-	-	92,751
Dividends	(419,213)	(630,360)	(316,892)
Net cash used by financing activities	(498,235)	(728,048)	(77,023)
Net change in cash	103,105	89,720	532,191
Cash, beginning of period	1,071,824	982,104	449,913
Cash, end of period	$ 1,174,929	$ 1,071,824	$ 982,104
Supplemental Disclosure of Cash Flow Information			
Cash paid for income taxes	$ 357,705	$ 720	$ 19,385
Other Non-cash Financing Activity			
Forgiveness of Paycheck Protection Program loan	$ 92,751	$ -	$ -

The accompanying notes are an integral part of these financial statements.

Alair Enterprises USA, Inc.

Notes to the Financial Statements

August 31, 2022, 2021, and 2020

Note 1 – Summary of Significant Accounting Policies

Business – Alair Enterprises USA, Inc. (the Company) was incorporated in the State of Arizona in 2013 and is the franchisor of single and regional custom home building franchises. The Company grants single-unit franchises (Unit Franchises) that will operate a franchise in a geographical area under the name Alair Homes. People who operate Unit Franchises (Unit Franchisees) offer their customers high quality home building and renovation services. The Company also grants Alair Homes Master Franchises (formerly called RD or Regional Developer Franchises) that recruit Unit Franchisees in designated development areas, provide certain sales and support services to Unit Franchisees located in their development areas, and establish and operate at least one Unit Franchise in their development areas, unless this requirement is waived. People who operate Master Franchises receive a percentage of the initial franchise fee and continuing fees (Royalties) paid by Unit Franchisees within their development areas. Unit Franchises and Master Franchises are available within certain geographic areas across the United States.

Following is a summary of changes in the number of franchises during the years ending August 31:

	2022	2021	2020
Master Franchises			
Franchised Outlets			
In operation, beginning of fiscal year	14	14	12
New franchises sold during fiscal year	1	-	2
In operation, end of fiscal year	15	14	14
Company Owned			
In operation, beginning of fiscal year	1	1	1
In operation, end of fiscal year	1	1	1
Total Master Franchises	16	15	15
Unit Franchises			
Franchised Outlets			
In operation, beginning of fiscal year	37	32	26
New franchises sold during fiscal year	3	5	8
Franchises reacquired, terminated or ceased during fiscal year	-	-	(2)
In operation, end of fiscal year	40	37	32

As of August 31, 2022 there were sixteen Master Franchises and forty Unit Franchises in operation.

Cash – Cash consists of cash in bank for statement of cash flow purposes.

Accounts receivable and allowance for doubtful accounts – Trade receivables are recorded in the Company's balance sheets at their net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. Management of the Company bases its estimate of doubtful accounts on several factors. These factors include the Company's prior experience collecting receivables, the aging of the receivables at year end, the debtor's ability to repay the amount owed, and management's appraisal of current economic conditions. No reserve for uncollectible accounts was recorded at August 31, 2022, 2021, and 2020.

Note 1 – Summary of Significant Accounting Policies – (Continued)

Notes receivable – Notes receivable are stated at the outstanding principal amount. Outstanding notes accrue interest based on the terms of the respective note agreements as described in Note 3. Management determines when a note receivable is considered delinquent. Delinquent notes are evaluated for collectability based on individual credit evaluation and specific circumstances of the borrower. Impairment reserves are recorded as necessary based upon management's evaluation results.

Revenue recognition – The Company identifies a contract with a customer when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing services identified in the contract. Revenue is recognized as performance obligations under the terms of the contract with the customer are satisfied. Generally, this recognition occurs with the transfer of control of the good or service to the customer. For further discussion of revenue and related accounting policies, see Note 2.

Advertising – Franchisees are required to remit an initial payment to the advertising fund upon signing the franchise agreement and a designated portion of sales, currently 1%, to the advertising fund concurrently with franchise royalties. As amounts are expended from the fund, the Company recognizes advertising expense included in general and administrative expenses on the statements of income.

Income tax – The Company is taxed at the entity (corporate) level. Income taxes for the Company are provided for the tax effects of activity reported in the financial statements. The Corporation accounts for income taxes using the asset and liability method. This approach requires recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities.

The Company evaluates each tax position taken in its tax return and recognizes a liability for any tax position deemed less likely than not to be sustained under examination by the relevant taxing authorities.
The Company has analyzed its federal and significant state filing positions with respect to the FASB Accounting Standards Codification topic on "*Income Taxes*". The Company believes that its income tax filing positions will be sustained on examination and does not anticipate any adjustments that would result in material changes on its financial statements. As a result, no accrual for uncertain income tax positions has been recorded in the financial statements.

Sales taxes – Taxes collected from customers for amounts assessed by governmental authorities on revenue-producing transactions are recorded on a net basis and are not included in the amounts on the accompanying statements of income.

Use of estimates – The preparation of the Company's financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Subsequent events – In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through December 9, 2022, the date the financial statements were available to be issued.

Note 2 – Revenue from Contracts with Customers

Revenue recognition – The Company recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

1) Identify the contract
2) Identify performance obligations
3) Determine the transaction price
4) Allocate the transaction price
5) Recognize revenue

Nature of services – The Company's revenues consist of franchise fees, franchise royalties and advertising fund contributions. The Company executes franchise agreements for each Unit Franchise; each franchise agreement sets out the terms of the arrangement with the franchisee. Franchisees contractually enter into Master Franchises to secure the exclusive right to solicit prospective Unit Franchisees within a defined geographical area. Master Franchises establish the timing and number of Unit Franchisees to be developed within the defined geographical area.

The Company's performance obligations under its franchise agreements consist of (a) pre-opening services, such as training, (b) a franchise license, and (c) ongoing services, such as management of the advertising fund contributions, development of proprietary systems and monitoring. The Company elected to account for pre-opening services performed for franchisees as distinct from the franchise license itself and made an accounting policy election to account for pre-opening services as a single performance obligation. The remaining performance obligations are highly interrelated, so they are not considered to be individually distinct and therefore are accounted for as a single performance obligation, which is satisfied by providing a right to use the Company's intellectual property over the term of each franchise agreement.

Transaction price – The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring services to the customer. The Company records reductions to net revenue related to future returns based on the Company's expectations and historical experience.

Franchise agreements typically require Unit Franchisees to pay an initial, non-refundable franchise fee and pay royalties and advertising fund contributions based upon a percentage of sales. The Company collects royalties of 2.5% to 4.0% of sales and advertising fund contributions of 1% of sales from Unit franchisees. Pursuant to a Master Franchise, a franchisee is generally required to pay an initial non-refundable development fee for a minimum number of Unit Franchisees to be developed, as outlined in the respective franchise agreement.

The Company's affiliate, Alair Enterprises Canada Ltd, also performs supervisory and administrative services for certain franchises for which it receives management fees from the Company; these fees are recognized as the services are performed. Due to the agency nature of the arrangement, revenue received by the Company from franchisees for supervisory and administrative services is recorded as a reduction of general and administrative expenses in the accompanying statements of income. Revenue from supervisory and administrative services totaled $783,849, $574,617, and $457,483 for the years ended August 31, 2022, 2021, and 2020, respectively.

Note 2 – Revenue from Contracts with Customers – (Continued)

Timing – Revenue is recognized at a point in time or over time when services are rendered, which is when the performance obligation is satisfied. The Company recognizes initial non-refundable franchise fees from Unit Franchises as revenue after performing pre-opening services, which is generally upon the signing of the franchise agreement. Revenue from franchise royalties, inclusive of advertising fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise license and is recognized as franchisee's sales occur and customers are invoiced, at least monthly.

The Company recognizes Master Franchise revenue as it satisfies the performance obligation to grant development rights over a stated term as franchise fees are collected. The receivables from Master Franchise sales are initially recorded on the balance sheets as deferred revenues and receivables; the Company subsequently records the revenue as the receivables are collected. The deferred revenue for Master Franchises totaled $2,159,250, $2,018,250, and $2,061,000 at August 31, 2022, 2021, and 2020, respectively.

Significant payment terms – Payment terms are typically within 30 days of the month-end where services are performed. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing services.

Contract modifications – Subject to satisfaction of certain conditions, a franchisee may generally execute a successor franchise agreement upon the expiration of the initial franchise agreement.

Disaggregated revenue – The following table presents the Company's revenues, disaggregated by source, for the years ended August 31, 2022, 2021 (as restated) and 2020 (as restated):

	Shown as %		
	2022	**2021**	**2020**
Franchise royalties	70	67	60
Advertising fund contributions	26	24	22
Single unit franchise sales	2	8	13
Master unit franchise sales	2	1	5
Total	100	100	100

Note 3 – Notes Receivable

The Company offers notes receivable to new unit and Master franchisees to finance 50% of the initial franchise fee. Notes receivable consist of the following as of August 31:

	2022	**2021**	**2020**
Notes receivable from franchisees – monthly receipts totaling approximately $11,000, including interest ranging from 10% to 14%, unsecured, with various maturities through May 2024	$ 62,488	$ 112,082	$ 149,939
Less current portion	(46,500)	(84,500)	(70,100)
	$ 15,988	$ 27,582	$ 79,839

Note 4 – Related Party Transactions

A summary of significant related party transactions, nature of relationship, and balances at August 31 follows:

	2022	2021	2020
Alair Enterprises Canada Ltd., affiliate of Alair Enterprises USA Holdings, Inc.			
Accounts receivable	$ 5,113	$ 7,506	$ -
Advance due from related party	$ 29,427	$ -	$ -
Advance due to related party	$ -	$ 79,022	$ 176,710
Franchise royalties expensed	$ 1,282,276	$ 892,343	$ 1,183,489
Paid for legal, accounting, and advertising services	$ 1,395,391	$ 972,470	$ 344,867
Alair Enterprises USA Holdings, Inc., affiliate of Alair Enterprises USA Holdings, Inc.			
Advance due from related party	$ 23,090	$ 23,090	$ -

Royalty revenues are paid to the affiliate company, Alair Enterprises Canada Ltd., pursuant to the operating agreement between the Company and Alair Enterprises Canada Ltd. for operating and accounting services.

Note 5 – Income Taxes

The effective income tax rate on income differs from the statutory rates as follows for the years ended August 31:

	2022	2021	2020
Income tax computed at federal statutory rate	$ 208,492	$ 130,200	$ 111,100
Income tax computed at state statutory rate	40,904	24,966	-
Accrual-to-cash and cash-to-accrual adjustments	36,962	26,056	(87,901)
Change in deferred taxes	158,100	(113,800)	115,800
Other	(7,696)	10,294	(3,876)
Total income tax provision	$ 436,762	$ 77,716	$ 135,123

The components of the Company's deferred tax assets and liabilities are as follows at August 31:

	2022	2021	2020
Deferred tax assets:			
Book amortization expense in excess of tax amortization	$ 500	$ 600	$ 700
Accrual-to-cash	-	26,000	-
	500	26,600	700

Note 5 – Income Taxes – (Continued)

	2022	2021	2020
Deferred tax liabilities:			
Accrual-to-cash and cash-to-accrual	(132,000)	-	(87,900)
Net deferred tax asset (liability)	$ (131,500)	$ 26,600	$ (87,200)

The income tax returns are subject to routine audits by taxing jurisdictions; however, there are currently no audits for tax periods in progress. As of August 31, 2022, tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions. The Company paid $1,019, $177, and $2 for income tax penalties for the years ended August 31, 2022, 2021, and 2020, respectively.

Note 6 – Notes Payable

In April 2020, the Company received a $92,751 loan from the Federal Payroll Protection Program. This loan was guaranteed by the Small Business Administration until it was forgiven in November 2021. As a result, the balance of the loan was recognized as other income during the year ended August 31, 2022.

Note 7 – Concentrations

Cash – The Company maintains non-interest bearing cash accounts with a financial institution that may at times exceed federally insured limits during the year. The Company has not experienced any losses in this account, and management does not believe it is exposed to any significant credit risk.

Customer concentration – The Company has one, one, and four customers that accounted for approximately 33%, 11%, and 60% of the accounts receivable balance at August 31, 2022, 2021, and 2020, respectively. Four customers accounted for 94%, 96%, and 89% of the regional developer franchise receivables at August 31, 2022, 2021, and 2020, respectively. There were no customers that accounted for over 10% of revenue recorded in 2022, 2021, and 2020.

Economic dependence – All franchise processes and related intellectual properties are owned by Alair Enterprises Canada Ltd. Alair Enterprises Canada Ltd granted the Company an exclusive license to use, and to sublicense the Company's franchisees to use Alair Enterprises Canada Ltd's system processes and other intellectual property in connection with the Company's and its franchisees' businesses in the United States. If the Company and its franchisees lack continued access to the system processes and other intellectual property, there could be a significant impact on the Company's ability to continue providing the requisite franchise services. In addition, with unit franchises geographically restricted to an operating area, economic or physical factors causing a decrease in homebuilding or renovation within that operating area could negatively impact franchise royalties and fees received by the Company.

Note 8 – Restatement

Subsequent to issuing the 2021 financial statements, management discovered an error in the recognition of advertising fund contributions and related expenses. Under accounting principles generally accepted in the United States of America, advertising fund contributions are recorded gross within revenue when they are not considered to be a payment for a distinct service that is separable from the other services provided by the Company. In addition, the Company is to recognize advertising expense on the statements of income as amounts are expended from the advertising fund. Previously, advertising fund contributions were recorded as a liability against which specific costs were charged. Management corrected the misstatement in the accompanying 2022 financial statements. Cash flows from operations and financing activities did not change as a result of the restatement. A summary of the impact is outlined below:

	2019 as Previously Reported	Effect of Restatement	2019 as Restated
Balance Sheet			
Advertising fund liability	$ 278,438	$ (278,438)	$ -
Retained earnings	$ 161,484	$ 278,438	$ 439,922

	2020 as Previously Reported	Effect of Restatement	2020 as Restated
Balance Sheet			
Advertising fund liability	$ 517,958	$ (517,958)	$ -
Retained earnings	$ 238,623	$ 517,958	$ 756,581
Statement of Income			
Advertising fund contributions	$ -	$ 946,237	$ 946,237
Advertising and promotion	$ 11	$ 706,717	$ 706,728
Net income	$ 394,031	$ 239,520	$ 633,551

	2021 as Previously Reported	Effect of Restatement	2021 as Restated
Balance Sheet			
Advertising fund liability	$ 623,799	$ (623,799)	$ -
Retained earnings	$ 150,750	$ 623,799	$ 774,549
Statement of Income			
Advertising fund contributions	$ -	$ 1,229,838	$ 1,229,838
Advertising and promotion	$ 893	$ 1,123,997	$ 1,124,890
Net income	$ 542,487	$ 105,841	$ 648,328

Exhibit M
State Addenda to Franchise Disclosure Document

THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE CALIFORNIA FRANCHISE INVESTMENT LAW

1. THE FOLLOWING PARAGRAPH IS ADDED AT THE END OF ITEM 3 OF THIS FRANCHISE DISCLOSURE DOCUMENT:

Except as disclosed above, neither we nor any person or franchise broker identified in Item 2 of this Franchise Disclosure Document 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, 15 U.S.C.A. Section 78a *et seq.,* suspending or expelling such person from membership in that association or exchange.

2. OUR WEBSITE, www.alairhomes.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

3. THE FOLLOWING PARAGRAPHS ARE ADDED AT THE END OF ITEM 17 OF THIS FRANCHISE DISCLOSURE DOCUMENT:

The Master Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Master Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 voids a waiver of certain of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions Code Section 20010 voids a waiver of certain of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000-20043).

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination or nonrenewal of a franchise. If the Master Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Master Franchise Agreement requires binding arbitration. The arbitration will occur at a location within Maricopa County, Arizona), with the costs being borne by the parties. 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 the Master Franchise Agreement restricting venue to a forum outside the State of California.[2]

[2] Despite this provision, we intend, and we and you agree, to fully enforce the arbitration provisions of the Master Franchise Agreement. We believe that this provision is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

The Master Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 *et seq*.).

The Master Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

The Master Franchise Agreement requires application of the law of the State of Arizona. These provisions may not be enforceable under California law.

4. 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.

5. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE THE YOU A FRANCHISE DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR EXISTING FRANCHISE.

THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE ILLINOIS FRANCHISE DISCLOSURE ACT

Illinois law governs the franchise agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' 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.

THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW

The Franchise Disclosure Document is amended as follows:

1. Items 17(u) and (v) of this Franchise Disclosure Document are amended by adding the following sentence:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

2. Item 17(v) of this Franchise Disclosure Document is amended by adding the following sentence:

A franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Item 17(h) of this Franchise Disclosure Document is amended by adding the following sentence:

The provisions in the Master Franchise Agreement that provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq*.).

4. Item 17(m) of this Franchise Disclosure Document is amended by adding the following sentence:

However, 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.

5. The Representations and Acknowledgements Statement (Exhibit E to the FDD) is amended as follows:

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 FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE MINNESOTA FRANCHISE ACT

1. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, waiver of jury trial or the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or the Master Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

2. With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subdivisions 3, 4 and 5, which require (except in certain specified cases) that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Master Franchise Agreement and that consent to the transfer of the franchise will not be unreasonably withheld.

3. We will protect your rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair not to protect your right to use the trademarks. See Minnesota Statutes, Section 80C.12, Subdivision 1(g).

4. Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release.

5. You cannot consent to our obtaining injunctive relieve. We may seek injunctive relief. See Minnesota Rules 2860.4400J. Also, a court will determine if a bond is required.

6. The Master Franchise Agreement requires that litigation be held in Arizona. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, we cannot require that you consent to our obtaining injunctive relief, although we may seek injunctive relief. Any requirement(s) for a bond will be determined by the court. We may not require that you waive your rights to a jury trial.

THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE NEW YORK STATE FRANCHISE ACT

1. INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF 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 THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21st FLOOR, NEW YORK 10005. 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 WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. Item 3 of this Franchise Disclosure Document is amended by adding the following paragraph:

Except as disclosed in Item 3, 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 phone misdemeanor allegations, or any pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchises 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, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations; or (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 injunction 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. Item 4 of this Franchise Disclosure Document is amended by adding the following paragraph:

Except as disclosed in Item 4, neither the franchisor, its affiliate, its predecessor, officers or general partner during the 10-year period immediately before the date of the Franchise Disclosure Document, (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 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.

4. Item 17 of this Franchise Disclosure Document is amended by adding the following:

Provision		Section in Franchise Agreement or other agreement*	Summary
c.	Requirements for franchisee to renew or extend		However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.
d.	Termination by franchisee		The Franchisee may terminate the agreement on any grounds available by law.
j.	Assignment of contract by franchisor		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 Master Franchise Agreement.
m.	Conditions for franchisor approval of transfer		However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.
v.	Choice of forum		The foregoing 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.
w.	Choice of Law		The foregoing 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.

THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE NORTH DAKOTA FRANCHISE ACT

1. Covenants not to compete are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

2. Provisions requiring arbitration or mediation to be held at a location that is remote from the site of the franchisee's business are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.[3]

3. Provisions requiring jurisdiction in a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

4. Provisions requiring that agreements be governed by the laws of a state other than North Dakota are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

5. Provisions requiring your consent to liquidated or termination damages are generally considered unenforceable in the State of North Dakota, pursuant to Section 51-19-09 of the North Dakota Franchise Investment Law.

6. Provisions requiring you to sign a general release upon renewal of the Master Franchise Agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

7. Provisions requiring you to pay all costs and expenses incurred by us in enforcing the Master Franchise Agreement have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

8. Provisions requiring you to consent to a waiver of trial by jury have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

9. Provisions requiring you to consent to a limitation of claims within one year have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Accordingly, any such provision is modified to read that the statute of limitations under North Dakota Law will apply.

10. Provisions requiring you to consent to a waiver of exemplary and punitive damages have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Invest Law.

[3] Despite this provision, we intend, and we and you agree, to fully enforce the arbitration provisions of the Master Franchise Agreement. We believe that this provision is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE RHODE ISLAND FRANCHISE INVESTMENT ACT

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE VIRGINIA RETAIL FRANCHISING ACT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Alair Enterprises USA, Inc for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17.h. Under 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 or development agreement do 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.

WASHINGTON ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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 provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed 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.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Pending
Illinois	Pending
Maryland	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Exhibit N
Receipts

(Receipt #1 - This copy is for the prospective franchisee)

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

If Alair Enterprises USA, Inc. ("Alair Homes") offers you a franchise, it must provide this Franchise Disclosure Document to you 14 days before you sign a binding agreement with, or make a payment to, with Alair Homes or an affiliate in connection with the proposed franchise sale. Under Iowa law, we must give you this Franchise Disclosure Document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, Alair Homes or an affiliate in connection with the proposed franchise sale. Under New York and Rhode Island law, Alair Homes must provide this Franchise Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, Alair Homes or an affiliate in connection with the proposed franchise sale. Michigan requires that Alair Homes give you this Franchise 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.

If Alair Homes does not deliver this Franchise 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, D.C. 20580, and the appropriate state agency listed in Exhibit A to this Franchise Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are *(to be completed by franchise seller involved in sales process)*:

Name	Principal Business Address	Phone Number
Alair Enterprises USA, Inc.	96 Wallace Street, Nanaimo, BC V9R 0E2, Canada	(250) 824-0279
Blair McDaniel	96 Wallace Street, Nanaimo, BC V9R 0E2, Canada	(250) 824-0279
Rob Cecil	96 Wallace Street, Nanaimo, BC V9R 0E2, Canada	(250) 824-0279
Shane Duff	96 Wallace Street, Nanaimo, BC V9R 0E2, Canada	(250) 824-0279

Alair Homes' agents to receive service of process are listed in Exhibit A to this Franchise Disclosure Document.

Issuance Date: December 12, 2022

On _____ I have received a disclosure document dated December 12, 2022 that included the following Exhibits:

A List of State Agencies/Agents for Service of Process
B Master Franchise Agreement
C Agreement to be Bound and to Guarantee
D Confidentiality and Restrictive Covenant Agreement
E Representations and Acknowledgement Statement
F Promissory Note
G Security Agreement
H Sample Release
I Table of Contents of Operations Manual
J List of Franchisees
K List of Franchisees who have Left the System or not Communicated with us
L Financial Statements
M State Addenda to Franchise Disclosure Document
N Receipts

Date:_____

_____
Signature of Prospective Franchisee

_____
Print Name *(if signed by an entity, indicate title)*

Receipt
(Receipt #2 – Deliver this copy to us)

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all agreements carefully.

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H Sample Release
I Table of Contents of Operations Manual
J List of Franchisees
K List of Franchisees who have Left the System or not Communicated with us
L Financial Statements
M State Addenda to Franchise Disclosure Document
N Receipts

Date:_____ _____

Signature of Prospective Franchisee

_____

Print Name *(if signed by an entity, indicate title)*