# FRANCHISE DISCLOSURE DOCUMENT

N2 Franchising, Inc.
a Delaware corporation
5051 New Centre Drive
Wilmington, North Carolina 28403
843-353-5378
legal@n2co.com
www.belocalpub.com

You will operate a business that sells advertising to businesses that wish to advertise in print magazines, newsletters, and/or directories designed for individuals who are newcomers to a particular area using our business system and the publication name BELOCAL®, and you will facilitate the publishing of a BELOCAL® publication ("Franchised Business").

The total investment necessary to begin operation of a Franchised Business ranges from $1,495 to $9,420. This includes $570 that must be paid to us or our affiliates.

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

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

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

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

Date of Issuance: October 14, 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 C and D. |
| 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 A includes financial statements. Review these statements carefully. |
| Is the franchise system stable, growing, or shrinking? | Item 20 summarizes the recent history of the number of company-owned and franchised outlets. |
| Will my business be the only BL Publications business in my area? | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| Does the franchisor have a troubled legal history? | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| What's it like to be a BL Publications franchisee? | Item 20 or Exhibits C and D list current and former franchisees. You can contact them to ask about their experiences. |
| What else should I know? | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

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

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

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

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

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

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

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

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

## Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

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

2. **Minimum Sales Performance.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

4. **Turnover Rate.** From July 1, 2019 through June 30, 2022, 219 franchised outlets were transferred, terminated, acquired by the franchisor or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

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.

**ADDENDUM TO N2 FRANCHISING, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**
**FOR THE STATE OF MICHIGAN**

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

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

(b) a requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) a provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) a provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration, of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) a provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) a provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) a provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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

(ii) the fact that the proposed transferee is a competitor of the franchisor or subfranchisor,

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

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

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

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

**The fact that there is a notice of this disclosure on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Address for notices to the Michigan attorney general: Department of the Attorney General, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 1st Floor; 525 W. Ottawa Street, Lansing, MI 48909; 517-373-7117.

**BELOCAL® FRANCHISE DISCLOSURE DOCUMENT**
**TABLE OF CONTENTS**


| Item | | Page |
|---|---|---|
| ITEM 1 | THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES | 1 |
| ITEM 2 | BUSINESS EXPERIENCE | 4 |
| ITEM 3 | LITIGATION | 5 |
| ITEM 4 | BANKRUPTCY | 5 |
| ITEM 5 | INITIAL FEES | 5 |
| ITEM 6 | OTHER FEES | 6 |
| ITEM 7 | ESTIMATED INITIAL INVESTMENT | 15 |
| ITEM 8 | RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES | 16 |
| ITEM 9 | FRANCHISEE'S OBLIGATIONS | 19 |
| ITEM 10 | FINANCING | 20 |
| ITEM 11 | FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING | 21 |
| ITEM 12 | TERRITORY | 25 |
| ITEM 13 | TRADEMARKS | 27 |
| ITEM 14 | PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION | 28 |
| ITEM 15 | OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS | 29 |
| ITEM 16 | RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL | 29 |
| ITEM 17 | RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP | 31 |
| ITEM 18 | PUBLIC FIGURES | 37 |
| ITEM 19 | FINANCIAL PERFORMANCE REPRESENTATIONS | 38 |
| ITEM 20 | OUTLETS AND FRANCHISEE INFORMATION | 40 |
| ITEM 21 | FINANCIAL STATEMENTS | 46 |
| ITEM 22 | CONTRACTS | 47 |
| ITEM 23 | RECEIPTS | 47 |

**Exhibits**
Exhibit A – Financial Statements
Exhibit B – Franchise Agreement (with Attachments and State-Specific Amendments)
Exhibit C – List of Franchised Outlets
Exhibit D – List of Franchisees Who Have Left the System
Exhibit E – Administration Manual Table of Contents
Exhibit F – AD Services Agreement
Exhibit G – Form of General Release
Exhibit H – Form of Transfer Agreement and Consent
Exhibit I – List of State Administrators
Exhibit J – Agents for Service of Process
Exhibit K – State-Specific Addenda to Franchise Disclosure Document

## ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

**The Franchisor, Its Parents, Predecessors, and Affiliates**

The franchisor is N2 Franchising, Inc., referred to in this disclosure document as "we," "us," or "our." We refer to the person buying the franchise as "you" or "your." If you are a corporation, partnership, limited liability company, or other entity, certain provisions of the Franchise Agreement will apply to your owners ("Principals"). These are addressed in this disclosure document where appropriate.

N2 Franchising, LLC, was a Delaware limited liability company that was formed on October 26, 2016. On September 6, 2019, N2 Franchising, LLC converted to N2 Franchising, Inc., a Delaware corporation. Our principal business address is 5051 New Centre Drive, Wilmington, North Carolina 28403. We have no parents or other predecessors. We do business under our corporate name, "BELOCAL," and the name "N2 Publishing." Our agents for service of process in the states which require franchise registration and in which we are registered are listed in Exhibit J.

We sell franchises for businesses that sell print advertising to businesses that wish to advertise in one or more print magazines, newsletters, and/or directories designed for individuals who are newcomers to a particular area ("publications"), that facilitate the publishing of these publications, and that develop relationships with advertisers in, and recipients of, such publications ("Franchised Business"), all under the trademark "BELOCAL®" and other trade names, service marks, trademarks, logos, and commercial symbols we authorize ("Marks"). We refer to the people who operate these businesses interchangeably as Franchisees or Area Directors.

Under a separate disclosure document, we offer franchises for businesses that sell print advertising to businesses that wish to advertise in one or more magazines, newsletters, and/or directories for companies, individuals, and/or organizations interested in or connected to the real estate industry ("RP Publications") using our business system and the publication name REAL PRODUCERS® ("RP Business"). As of June 30, 2022, 120 RP Publications franchises were in operation. From time to time, we may test other publications to determine, among other things, the viability and financial parameters of the publication ("Test Publication"). Franchisees who facilitate publication for Test Publications do so under the REAL PRODUCERS® franchise disclosure document. As of June 30, 2022, 9 Test Publications were in operation. The RP Business franchises and Test Publications have been offered since November 20, 2017. We previously entered into franchise agreements for the Franchised Business as a Test Publication under the REAL PRODUCERS® franchise disclosure document.

Under a separate disclosure document, we offer franchises for businesses that sell print advertising to businesses that wish to advertise in one or more magazines, newsletters, and/or directories for neighborhoods, residential communities, homeowners' associations, and other similar groups ("Neighborhood Publications") using our business system and various publication names. The Neighborhood Publications have been offered since December 2, 2016. As of June 30, 2022, 545 Neighborhood Publication franchises were in operation. As of July 2022, the publication names for Neighborhood Publication franchises are "STROLL" and "GREET."

The Franchised Business, the Neighborhood Publications franchises, the RP Business, and the Test Publication businesses use operating systems that are substantially similar but are targeted to different markets.

Our affiliate, The N2 Company owns and publishes the Publication for which you will sell print advertising and facilitate publishing and distribution, as well as the publications managed by other franchisees. The N2 Company also operates businesses that are the same as or similar to the Neighborhood Publications franchises, and it operates a business that creates digital and print advertising, publishes magazines,

newsletters, and or/directories.

The N2 Company also owns and operates the business Hyport Digital, which provides digital marketing services like search engine optimization, search engine marketing, web design, email marketing, social media advertising, mobile and display advertising, and other related digital marketing services.

The N2 Company was originally formed as Neighborhood Networks Publishing, Inc., a Missouri corporation, on November 29, 2004. It became a North Carolina corporation on December 27, 2005. It later became a Delaware corporation on January 16, 2009 and changed its name to The N2 Company on November 25, 2019. Previously, under its original corporate name of Neighborhood Networks Publishing, Inc., The N2 Company entered into agreements for the RP Business, but under arrangements that are different from the franchises offered under the REAL PRODUCERS® franchise disclosure document.

We do not operate businesses that are the same as or similar to the Franchised Business. The Franchised Business and Test Publications have been offered by N2 Franchising, LLC or us since November 20, 2017. We are not engaged in any other businesses and have never offered franchises in any other line of business other than as described above. Except as described above, we have no parents, predecessors, or affiliates that have offered franchises for this business or any other lines of business.

**The Franchise**

The franchise agreement attached as Exhibit B to this disclosure document ("Franchise Agreement") will grant you the right to operate a business in which you will sell print advertising for, and facilitate the publishing and distribution of, a BELOCAL® publication ("Publication") to be distributed within a non-exclusive, geographic area ("Territory") using our System and Marks.

If we grant you a franchise, you will manage the Publication in accordance with the Franchise Agreement and our policies, manuals and specifications. Prior to launching your Franchised Business, you will solicit content and print advertisements from businesses and individuals in your community. After the Publication is launched, you will continue to solicit print advertising and content. The Franchised Business is a commission-based program. We pay our franchisees a commission based upon advertising revenue that we receive, minus a royalty and certain expenses and fees.

The Franchise Agreement provides you with the right to sell print advertising for print publications. We and our affiliates retain all rights to offer and sell – and to grant others with the license to offer and sell – digital marketing services and advertisements and to operate digital publications. We also retain the rights to require you to sell packages of advertising goods and services to clients, which may include digital components. We currently require you to sell a package of digital remarketing services along with each print advertisement unless the advertiser opts-out. We have the right to change or rescind this policy for any reason, and at any time, in our sole discretion.

The distinguishing characteristics of the "System" include specifications, policies, and procedures for operations; quality of the products and services offered; procedures for sales, management, and financial control; customer service; training and assistance; and advertising and promotional programs, all of which we may change, improve, and further develop from time to time.

Currently, we provide franchisees the following: (a) initial training and additional or remedial training on an as-needed basis; (b) access to the Administration Manual; (c) ongoing advice and written materials about the operation and management of your Franchised Business; (d) at our option, certain software programs; and (e) a list of any approved or designated suppliers. We or our affiliate may also offer optional services to franchisees to assist in operations of the Franchised Business. To receive these optional services, you must enter into an AD Services Agreement with our affiliate. The current form of AD Services Agreement

is attached to this disclosure document as Exhibit F. There are additional fees associated with these optional services. The service offerings are subject to change. Additional services may become approved while others may be discontinued.

You will operate your Franchised Business out of a facility you choose, which may be home based ("Office"). Your Office must be located within a radius of 50 miles from the perimeter of your Territory.

We, our affiliates, or our other franchisees may, from time to time in our sole discretion, establish one or more national or regional accounts with advertisers that may be located in, or have offices, branches, or some other presence in your Territory ("Strategic Partners"). We may, at our discretion, permit you to call on these Strategic Partners in an effort to sell advertising to the Strategic Partners in the Publication. If you attempt to sell advertising to a Strategic Partner, you must strictly comply with all of our requirements relating to these relationships, including honoring any pricing arrangement agreed to between us and each Strategic Partner. We reserve the right to designate, at any time, any advertiser as a Strategic Partner, including but not limited to those to whom you have already sold advertising.

We or our affiliate may also place national, regional, or local advertisements or advertising inserts into the Publication at our discretion. We call these "Corporate Ads." If we place Corporate Ads in the Publication, we will compensate you in accordance with our then-current Corporate Ads Commission policy.

You may be authorized to sell advertisements or advertising inserts into publications managed by us or our affiliates. If you sell into these publications, you will be entitled to a commission determined with our then-current commission policy.

If you choose to, you may solicit leads for and facilitate client relationships with Hyport Digital as part of the Franchised Business. You must successfully complete the Hyport Digital certification to have the opportunity to facilitate the client relationships. The commission you can receive from these activities is the "HD Sales Commission." Your opportunity to solicit leads for and facilitate client relationships with Hyport Digital is conditioned on the continuance of the sales program. We may modify and discontinue this program in our sole discretion.

We may require your current and future Principals (as defined in the Franchise Agreement) to sign a Principals' Undertaking agreement, binding themselves individually to certain provisions of the Franchise Agreement, including the covenants against competition, solicitation, and disclosure of confidential information, restrictions on transfer, and dispute resolution procedures.

**Competition**

The commercial, professional, retail, and special interest publications industry is highly fragmented, ranging from small local companies to mid-size regional companies to very large, national organizations. You will compete with all of these providers, as well as other types of publications seeking to attract advertisers and other types of businesses seeking to sell advertising services. You may compete with publications that we, our affiliates, or our franchisees may control. Some of these competitors will have substantial financial, marketing, and other resources and they may be well established in your market.

The ability of your Franchised Business to compete depends on your ability to identify prospective advertisers, complete the sales process, and develop relationships with your advertisers and the target audience of the Publication. Changing local market and economic conditions and many other factors both within and outside your control or our control may also impact your Franchised Business.

**Industry-Specific Regulation**

You must comply with all federal, state, and local laws, rules, and regulations that apply to all businesses.

You should consider these laws and regulations when evaluating your purchase of a franchise and should consult with your attorney, accountant, and local, county, state, and federal government agencies.

**Franchise Referral Program**

We may pay a referral fee of $5,000 to the first of our franchisees that introduces a new prospective franchisee to us who is not associated with us, The N2 Company, or any of our affiliated businesses and is identified to us as referred by the franchisee on their initial application if: (a) we approve the new prospect, (b) we and the prospect sign a Franchise Agreement within 6 months after the referral is made, (c) the prospect pays us the full initial franchise fee applicable to that franchisee, and (d) the prospect timely begins operation of its business. If we pay the referral fee, we will pay the fee after the referred prospective franchisee's Franchise Agreement is fully signed, the initial franchise fee is fully paid, the franchisee begins operation of its business, and the publication which the franchisee manages prints its first issue. The franchisee must also in good standing under its franchise agreement at the time. You must be in full compliance with all Franchise Agreements between you and us (or our affiliates) in order to receive a referral fee. This referral program is subject to all state and local laws and regulations. We reserve the right to terminate, cancel, or modify such referral program at any time. Franchisees should refer to the Referral Program Policy document for additional rules and information. No more than one referral fee will be paid to franchisees living in or operating a Franchised Business within the state of Washington, and no franchisee, regardless of location, will receive more than one referral fee for referrals made to franchisees living in or operating a Franchised Business in Washington.

## ITEM 2. BUSINESS EXPERIENCE

**Duane Hixon: Chief Executive Officer**

Duane Hixon has served as our CEO since our formation in October 2016. He is also the CEO of The N2 Company and has served in that role since its inception in December 2005. Duane is based in Wilmington, North Carolina.

**Earl Seals: President**

Earl Seals has served as our President since our formation in October 2016. He is also the President of The N2 Company and has served in that role since its inception in December 2005. Earl is based in Zionsville, Indiana.

**JP Hamel: Chief Revenue Officer**

JP Hamel has served as our Chief Revenue Officer since September 2022. From January 2020 to August 2022 he served as Head of Franchise Development. From November 2019 to January 2020 he served as Head of Franchise Coaching and from October 2012 to January 2020 he served as Vice President of Sales for The N2 Company. JP is based in Union City, New Jersey.

**Matthew B. Davis: Chief People and Legal Officer | General Counsel**

Matthew B. Davis has served as Chief People and Legal Officer and General Counsel for The N2 Company since September 2022. From May 2022 to August 2022 he served as Head of Legal, Human Resources, and Franchise Administration and Compliance for The N2 Company. From July 2021 to August 2022 he served as Head of Legal and Human Resources and General Counsel. From July 2017 to June 2021 he served as General Counsel to The N2 Company. Matthew is based in Wilmington, North Carolina.

**Domenique Schmitt: Legal Operations Manager**

Domenique Schmitt has served as Legal Operations Manager for The N2 Company since January 2019. From January 2015 to December 2018, she was a Contracts and Legal Affairs specialist for The N2 Company. Domenique is based in Okinawa, Japan.

## ITEM 3. LITIGATION

**Administrative Actions**

In the Matter of Neighborhood Networks Publishing, Inc., State of California Department of Financial Protection and Innovation, Order I.D. 337865. On or about December 15, 2016, the registration of our FDD for the offer and sale of our N2 Publishing franchises (now STROLL and GREET franchises) was approved by the state of California. On October 16, 2019, we applied to renew our registration. After cooperating with the state of California's requests for information relating to our affiliate's, Neighborhood Networks Publishing, Inc. (now known as The N2 Company), business activities in California prior to our initial registration in California, the state of California determined that Neighborhood Networks Publishing, Inc. had offered and sold franchises in violation of the California Franchise Investment Law before the date of our 2016 application. The state of California alleged that Neighborhood Networks Publishing, Inc. failed to provide prospective purchasers with disclosure documents in violation of California law. Neither we nor Neighborhood Networks Publishing, Inc. agrees with the state of California's findings, but in an effort to resolve the matter, in October 2020, Neighborhood Networks Publishing, Inc. entered into a Consent Order with the state of California. Under the Consent Order, Neighborhood Networks Publishing, Inc. agreed (1) to cease and desist from violations of the California Franchise Investment Law and (2) to reimburse the state of California for its investigative costs in the amount of $10,000.

In the Matter of Neighborhood Networks Publishing, Inc., State of Washington Department of Financial Institutions Securities Division, Order No. S-18-2456-18-CO01. On or about November 20, 2017, we applied for registration of our FDD for the offer and sale of our Real Producers Publications franchises. After cooperating with the state of Washington's requests for information relating to our affiliate's, Neighborhood Networks Publishing, Inc. (now known as The N2 Company), business activities, on November 5, 2018, the state of Washington determined that Neighborhood Networks Publishing, Inc. had offered and sold franchises in violation of the Washington Franchise Investment Protection Act before the date of our application. The state of Washington alleged that Neighborhood Networks Publishing, Inc. failed to provide prospective purchasers with disclosure documents and made financial performance representations in violation of Washington law. Neither we nor Neighborhood Networks Publishing, Inc. agrees with the state of Washington's findings, but in an effort to resolve the matter, in April 2019, Neighborhood Networks Publishing, Inc. entered into a Consent Order with the state of Washington. Under the Consent Order, Neighborhood Networks Publishing, Inc. agreed (1) to comply with the Washington Franchise Investment Protection Act, in all respects, (2) to cease and desist from violations of the Washington Franchise Investment Protection Act, and (3) to reimburse the state of Washington for its investigative costs in the amount of $4,000.

No other litigation is required to be disclosed in this Item.

## ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

## ITEM 5. INITIAL FEES

**Initial Franchise Fee**

The initial franchise fee for a Franchised Business is $570. However, we are waiving the initial franchise fee for franchises offered or entered into on or after the Issuance Date of this disclosure document, unless this disclosure document is amended to reflect otherwise. Additionally, we do not charge an initial franchise

fee for the second or subsequent Franchise Agreement you enter into with us. If we were to charge a franchise fee, the fee would be non-refundable. Last year, we uniformly waived the initial franchise fee.

## ITEM 6. OTHER FEES

| Type of Fee [1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Royalty [2] | 15% of the advertising value of each issue of the Publication | Monthly | Your Commission payment is determined, in part, by the royalty retained by us or our affiliate, which equals 15% of the advertising value of each issue of the Publication, plus other costs and expenses as described below. See other entries in this Item 6 and Note 2 for information about these costs and expenses.<br><br>We or our affiliate determine the advertising value in each issue of the Publication. "Advertising value" is the greater of (1) the minimum market value of each print ad, as our affiliate determines; (2) the contract price for which the print advertising actually sold, which you can determine; (3) the cash value of services that you barter in exchange for print advertising; or (4) the combined amount/value of (2) and (3), if applicable. When setting the advertising value, our affiliate takes into consideration factors such as the size of the ad, the size of the Publication, the number of residents in the Territory, the age of the Publication, the competition, and our industry experience and knowledge. |

| Type of Fee [1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Publication Expenses [2] | Our affiliate's actual cost to design, publish, print, and deliver each issue of the Publication | Monthly | Your Commission payment is determined, in part, by our affiliate's publication expenses, plus other costs and expenses described in this Item 6. See Note 2.<br><br>The publication expense is determined using overhead expenses our affiliate incurs and factors such as the number of recipients of the Publication, the number of pages in the Publication, and our "Cost Basis."<br><br>The Cost Basis is determined on an annual basis, and the Cost Basis is implemented on September 1 of each year and is applied through August 31 of the following year ("Calculation Year"). The Cost Basis is not increased by more than (a) 10% per Calculation Year or (b) the percentage change in the Consumer Price Index – All Urban Consumers for the immediately preceding Calculation Year, except that if postage rates increase at any time during any Calculation Year, our affiliate reserves the right to increase the Cost Basis during the Calculation Year by the amount of the postage rate increase. |
| Digital Remarketing Costs [2] | Up to $500 per month plus the greater of $37 or the amount that our affiliate pays for remarketing ads per month, per client, and per publication | Monthly | Your Commission payment is determined, in part, by the Digital Remarketing Costs. See Note 2. The print advertisements that clients purchase will generally include a digital remarketing service as well. |

| Type of Fee [1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Samples Shipping Fee [2] | Flat rate of $20 per month per product line of publications you manage | Monthly | Your Commission payment is determined, in part, by the Samples Shipping Fee. See Note 2. |
| Extra Copy Orders Fee [2] | $6 per copy plus $15 for shipping (10 copy minimum) | As incurred | If you place an order (fewer than 100 copies) of issues of the Publication outside of the original print run, you will pay these fees. Your Commission payment is determined, in part, by the extra copies of past issues you request. See Note 2. |
| Adjustment Fee [2] | Our affiliate's actual cost in wages and other overhead expenses | As incurred | Your Commission payment is determined, in part, by your requested changes to the layout of the Publication. See Note 2.<br><br>If you request changes to the proof copy of the Publication, an adjustment fee based upon the number and types of requested revisions will be assessed. |
| Missed Deadline Fee [2] | Our affiliate's actual cost in wages and other overhead expenses | As incurred | Your Commission payment is determined, in part, by whether or not you meet our publication deadlines. See Note 2. |
| Cross-selling Fee [2] [3] | Currently, if someone other than you sells a print advertisement for inclusion in the Publication, that Selling Franchisee will receive an Outgoing Cross-Selling Fee equal to 25% of the Cash Received for that advertisement and you (as the Receiving Franchisee) will receive a Receiving Cross-Selling Fee of 75% of the Cash Received, less the Royalty of 15% of the Cash Received and the Publication Expenses.<br><br>We may in the future change the Cross-Selling Fees so that the Selling Franchisee receives an | Monthly | Your Commission payment is determined, in part, by the amount of Outgoing Cross-Selling Fees you receive for selling print advertisements in publications managed by other franchisees and by the amount other franchisees receive for selling print advertisements in the Publication. See Notes 2 and 3. |

| Type of Fee [1] | Amount | Due Date | Remarks |
|---|---|---|---|
| | Outgoing Cross-Selling Fee of 10% of the Cash Received; the Managing Franchisee receives a Managing Cross-Selling Fee of 30% of Cash Received, less the Royalty of 15% of the Cash Received; and the Receiving Franchisee will receive a Receiving Cross-Selling Fee of 60% of the Cash Received, less the Publication Expenses. | | |
| Negative Commissions [2] | The amount of the Negative Commission that has accrued | As incurred | Your Commission payment is determined, in part, by the amount of Negative Commissions you have accrued. See Note 2.<br><br>Negative Commissions occur and accrue when the royalty, and total publishing costs, expenses, and fees exceed the Cash Received as a result of publishing and advertising contracts entered into in connection with the publishing of the Publication or in connection with other agreements between you or your affiliate(s) and us or our affiliate(s). |
| Corporate Ads Cross Selling Fee [4] | Currently, if we or our affiliates sell a print advertisement for inclusion in the Publication, then we will receive (as the selling party) a fee equal to 25% of the Cash Received for that advertisement and you (as the receiving party) will receive a fee of 75% of the Cash Received, less the Royalty of 15% of the Cash Received and the Publication Expenses.<br><br>This fee is subject to change. | Monthly | We and our affiliates have the right to place national, regional, or local advertisements in the Publication. We may choose to pay you a commission if we do so. Our current cross selling fee for Corporate Ads rate is referenced here but can change from time to time and may be eliminated. See Note 4. |

| Type of Fee [1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Additional Training | Reasonable fee charged by us or a third-party provider, plus travel- related expenses you incur | When invoiced | If you request or if we require you to participate in additional training, you must pay us our reasonable costs to provide such training or pay a third party the amount they require. |
| Software Fee | Currently $0 | When invoiced | We may require the use of software programs in the future that require you to pay a license fee to us, our affiliates, or a third party. |
| Email Address | Currently $65 per year for second and each additional email address using the n2co.com or belocalpub.com domain | When invoiced | We provide one email address using the n2co.com domain, belocalpub.com domain, or other domain names that contain the Marks or any part of the Marks at no charge. You may request additional email addresses using the n2co.com or other domain names that contain the Marks or any part of the Marks (except the n2co.com domain) at no charge. |
| Transfer Fee | 100% of the then-current initial franchise fee, plus our reasonable attorneys' fees | When transfer is requested | |
| Insurance Fee | Cost of premium, plus our reasonable administrative expenses | When invoiced | Payable only if you fail to maintain the required insurance and we secure it for you. We have no obligation to obtain insurance for you. |
| Collections Fee | Cost to enforce the advertising contracts entered into in connection with the Publication, including collection costs and/or legal and court costs and reasonable attorneys' fees | On demand | Payable if advertisers in the Publication breach the agreement and we or our affiliate seek to collect either through the use of a collection agency or by filing lawsuits. |
| Indemnification [5] | Varies | On demand | You must indemnify us and our affiliate against third-party claims relating to your Franchised Business. |

| Type of Fee [1] | Amount | Due Date | Remarks |
|---|---|---|---|
| Enforcement Costs | Our cost to enforce the Franchise Agreement, including legal and court costs and reasonable attorneys' fees | On demand | Payable only if you do not comply with the Franchise Agreement. |
| Alternative Suppliers | Our reasonable expenses incurred in the supplier approval process (whether or not approval of the supplier is granted) | On demand | We are not required to approve any particular supplier. We also have the right to revoke the approval of any item or supplier that fails to continue to meet our standards. |
| AD Services Fees [2] [6] | Varies based upon services selected<br><br>Currently, the fees for various services are as follows:<br><br>- $375 per month (divided between all publications) plus 1% of the advertising value of each issue of the Publication | Monthly, as incurred | Our affiliate may offer optional service to you from time to time. If you choose to receive these services, you will pay a fee for each. Your Commission payment is determined, in part, by your use of these services. See Note 2.<br><br>The fees are subject to change upon 45 days' notice.<br><br>The services available to you are subject to change. We may add additional optional services, modify the services, or eliminate services. The current list of services is detailed in Note 6.<br><br>If you use these services, you will enter into a contract with our affiliate. The current form of this contract is found on Exhibit F to this disclosure document. |
| Lead Generation Fee [2] | Up to $500 | Monthly, as incurred | Currently, this fee is optional, but we have the right to require you to pay this fee in the future. Our Lead Generation Specialist can gather leads through various methods including, but not limited to, pulling local business data, placing ads for inbound leads, list scrubbing, and other digital lead |

| Type of Fee [1] | Amount | Due Date | Remarks |
|---|---|---|---|
| | | | collections. Your Commission payment is determined, in part, by your use of this service. See Note 2. |
| Late Commission Fee | Currently, $250 | As incurred | We are not required to approve commission payments outside of the regular commission schedule. |
| Returnable Commission | The amount of any overpayment we make to you | On Demand | If the Commission report reflects that you have been paid a Commission in an amount that is more than you are due, then you must return to us the amount of overpayment. |
| Fines | Up to $500 for the first instance; Up to $1,000 for a second or subsequent instance | On Demand | Due only if you fail to obtain our prior approval for advertising, offer unauthorized products or services, or fail to comply with the System operating standards or the Administration Manual. |
| Management Fee | 45% of monthly Cash Received, plus any expenses we incur in managing the Franchised Business | Monthly | Only payable in the event we must operate your franchise due to death, disability, defaults, etc. The Management Fee is in addition to other fees due to us. |

**Notes**:

**(1)** All fees and expenses in this Item 6 are non-refundable and, unless otherwise indicated in the preceding chart, are imposed uniformly by us and are payable to us. Except as otherwise noted, we may increase these amounts based on changes in market conditions, our cost of providing services, and future policy changes, but we have no present plans to increase any fees.

**(2)** This franchise opportunity is a commission-based program. For each publication you manage, you will receive a Commission that equals:

(i) For any print advertisement you sell for inclusion in the Publication, the amount equal to the total Cash Received for the Publication in the applicable month; minus the Royalty for the Publication for the applicable month; minus the Publication Expense for the Publication for the applicable month; plus

(ii) For any print advertisement you sell for inclusion in a publication managed by another franchisee or by our affiliate, as applicable, (x) the amount equal to our then-current Outgoing Cross-Selling

Fee, divided by the total number of publications you manage, or (y) the Pre-print Commission, divided by the total number of publications you manage; plus

(iii) For any print advertisement another franchisee or our affiliate sells for inclusion in the Publication, the amount equal to our then-current Receiving Cross-Selling Fee; plus

(iv) If in the future we institute a fee for managing a client, for any print advertisement where you "manage" (as defined in our then-current Administration Manual) a client who publishes a print advertisement in a publication managed by another franchisee, you will receive our then-current Managing Cross-Selling Fee, divided by the number of publications you manage; minus

(v) All other applicable fees and/or deductions applicable to you or the Publication, including, but not limited to: (1) samples shipping fees or extra copy orders fees; (2) adjustment fee; (3) missed deadline fee; (4) Returnable Commissions; (5) digital remarketing costs; (6) fees for services we or our affiliates provide, including any optional services you elect to receive from us or our affiliate; (7) cross selling fees originating from your sales into publications managed by us or our affiliates or fees for Corporate Ads; (8) lead generation fees; and/or (9) Negative Commissions.

"Cash Received" means all revenue actually received by us or our affiliate from advertisers, recipients of the Publication, or other parties under the terms of advertising contracts or any other form of agreement or contract related to each issue of the Publication. You will not receive a Commission payment in the month or months that a Negative Commission occurs. Commission payments will be accompanied by a Commission accounting and reconciliation report that itemizes Cash Received and the other applicable fees and expenses described in this Item 6. If the Commission report reflects that you have been paid a Commission in an amount that is more than you are due, then you must return to us the amount of overpayment ("Returnable Commission").

"Pre-print Commission" means a one-time payment equal to 10% of the total value of the contract with the advertiser for the purchase of print advertisements to be included in a publication managed by a Receiving Franchisee. If you cross-sell print advertising into a publication managed by another franchisee or our affiliate before the first issue of the Publication is published, then you may elect to receive a Pre-print Commission in lieu of the Outgoing Cross-Selling Fee. If you elect to receive a Pre-print Commission, we will pay you the Pre-print Commission within 20 days after the publication deadline of the publication in which the ad appears.

The Commission you receive for the sale of print, and, as required, bundled digital advertisements is different from and in addition to the HD Sales Commission you will receive if you elect to solicit leads for and/or facilitate client relationships with Hyport Digital. Your opportunity to solicit leads for and facilitate client relationships with Hyport Digital is conditioned on the continuance of the sales program. We may modify and discontinue this program in our sole discretion.

The HD Sales Commission is subject to change in our sole discretion, but currently will range from 4% to 12% of revenues generated by a client's purchase of goods and services from Hyport Digital. The then-current rates will be available in the Administration Manual. The variation in the HD Sales Commission currently depends upon the specifics of the sale and includes factors like (i) the type of good or service you sell to the client, (ii) the other goods and services the client purchases, (iii) whether or not you referred the client to Hyport Digital, (iv) the involvement of the Hyport Digital sales team, and (v) your role in facilitating the relationship between the client and Hyport Digital.

The HD Sales Commission is due, as applicable, (1) only to the first franchisee that introduces a new prospective lead to Hyport Digital who has not already been a client of Hyport Digital for the previous 12-

month period and (2) only if the client unconditionally and completely pays for goods and services purchased from Hyport Digital. The HD Sales Commission will be calculated on the gross invoice price of the goods and services less all taxes, credits, discounts, rebates, or allowances (if any). To facilitate a client's relationship with Hyport Digital, you must complete the certification we require by completing a training program. We will pay the commission in the month that follows the client's unconditional and complete payment of all purchased goods and services. To receive the HD Sales Commission, you must be in full compliance with all Franchise Agreements between you and us (and any other agreements with our affiliates). The amount, due date, calculation, and other details of the HD Sales Commission are subject to change in our sole discretion.

**(3)** For purposes of our cross-selling program, the "Selling Franchisee" is the franchisee (or affiliate of ours) who sells print advertisements to be included in a publication managed by another franchisee (or affiliate); the "Receiving Franchisee" is the franchisee who manages the print publication within which the advertisements will be published; and the "Managing Franchisee" is the franchisee who actively manages the relationship with the advertiser client. Currently, the Cross-Selling Fees are calculated as follows:

(i) The Selling Franchisee will receive an Outgoing Cross-Selling Fee equal to 25% of the monthly Cash Received for each print advertisement sold by the Selling Franchisee that will be included in the publication managed by the Receiving Franchisee.

(ii) The Receiving Franchisee will receive a Receiving Cross-Selling Fee equal to 75% of the monthly Cash Received for that print advertisement, less the Royalty of 15% of the Cash Received and the Publication Expenses.

We have the right to change the Cross-Selling Fee to be calculated as follows:

(i) The Selling Franchisee would receive an Outgoing Cross-Selling Fee equal to 10% of the monthly Cash Received for each print advertisement sold by the Selling Franchisee for inclusion in the publication managed by the Receiving Franchisee.

(ii) The Managing Franchisee would receive a Managing Cross-Selling Fee equal to 30% of the monthly Cash Received for each print advertisement, less the Royalty of 15% of the Cash Received.

(iii) The Receiving Franchisee would receive a Receiving Cross-Selling Fee equal to 60% of the monthly Cash Received for that print advertisement, less the Publication Expenses.

You must comply with our then-current policies, procedures and guidelines related to cross-selling to be eligible to receive any Cross-Selling Fee. We have the right to change the Cross-Selling Fee with no prior notice to you unless otherwise required by law. We have the right to terminate your right to cross-sell or your Franchise Agreement if you fail to comply with our policies, procedures, and guidelines related to cross-selling.

**(4)** Additionally, we have the option but not the obligation to allow you to sell print advertisements into publications that are managed by us or our affiliate. If we permit you to do so, we will be obligated to pay you a commission. We can change the amount of the commission, but it will always be an amount that is at least the amount of the then-current fees we receive if we cross-sell a Corporate Ad into the Publication. Currently, we do permit you to sell print advertisements into publications that are managed by us or our affiliate. If you sell a print advertisement for inclusion in a publication managed by us or our affiliates, you (as the selling party) will receive a fee equal to 25% of the Cash Received for that advertisement and we or our affiliate (as the receiving party) will receive a fee of 75% of the Cash Received, from which we or our affiliate will pay the publication expenses.

**(5)** Your indemnification obligations are subject to state law.

**(6)** The optional AD Services currently include client ad strategy services. These services consist of our affiliate's representatives assisting advertisers during the advertisement creation and approval processes and collaborating with the advertiser to create the content and design of the advertisement(s). Future optional services may include premium versions of the client ad strategy services, content services, writing and editing services, business strategy coaching, social media management services, administrative services, consulting services, or client care services. This is not an exhaustive list of potential optional services and we nor our affiliate is obligated to make them available to our franchisees. Our affiliate may establish and change the prices for current and future services in its discretion.

## ITEM 7. ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

| Type of Expenditure | Amount Low – High | Method of Payment | When Due | To Whom Payment Is to Be Made |
|---|---|---|---|---|
| Initial Franchise Fee [(1)] | $570 | As Arranged | Execution of Franchise Agreement | Us |
| Office Furniture & Equipment [(2)] | $0 to $2,500 | As Arranged | Before Opening | Suppliers |
| Computer Hardware & Software [(3)] | $0 to $2,500 | Lump Sum | Before Opening | Suppliers |
| Office Supplies and Stationery [(4)] | $75 to $100 | As Arranged | Before Opening | Suppliers |
| Insurance Deposit and Prepayment [(5)] | $350 to $500 | Lump Sum | Before Opening | Insurance Broker or Agent |
| Initial Training Expenses [(6)] | $0 | As Arranged | As Incurred | Suppliers |
| Professional Fees [(7)] | $0 to $2,000 | As Arranged | As Incurred | Attorney and Accountant |
| Licenses and Permits [(8)] | $0 to $500 | As Arranged | Before Opening | Government Agencies |
| Additional Funds (for first 3 months of operation) [(9)] | $500 to $750 | As Arranged | After Opening | Various |
| TOTAL | $1,495 to $9,420 | | | |

**Notes:**

**(1)** We are waiving the initial franchise fee for franchises offered or entered into on or after the Issuance Date of this disclosure document, unless this disclosure document is amended to reflect otherwise. (See Item 5.)

**(2)** The zero dollar amount assumes that you will initially office out of your home and that you presently have office furniture and other equipment that you will use to operate your Franchised Business,

such as a phone. The range of costs in the chart is an estimate for items such as a desk, chair, and miscellaneous office provisions you choose. We do not require that you purchase any particular amount, type, or brand of furniture or other items that you choose to purchase. If you choose to lease commercial Office space, your expenses will increase by the amount of rent you pay, which will depend on the size, condition, and location of the leased premises. This rent estimate is not included in the chart. If you elect to establish your Office in a location other than your home, you may need additional furniture or fixtures that will increase your expenditures, and you will have rent deposit expenses and other expenses not contemplated in this chart.

**(3)** This estimate is for the purchase of a phone and a computer or tablet that has Internet and email capability. We have no other requirements regarding the type or brand computer or tablet you purchase. (See Item 11.) The low end of the range assumes that you already own a phone and computer or tablet that can be used in your Franchised Business.

**(4)** This estimate is for office supplies such as note pads, pens, file folders, stationery, business cards, etc. The low end of the estimate assumes you already have many of these supplies and/or that you operate "paperless" or mostly paperless.

**(5)** You are required to obtain and maintain the minimum amount of insurance specified in Item 8 of this disclosure document. An insurance deposit may be required by the issuing company in order to obtain the minimum types and amounts of insurance as required. You will need to check with your local carrier for actual premium quotes and costs, as well as the actual cost of the deposit. The cost of coverage will vary based upon the area in which your Franchised Business will be located, your experience with the insurance carrier, the loss experience of the carrier, and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our stated minimums.

**(6)** We do not charge tuition or for materials for the initial training, and our initial training will be available to you via webinar. As such, this estimate assumes that you will not incur any travel-related costs such as transportation, lodging, and meals. To the extent you do incur such costs in connection with training, you are responsible for such costs. (See Item 11.)

**(7)** The low end of the estimate assumes that you do not engage legal and/or accounting professionals to advise you in the start-up of the Franchised Business. However, we strongly recommend that you seek the assistance of an experienced franchise attorney and accountant to review and advise you concerning this franchise opportunity, this disclosure document, and subsequently, the Franchise Agreement. The amounts in this range are based on professional fees typically charged in the Wilmington, North Carolina area.

**(8)** You are solely responsible for obtaining and maintaining all licenses and permits necessary to operate the Franchised Business. You should check with your local agencies to determine if any permits or licenses are required to operate your Franchised Business.

**(9)** This is an estimate of the additional funds you may need to operate your Franchised Business during the first three months after you complete initial training. We cannot guarantee that you will not have additional expenses in starting the Franchised Business. This estimate is based upon the experience of our franchisees. This range includes estimated travel and other sales related expenses you will incur during the first three months. Additional operating expenses will be incurred in connection with the ongoing operation of your Franchised Business.

We recommend that you use the categories and estimates in this Item 7 as a guide to develop your own

business plan and budget and that you investigate specific laws, regulations, and licensing requirements and associated costs that may apply in your area. You should review these figures carefully with your business advisor before deciding to acquire the franchise.

Unless otherwise stated above, these estimates are subject to increases based on changes in market conditions, our cost of providing services and future policy changes. We do not offer any financing for your initial franchise fee or any portion of your initial investment. Unless otherwise stated, the amounts described above are not refundable.

## ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

**Purchases According to Specifications; Approved Suppliers**

You must comply with all of our standards and specifications relating to the purchase of all supplies, materials, equipment (including computer hardware and software), and other products and services used in the Franchised Business. We formulate our standards and specifications based on a variety of factors. If we have approved suppliers for any supplies, products, and/or services used or offered by your Franchised Business, you must use those suppliers. We may change the number of approved suppliers at any time and may designate ourselves, an affiliate, or a third party as the exclusive source for any particular item or service. We may profit from your purchases and leases from approved suppliers, and we and/or our affiliates may receive payments, fees, commissions, or reimbursements from such suppliers in respect of your purchases and leases.

**Required Purchases**

Currently, except as described below, you have no obligation to purchase or lease from us, our affiliates, or other designated third-party suppliers of the products, services, supplies, fixtures, equipment (including computer hardware and software and payment systems), inventory, or real estate used in establishing or operating your Franchised Business.

**Optional Purchases**

Our affiliate, The N2 Company, is approved to supply you with optional services for your Franchised Business. Currently, these optional services include client ad strategy services. These services consist of our affiliate's representatives assisting advertisers during the advertisement creation and approval processes and collaborating with the advertiser to create the content and design of the advertisement(s).

The service offerings are subject to change. Additional services may become approved while others may be discontinued. To receive these optional services, you must enter into an AD Services Agreement with our affiliate. The current form of AD Services Agreement is attached to this disclosure document as Exhibit F. There are additional fees associated with these optional services. Future optional services may include premium versions of the client ad strategy services, content services, writing and editing services, business strategy coaching, social media management services, administrative services, consulting services, or client care services. This is not an exhaustive list of potential optional services and we nor our affiliate is obligated to make them available to our franchisees. Our affiliate may establish and change the prices for current and future services in its discretion.

The N2 Company is also approved to supply you with optional lead generation services.

**Revenue Derived**

Our CEO, Duane Hixon, and our President, Earl Seals, are the owners of The N2 Company, which is approved to supply you with optional services. Neither we, our affiliate, nor any of our officers owns an interest in any other privately held suppliers or a material interest in any publicly held suppliers of our franchise system. During our fiscal year July 1, 2021 through June 30, 2022, we received no revenue or

other material consideration from required purchases or leases by franchisees. During its fiscal year July 1, 2021 through June 30, 2022, The N2 Company received no revenue from our franchisees' required purchases or leases.

**Requirements for Specific Goods and Services**

Signage: If you display signage at your Office location, it must comply with our specifications and standards.

Business Cards: You must use the third-party provider we designate to purchase your business cards.

Digital Signature Software**:** We require you to use our approved vendors for digital signature software. You must not use any digital signature software we have not approved.

Insurance: You must obtain and maintain in full force and effect the levels of insurance specified in the Franchise Agreement and the Administration Manual or applicable law and purchase such insurance from an insurance provider we require. At a minimum, you must carry (i) Comprehensive General Liability Insurance, including contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in the amount of $2,000,000 combined single limit per occurrence and $4,000,000 general aggregate; (ii) automobile liability coverage, including coverage of owned, non-owned, and hired vehicles, with coverage in amounts not less than $300,000 combined single limit; (iii) event insurance for each event you host or sponsor in connection with the Publication in the amount $1,000,000 per occurrence, $2,000,000 in the aggregate, regardless of where the event is located; and (iv) such other insurance as may be required by the state or locality in which you operate the Business. All policies must be acceptable to us. From time to time in our sole discretion, we may increase or modify such limits of liability or require additional types of coverage. In each of these policies, except for workers' compensation (if applicable), you agree to name us and our affiliates, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, and employees of each of them, as additional insureds (each, an "Additional Named Insured"), which will expressly protect both you and the Additional Named Insured and will require the insurer to defend both you and the Additional Named Insured in any action while reserving the Additional Named Insured's right to involve counsel of their own choosing in protection of their own and system wide interests. Additionally, your insurance policy must waive on behalf of the insurer any right of subrogation by the insurance company against us, the Additional Named Insureds, our officers, shareholders, and employees. Your insurance must apply as primary and non-contributory.

Advertising Materials: You must obtain our prior approval for all advertising and promotional plans and materials that you desire to use to promote your Franchised Business and that we have not prepared or previously approved. We will approve or disapprove such plans and materials within 14 days from the date we receive your plans and materials. We reserve the right to disapprove at any time any plans and materials we have previously approved, and you must promptly discontinue using any promotional or advertising plans or materials upon notice from us to do so.

Social Media Management: If you hire a third-party to manage your social media, you must use only our approved social media management vendors.

Client Care Services: We have the right to require you to use only our approved vendors for client care services, which include client relationship management, advertisement strategy services, photography, advertisement material creation. Our current policy is to allow our franchisees to use publishing assistants or vendors that we have not approved in advance, provided the assistants or vendors comply with the standards set forth in our Administration Manual. We have the right to prohibit you from using the services

of any publishing assistant or vendor that does not comply with the standards set forth in the Administration Manual.

**Supplier Approval Procedure**

If you wish to use any service, vendor, supplier, or type or brand of item, that is not currently approved by us, you must notify us in writing of your desire to do so and submit to us (or to an independent party we designate) specifications, photographs, samples and/or other information we request. We may also inspect the supplier's facilities, software, security systems, or procedures. Within a reasonable time, which typically will not exceed 45 days after you provide us with notification and the information we request (although this time period can vary based on the type of product to be supplied, the location of the proposed supplier, the responsiveness of the proposed supplier, and other factors), we will determine whether such items or supplier meet our standards and will notify you whether you are authorized to use such item or purchase from such supplier, but we are not required to approve any particular supplier. When reviewing a product or supplier, we consider various factors, including, but not limited to, pricing, quality, consistency, efficiency, effectiveness, control of and protection of proprietary information, ability to service the entire franchise system, data security, credit worthiness, and solvency. We also have the right to revoke, in our sole discretion, the approval of any item or supplier that fails to continue to meet our standards. At our request, you must pay or reimburse us for our reasonable expenses incurred in the supplier approval process (whether or not approval of the supplier is granted). We do not issue our supplier approval standards and specifications to franchisees. If we revoke our approval, we will provide you 60 days prior written notice of the revocation.

**Purchasing Arrangements**

If we negotiate certain purchasing arrangements (including price terms) with suppliers of various products and services, we will seek to promote the overall interests of our franchise system and our interests as the franchisor. We do not provide material benefits to franchisees based upon their use of designated or approved suppliers. We or our affiliates may receive payments from any supplier on account of its dealings with you and other franchisees. There are currently no purchasing or distribution cooperatives for the system.

We estimate that your total initial required purchases will be less than 3% of the cost of your initial investment. We estimate your required purchases for the operation of your Franchised Business will be 80% or more of your annual purchases or leases. The majority of these required purchases will be from third parties under our specifications.

## ITEM 9. FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in this agreement and in other items of this disclosure document.**

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| a. Site selection and acquisition/lease | Not applicable | Items 1, 7, and 11 |
| b. Pre-opening purchases/leases | Not applicable | Items 7, 8, and 11 |
| c. Site development and other pre-opening requirements | Not applicable | Items 7, 8, and 11 |

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| d. Initial and ongoing training | Section 5.D. | Items 6, 7, and 11 |
| e. Opening | Not applicable | Items 7 and 11 |
| f. Fees | Sections 1., 3., and 4. | Items 5 and 6 |
| g. Compliance with standards and policies/manuals | Section 5. | Items 8 and 11 |
| h. Trademarks and proprietary information | Sections 7.A. and 8. | Items 11, 13, and 14 |
| i. Restrictions on products/services offered | Sections 1. and 5. | Items 8 and 16 |
| j. Warranty and customer service requirements | Not applicable | Not applicable |
| k. Territorial development and sales quotas | Sections 5.E. and 5.F. | Items 12 and 16 |
| 1. Ongoing product/service purchases | Sections 5.B. and 5.C. | Items 6, 8, and 11 |
| m. Maintenance, appearance, and remodeling requirements | Not applicable | Not applicable |
| n. Insurance | Section 12. | Items 7 and 8 |
| o. Advertising | Sections 5.E., 5.F., 8.D., and 8.F. | Items 8 and 11 |
| p. Indemnification | Sections 12.B. and 12.C. | Item 6 |
| q. Owner's participation/ management/ staffing | Section 5.E. | Item 15 |
| r. Records and reports | Section 5.E.(2) | Not applicable |
| s. Inspections and audits | Not applicable | Not applicable |
| t. Transfer | Section 9. | Items 6 and 17 |
| u. Renewal or extension of rights | Section 2. | Item 17 |

| Obligation | Section in Agreement | Disclosure Document Item |
|---|---|---|
| v. Post-termination obligations | Sections 7. and 11. | Item 17 |
| w. Noncompetition covenants | Section 7. | Item 17 |
| x. Dispute resolution | Section 14. | Item 17 |
| y. Other (guaranty) | Section 5.K.(3) | Item 15 |

## ITEM 10. FINANCING

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

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

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

**Pre-Opening Obligations**: Before you open the Franchised Business, we or our designee will:

(1) Provide initial training to you. (Franchise Agreement, Sections 5.D. and 6.E.)

(2) Provide you access to our Administration Manual. (Franchise Agreement, Section 6.A.)

(3) Provide you ongoing advice and written materials regarding the operations and management of your Franchised Business. (Franchise Agreement, Section 6.C.)

(4) At our option, make available to you, for a fee, software developed by us, our affiliates, or a designated third party for the Franchised Businesses. We are not required to develop or acquire such software programs. Currently we do not assess the fee. (Franchise Agreement, Section 6.B.)

(5) Give you a list of any approved or designated suppliers. (Franchise Agreement, Section 6.D.)

**Continuing Obligations**: After your Franchised Business opens we or our designee will:

(1) Provide you additional or remedial training. (Franchise Agreement, Sections 5.D. and 6.E.)

(2) Provide you access to our Administration Manual. (Franchise Agreement, Section 6.A.)

(3) Provide you ongoing advice and written materials regarding the operations and management of your Franchised Business. (Franchise Agreement, Section 6.C.)

(4) At our option, make available to you, for a fee, software developed by us, our affiliates, or a designated third party for the Franchised Businesses. We are not required to develop or acquire such software programs. Currently we do not assess the fee. (Franchise Agreement, Section 6.B.)

(5) Give you a list of any approved or designated suppliers. (Franchise Agreement, Section 6.D.)

(6) In our discretion, maintain an Online Presence (defined below) that provides information about the BELOCAL® brand, The N2 Company publications, and/or the Franchised Businesses. (Franchise Agreement, Section 8.E.)

(7) In our discretion, make available to you through our affiliate, optional services for your Franchised Business. We may assess a fee for these services. We have the right to add, delete, and modify the optional services we or our designee may make available to you. Currently the optional services include content development, advertising strategy, advertisement material creation, client relationship management, client communication, administrative services, and other business strategy training.

**Typical Length of Time Before You Open Your Franchised Business**

The typical length of time between signing the Franchise Agreement and operating your Franchised Business varies depending on various factors (including your ability to meet local requirements, arrange for training, and set up or acquire your Office), but it generally ranges from 7-45 days. You will operate your Office out of a facility you choose, and you may use your home as your Office. We do not provide site selection assistance or approve your Office location.

**Advertising**

You are not required to participate in any national, regional, or local advertising programs we manage or in any local or regional advertising cooperatives. We are not required to spend any money to advertise your Franchised Business, the Publication, or the BELOCAL® brand generally. You must obtain our prior approval for all advertising and promotional plans and materials that you desire to use to promote your Franchised Business and that we have not prepared or previously approved. You may only use advertising materials that you create, or have created for you, if we determine that these materials and the proposed use of these materials meet our standards. We reserve the right to disapprove at any time any plans and materials we have previously approved, and you must promptly discontinue using any promotional or advertising plans or materials upon notice from us to do so.

We do not have an advertising council.

**Online Presences**

We may maintain a website in order to promote the Marks, the publications, or any or all of the Franchised Businesses. We may also develop and maintain any other type of online, internet, virtual, or digital presence (each an "Online Presence") as we see fit. An Online Presence includes but is not limited to (1) the website, other webpages, or domain names; (2) accounts, pages, or profiles on social media sites; social networking sites; news sites and groups; online, internet, or digital directories; video, audio, photography, and messaging services; blogs; or forums; (3) e-commerce sites or accounts; (4) digital or online advertising and marketing content and services; (5) mobile applications; (6) virtual reality platforms; or (7) any identifiers of an Online Presence; or (8) a presence on any other type of online, internet, virtual, or digital tool, good, or service that may be developed.

We will have the sole right to control all aspects of each Online Presence, including its design, content, functionality, links to any other Online Presence, legal notices, and policies and terms of usage. We will also have the right to discontinue operation of any Online Presence at any time without notice to you. You may not establish or operate an Online Presence (including a website, webpage, domain name, Internet address, social media account, blog, forum, advertisement, or e-commerce site) that in any way concerns, discusses or alludes to us, the System, any publication, or your Franchised Business without our written

consent. The Marks may not be used as part of, in conjunction with, to establish, or to operate any Online Presence, except as specifically approved by us. For any Online Presence or email address you are approved to create, use, or maintain, we reserve the right to be exercised at our option to have the Online Presence or email address directly owned by us or to require it to be transferred to us after the expiration or termination of the Franchise Agreement. We have the right to require that any Online Presence or email address we permit you to use, create or maintain be registered in our name. Upon request, you must provide us with any login credentials for any Online Presence or email address you are authorized to use. We have the right to access any Online Presence to take corrective action if any content or post on the Online Presence is in violation of our policies and we may take ownership of any Online Presence upon expiration or termination of the Franchise Agreement or during the term of the Franchise Agreement and operate it as we see fit.

You must adhere to the social media policies established from time to time by us and you will require all your employees and representatives to adhere to the social media policy as well. You may not post, and must take such steps as necessary to ensure that your employees do not post, any information to a social media site relating to us, any information on an Online Presence that relates to us, the System, the Marks, any publication, or the Franchised Business that (a) does not comply with our brand, social media, or Online Presence guidelines, (b) is derogatory, disparaging, or critical of us, the System, or the Marks, (c) is offensive, inflammatory or indecent, (d) infringes upon our, our affiliate's, or a third party's intellectual property rights, or (e) harms the goodwill and/or public image of the System and/or the Marks.

Subject to the terms of the Franchise Agreement and Administration Manual, we may permit you to use one or more social media sites for the Publication. We may, but are not required to, provide you with access to social media groups or pages that we control. We will not be responsible to you for content posted within such social media groups or on such social media pages, and we have the right to restrict access by you or any other franchisees at any time, or delete comments, links, or photos you or other franchisees post to such pages or within such groups, in our sole discretion. Upon termination or expiration of the Franchise Agreement for any reason, or a default under the Franchise Agreement for any reason, you may not upload content onto or otherwise use the social media sites related to the Publication, we can require you to provide us with control over or access to any social media site, and we may cease to make such social media sites and accounts available to you.

**Computer Requirements**

You must maintain a personal computer or tablet at your Office that is capable of accessing the Internet and have a working phone. You must maintain a high-speed Internet connection (with email capability). We estimate that the cost to acquire these items is $0 to $2,500, depending on whether or not you have to purchase these items or you already have them. We estimate that the annual cost for any optional or required maintenance, updating, upgrading, or support contracts for these items will be $0 to $500.

We will provide you with client relationship management, sales order and commission management, and Publication production management software to assist you in the operations of your Franchised Business. We have the right to charge you for this software, but do not currently assess it. If we provide you one or more email addresses that contain the Marks or any part of the Marks, then you must use such email address(es), as applicable, when conducting your Franchised Business and as directed in the Administration Manual. You must not use such email address(es) when conducting personal or any other business not directly connected to the Franchised Business.

You must acquire and use any other computer (including tablets) hardware, cloud systems, and software for the operation of the Franchised Business that we require, including any enhancements, additions, substitutions, modifications, upgrades, and specific models or versions ("Technology"). We may also require you to license from us, or others we designate, any computer software we develop or acquire for use in connection with the Franchised Business and pay the associated fee. There is no contractual limitation

on the frequency or cost of these obligations. If we provide you with any Technology or require you to use specific cloud systems or software, we reserve the right to maintain complete access, at all times, to such Technology or your accounts with cloud systems and software, and you must provide us all passwords and other login credentials at our request. Otherwise, we do not have independent access to your personal computer or the information generated or stored on your computer and do not have a contractual right to access it.

Neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades, or updates to your computer system, and there are currently no optional or required maintenance/upgrade contracts for the computer system.

We own all client lists and all other information you collect during the term of your Franchise Agreement. You must not sell, transfer, or use this data for any purpose other than operating your Franchised Business.

We recommend that you back up your data locally, which may require you to purchase a "back-up" subscription service. We are not responsible under any circumstances for any malfunction or "crash" of the Technology we require, recommend, provide, or approve, including for any Franchised Business data lost as a result of that malfunction or "crash."

Despite the fact that you must buy, use, and maintain the Technology according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Technology; (2) the manner in which your Technology interfaces with our and any third party's technology; and (3) any and all consequences if the Technology is not properly operated, maintained, and upgraded.

**Confidential Administration Manual and Other Information**

After you sign the Franchise Agreement and before you begin initial training, you will be given online access to certain confidential information. We will provide you with online access to all of our Administration Manual and other confidential information we deem necessary after you successfully complete training. The Administration Manual and other confidential information may be provided through electronic means only. A copy of the table of contents of the Administration Manual is attached as Exhibit E. We consider the contents of the Administration Manual to be proprietary, and you must treat the Administration Manual and its contents as confidential. Our Administration Manual has a total of 32 pages.

**Training**

You must attend and satisfactorily complete, as we determine, our initial training program within the first 60 days after signing the Franchise Agreement. You cannot begin operating your Franchised Business until you have satisfactorily completed such training.

Currently, training is conducted via webinar. We provide the initial training program at no additional charge, but you must pay any other expenses you incur during training, if any.

Our training is provided by Denise Castellano. She has been with us for approximately six years. She may be assisted by qualified members of our staff, none of whom have less than 10 years of experience in the publishing industry. We may also draw upon the experience of other franchisees or training professionals. In no case would these other franchisees or training professionals have less than 12 months of experience in the publishing industry or as our franchisees or employees.

Our initial training program is offered as needed during the year depending on the number of new franchisees. Initial training generally requires four hours. The subjects covered and other information

relevant to our initial training program are described below.

**TRAINING PROGRAM**

| Subject | Hours of Classroom Training | Hours of On-the-Job Training | Location |
|---|---|---|---|
| Product Overview, Distribution Model, and Ad Pricing | 1 | 0 | Via Webinar |
| Scripts & Role Play | 1 | 0 | Via Webinar |
| Content - Who, What, How | 1 | 0 | Via Webinar |
| Practical Ramp Up Tips and Q&A | 1 | 0 | Via Webinar |
| **Total** | **4** | **0** | |

**Notes:**
The materials used in our training program include our Administration Manual and other handouts. Our initial training program is subject to change without notice to reflect updates in the materials, methods, and manuals and changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the trainees.

You may request or we may require you to periodically attend additional training programs and seminars, which will be conducted at various locations we designate, or which may be conducted virtually, and which may be conducted by third parties. We and such other third parties have the right to charge a reasonable fee for these additional training programs and seminars. The fees that we charge will be based on our actual costs and/or the fees charged by such third parties. The duration of additional training programs will vary based upon the subject matter and content of the program. You must pay all expenses you or your personnel incur in any training program or seminar, including the cost of travel, lodging, meals, and wages.

## ITEM 12. TERRITORY

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

When you sign the Franchise Agreement, we will grant you the non-exclusive right and license to establish and operate the Franchised Business. You will be assigned a non-exclusive geographic area ("Territory") described in Attachment B to the Franchise Agreement, within which you have the right to distribute the Publication. We do not allow you to relocate your Territory. You will not have the right to distribute the Publication to any person or community outside of your Territory. You have the right to sell and offer to sell print advertising to clients located both inside and outside of your Territory, but only in accordance with our then current cross-selling policies and Administration Manual. We also have the right to allow other franchisees or affiliates to offer and sell advertising in all forms to clients located in your Territory.

Your Territory will be defined by zip codes or other geographic boundaries we select. We do not grant any minimum territory. The actual size of the Territory will vary depending upon the availability of markets,

our long-range plans, your financial and operational resources, and market conditions. A written description of the Territory will be inserted in Attachment B to the Franchise Agreement before you sign the Franchise Agreement. The boundaries used to define the Territory will be geographic boundaries as configured on the effective date of the Franchise Agreement, which may be described as certain neighborhoods, subdivisions, or communities, or a specific home count in an area, as determined by us.

We divide each calendar year into four periods of three months each, and we call these periods "Quarters." For the Publication, we require you to (1) maintain a minimum, monthly Commission for the term of your Franchise Agreement, which is currently at least $5,000 per month for each of the BELOCAL® publications you manage; (2) include a minimum of 24 pages that meet our standards in each issue of the Publication; (3) include the number of articles each month on the topics required in the Administration Manual; and (4) complete a minimum number of Qualified Sales each Quarter, which is currently four. We may change our minimum Commission, page number, article, Qualified Sales, and Quarter requirements in our discretion during the Term of the Franchise Agreement. Although subject to change, currently the Qualified Sale requirement is that you make three Qualified New Sales (or the sale of a new advertising contract that has a term of at least 12 months and generates Cash Received of at least $150 per month). Additionally, you will have various deadlines for the content, review, publishing, approval, etc. of the Publication and you must meet each one. Failure to meet these requirements is a default under the Franchise Agreement and is grounds for termination of the Franchise Agreement.

Currently, you must include five Staple articles, two Explore Guides, two Points of View articles, one History article, one Hidden Gem article and twenty Local Tips articles. Staple articles typically feature information for those who recently moved to the area. Explore Guides feature guides to the city's top offerings while Point of View articles typically feature information about individuals or groups that live in the surrounding area. History articles feature significant buildings, parks, or other landmarks in the area, and a Hidden Gem article typically features local, under-the radar hot spots. Local Tips articles typically include testimonials from residents about must-see events and places around town.

The Franchise Agreement provides you with the right to sell print advertising for print publications. We and our affiliates retain all rights to offer and sell – and to grant others with the license to offer and sell – digital marketing services and advertisements and to operate digital publications. We also retain the rights to require you to sell packages of advertising goods and services to clients, which may include digital components. Additionally, we currently require you to sell a package of digital remarketing services along with each print advertisement unless the advertiser opts-out. We have the right to change or rescind this policy for any reason, and at any time, in our sole discretion.

Additionally, we, our affiliates, and any other authorized person or entity will have the right, among others, (i) to develop and establish other business systems (including systems that distribute products or services similar to those offered by the Franchised Business) using the Marks, or other names or marks, and to grant licenses to use those systems at any location without providing any rights to you, (ii) to advertise and promote any business of The N2 Company or N2 Franchising, Inc. franchised business anywhere, (iii) to operate, and license others to operate, any business of The N2 Company or N2 Franchising, Inc. franchised business or any publishing business of any of our affiliates anywhere, including locations that are inside, adjacent to, or surrounded by your Territory, and (iv) to engage, directly or indirectly, at wholesale, retail, or otherwise, in the production, distribution, license, and sale of all forms (including electronic forms) of magazines, newsletters, advertising, marketing, graphic and web design, or other services and products, under the Marks, or under other names or marks, without compensation to you, at any location, including in the Territory, through any method of distribution, including, but not limited to, mail order catalogs and the Internet, regardless of the proximity to, or the competitive impact on, the Franchised Business. If we solicit or accept orders from within your Territory, we are under no obligation to compensate you.

Our affiliate, The N2 Company, owns and operates a digital marketing services business under the trademark "Hyport Digital." These services include search engine optimization, search engine marketing, web design, email marketing, social media advertising, mobile and display advertising, and other related digital marketing services. Currently, Hyport Digital does not sell print advertising. There are no limitations on where Hyport Digital can solicit and sell its goods and services and Hyport Digital may sell its goods and services in your Territory and to the clients who purchase print advertisements in the Publication. The N2 Company shares our principal place of business and has no plan to implement separate offices or training facilities for the Hyport Digital business.

If you choose to, you may solicit leads for Hyport Digital as part of your Franchised Business and receive a commission on referrals. If you successfully complete the Hyport Digital certification we provide, you will also have the opportunity to facilitate the client relationships and receive a commission. There are no restrictions on where you may solicit leads for Hyport Digital or restrictions on the location of the clients for which you facilitate the relationship with Hyport Digital. Your opportunity to solicit leads for and facilitate client relationships with Hyport Digital is conditioned on the continuance of the sales program. We may modify and discontinue this program in our sole discretion.

You may not market or sell any services outside your Territory, except print advertisements for inclusion in the Publication, or the publications managed by others, subject to our cross-selling policies, without our prior written consent.

We do not grant franchisees any options, rights of first refusal, or similar rights to acquire franchises for any other territories.

## ITEM 13. TRADEMARKS

Our affiliate, The N2 Company, has registered the following Marks with the U.S. Patent and Trademark Office ("USPTO"). The N2 Company intends to renew the registrations and file all appropriate affidavits at the appropriate times, as required by law.

| Mark | Register | Registration Number | Registration Date |
|---|---|---|---|
| BELOCAL (Word) | Principal | 5033119 | August 30, 2016 |
| N2 PUBLISHING (Design) | Principal | 4095430 | February 7, 2012 |

Our affiliate, The N2 Company, has applied for registration of the following Marks with the USPTO.

| Mark | Register | Serial Number | Application Date |
|---|---|---|---|
| HYPORT DIGITAL (Word) | Principal | 97068530 | October 11, 2021 |

There is no presently effective determination of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding, nor any pending material litigation involving any Mark which is relevant to its ownership, use, or licensing.

We know of no superior prior rights or infringing use that could materially affect your use of the Marks, and we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

We do not have a federal registration for the last trademark listed above. Therefore, these trademarks do not have as many legal benefits and rights as a federally registered trademark. If our right to use these trademarks is challenged, you may have to change to alternative trademarks, which may increase your expenses.

Our rights to the Marks and the proprietary System know-how are derived from a non-exclusive, perpetual license ("Intercompany License") between us and The N2 Company. The Intercompany License grants us the right to use the Marks and the proprietary information related to the System, such as the know-how and the Administration Manual, for the purpose of licensing them to our franchisees and fulfilling our obligations under the Franchise Agreement. The Intercompany License is terminable only for material breach of the Intercompany License agreement and only if we do not cure or begin to cure the breach within 90 days after notice. Termination of the Intercompany License will not change the effectiveness of any Franchise Agreement as long as you are not in default of the Franchise Agreement. We know of no other agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to you.

We are not obligated to protect your rights to use the Marks or to protect you against claims of infringement or unfair competition. We are not obligated to participate in your defense and/or indemnify you for expenses or damages if you are party to an administrative or judicial proceeding involving the Marks.

You must immediately notify us of any infringement of the Marks or of any challenge to the use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Principals must agree not to communicate with any person other than us, any designated affiliate, and our or their counsel about any infringement, challenge, or claim of this type. We or our affiliates have sole discretion to take any action we deem appropriate and the right to exclusively control any litigation, or Patent and Trademark Office (or other) proceeding, arising out of any alleged infringement, challenge, or claim concerning any of the Marks. You must execute all instruments and documents and give us any assistance that, in our counsel's opinion, may be necessary or advisable to protect and maintain our interests or those of our affiliates in any litigation or proceeding of this type or to otherwise protect and maintain our or their interest in the Marks.

You may not use any of the Marks as part of your corporate or other name or as part of a domain name. You must also follow our instructions for identifying yourself as a franchisee and for filing and maintaining the requisite trade name or fictitious name registrations. You must execute any documents we or our counsel determine are necessary to obtain protection for the Marks or to maintain their continued validity and enforceability. Neither you nor your Principals may take any action that would prejudice or interfere with the validity of our rights with respect to the Marks and may not contest the validity of our interest in the Marks or assist others to do so.

We have the right to substitute different trade names, service marks, trademarks, and indicia of origin for the Marks if the Marks can no longer be used, or if we determine, in our sole discretion, that the substitution will be beneficial to the System. If we do, we may require you to discontinue or modify your use of any Mark or use one or more additional or substitute Marks at your expense.

## ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents and do not have any pending patent applications that are material to the Franchised Business. We and/or our affiliate do claim copyright protection and proprietary rights in the original materials used in the System, including our Administration Manual, the design elements of the Marks, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, the content and design of any Online Presence, the content and design of all of our affiliate's publications (including but not limited to BELOCAL® publications), and other written materials relating to the operation of the Franchised Business and the System ("Copyrighted Materials"). We may change the Copyrighted Materials at any time. If we do, you must use the then-current Copyrighted Materials, and you must discontinue, as we require, the use of Copyrighted Materials.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the Copyrighted Materials or to defend or indemnify you for claims relating to the Copyrighted Materials. We have no actual knowledge of any infringements that could materially affect the ownership, use, or licensing of any copyrights.

We treat all Copyrighted Materials as trade secrets, and you must treat all Copyrighted Materials we communicate to you confidentially. You and your Principals must agree not to communicate or use our confidential information for the benefit of anyone else during and after the term of the Franchise Agreement. You and your Principals must also agree not to use our confidential information at all after the Franchise Agreement terminates or expires. You and your Principals can give this confidential information only to your employees who need it to operate your Franchised Business.

If you or your Principals develop any new concept, process, or improvement in the operation or promotion of your Franchised Business, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your Principals agree that any of these concepts, processes, or improvements will become our property, and we may use or disclose them to other franchisees, as we determine appropriate.

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

We encourage but do not require an owner to personally supervise the Franchised Business. We prefer to select franchisees who favor and appear committed to a "hands on" and well-informed approach to the business. The business must be directly supervised and managed by a person, identified to us and approved by us, who has undergone our training program or for whom, based on his or her experience, we have waived this requirement. If you are not willing to be the full-time operator of your business, then you will be required to hire a manager approved by us. We do not require that your managers have any equity in the franchisee entity or receive any percentage of your Commissions. Your managers must be approved by us and must execute a confidentiality and non-competition agreement similar to the one that owners will execute. We strongly recommend that you devote a substantial amount of time to the Franchised Business, whether or not you hire a manager. Franchisees who do not devote their full time and efforts to the establishment and operation of the Franchised Business may generate lower advertising revenue and Commissions and lesser recognition in their areas than those franchisees who do devote their full efforts to the business.

We require all franchise owners to sign a Principals' Undertaking (attached to the Franchise Agreement as Attachment C), binding themselves individually to certain provisions of the Franchise Agreement, like the covenants against competition and solicitation and those restricting use of the Marks and disclosure of confidential information, restrictions on transfer, and dispute resolution procedures. We do not require an

owner's spouse to sign the Principals' Undertaking or otherwise personally guaranty the performance of the Franchise Agreement. At our request, you must have any other personnel who will have access to our confidential information, but whom we do not designate as a Principal, sign the Confidentiality Agreement and Ancillary Covenants Not to Compete agreement attached to the Franchise Agreement as Attachment D. We have the right, in our sole discretion, to decrease the period of time or geographic scope of the noncompetition covenants or eliminate the noncompetition covenant altogether for any person who signs the Principals' Undertaking and the Confidentiality Agreement and Ancillary Covenants Not to Compete agreement.

## ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all of the services and products that we require and only the services and products which we authorize for the System. You must not sell, offer to sell, or provide through the Franchised Business or otherwise any services and products that have not been approved by us in writing, and you must discontinue any services or products that we disapprove. There are no contractual limits on our right to make changes to the types of services and products that you must sell. We and/or our affiliate reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the publishing and advertising rates you communicate to potential advertisers.

All products and services contracts and advertising and publishing contracts with advertisers, recipients of the Publication, and other parties are with us or our affiliate, not with you. You may not enter into advertising or publishing contracts on our or our affiliate's behalf, and we or our affiliate are the party to any advertising or publishing contract, not you.

You will not have the right to distribute the Publication to any person or community outside of your Territory. You have the right to sell and offer to sell print advertising to clients located both inside and outside of your Territory, but only in accordance with our then-current cross-selling policies and Administration Manual. We have the right to restrict you from offering or selling advertisements of any kind to any client or prospective client at any time. We also have the right to allow other franchisees or affiliates to offer and sell advertising in any form to clients located in your Territory.

We and our affiliates retain all rights to offer and sell – and to grant others with the license to offer and sell – digital marketing services and advertisements and to operate digital publications. We also retain the rights to require you to sell packages of advertising goods and services to clients, which may include digital components. Additionally, we currently require you to sell a package of digital remarketing services along with each print advertisement unless the advertiser opts-out. We have the right to change or rescind this policy for any reason, and at any time, in our sole discretion.

You must participate in any Corporate Ad programs or other programs we require generally for Franchised Businesses. If you are permitted to call on Strategic Partners in your Territory and attempt to sell advertising to them for the Publication, you must strictly comply with all of our requirements relating to these relationships, including honoring any pricing arrangement agreed to between us and each Strategic Partner.

If you choose to, you may solicit leads for Hyport Digital as part of your Franchised Business and receive a commission on referrals. If you successfully complete the Hyport Digital certification, you will also have the opportunity to facilitate the client relationships and receive a commission. There are no restrictions on where you may solicit leads for Hyport Digital or restrictions on the location of the clients for which you facilitate the relationship. Your opportunity to solicit leads for and facilitate client relationships with Hyport Digital is conditioned on the continuance of the sales program. We may modify and discontinue this program in our sole discretion.

You cannot establish, maintain, operate, or participate in any Online Presence relating to the Franchised Business (other than our Online Presence) without our prior written approval, which we can revoke any time an Online Presence fails to continue to meet our standards. We have the right to own all Online Presences related to the Franchised Business and the Marks. We have the right to require you to provide us with control over or access to any such Online Presences, and to prohibit your use or access to such Online Presences upon default or termination of the Franchise Agreement. You must transfer to us any Online Presence (including accounts, credentials, and login information) at any time we require during the term or following the termination of the Franchise Agreement.

If we provide you one or more email address(es) containing the name or any part of the name of any N2 publication or any of the Marks, you must use such email addresses, as applicable, when conducting your Franchised Business and as directed in the Administration Manual. You must not use such email address(es) when conducting personal or any other business not directly connected to the Franchised Business.

## ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

**This table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this disclosure document.**

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| a. Length of the franchise term | Section 2.A. | Three-year initial term |
| b. Renewal or extension of the term | Section 2.B. | No right to renew |
| c. Requirements for franchisee to renew or extend | Not applicable | Not applicable |
| d. Termination by franchisee | Section 10.E. | You have a limited right to terminate the Franchise Agreement for any reason or no reason. You must provide us written notice on or before the earlier of: (1) nine months following the effective date of the Franchise Agreement or (2) the date of the first issuance of the Publication. You do not have the right to terminate the Franchise Agreement after the earlier of those dates. The provisions regarding termination are subject to state law. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| e. Termination by franchisor without cause | Section 10.E. | We have the limited right to terminate the Franchise Agreement for any reason or no reason. We must provide you written notice on or before the earlier of: (1) nine months following the effective date of the Franchise Agreement or (2) the date of the first issuance of the Publication. The provisions regarding termination are subject to state law. |
| f. Termination by franchisor with "cause" | Section 10. | We may terminate because of your default(s). |
| g. "Cause" defined - curable defaults | Section 10.D. | If you do not cure the following defaults within the cure periods we establish, we will have the right to terminate: failure to meet content, review, approval processing, and other publication deadlines; failure to operate business in accordance with our standards; failure to maintain content that satisfies our standards; failure to timely submit content or failure to submit sufficient content; the expenses exceed total revenue for the publication and we discontinue it; we discontinue more than one publication for which you are responsible in six months; you fail to return any Returnable Commissions due to us; you fail to pay any fee or amount when due to a supplier or creditor; you fail to pay your employees or independent contractors in accordance with law; failure to interact professionally with clients and leads of Hyport Digital or failure to comply with policy and requirements for Hyport Digital leads, clients, goods, services, and trademarks; other non-compliance; repeated complaints about the business. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| h. "Cause" defined – non-curable defaults | Sections 10.B. and 10.C. | Insolvency; general assignment for benefit of creditors; filing of voluntary bankruptcy; filing of involuntary bankruptcy not dismissed within 60 days; admission of inability to pay debts; adjudicated bankrupt or insolvent; receivership; final judgment remains unsatisfied for 30 days or more; dissolution; execution of levy or sale after levy; abandonment or cessation of Franchised Business; unauthorized transfer; failure to comply with use of Copyrighted Materials and confidential information; failure to comply with covenants; misuse of the Systems and Marks; material representations or breaches of representations and warranties; your conviction of or pleading no contest to a felony or other offense or you become known to be of bad moral character or you do not conduct yourself with high standards; the royalty, total publication expenses, and other expenses for each publication for which you are responsible exceed the total revenue actually received by us or our affiliate under the advertising contracts for each publication for which you are responsible in any one-calendar-month period; you or your affiliates are in default of any other agreement with us or our affiliates and you do not cure the default; you or your Principals have a second default, whether or not such defaults are of the same or different nature and whether or not they have been cured; underreporting of sales; accepting payments directly from advertisers; beginning operations without receive authorization; operating |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| | | under any unauthorized trademark; default of your obligations with respect to intellectual property; failure to meet requirements for deadlines or minimum pages two or more times in a certain period; actions that impair the value or goodwill of the Publication, other publication, the System or the Marks; other defaults that are incapable of being cured. A provision in the Franchise Agreement which terminates the Franchise Agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101. |
| i. Franchisee's obligations on termination/nonrenewal | Sections 7. and 11. | Stop using our Marks, Copyrighted Materials, and confidential information; return the Administration Manual and Copyrighted Materials; stop operating the Franchised Business and do not represent yourself as a current franchisee; pay amounts due; at our option, assign to us your business directory listings and the Online Presences; grant us control of any Online Presence; comply with confidentiality, non-competition, and non-solicitation covenants; pay us all costs we incur to enforce your post-termination obligations. |
| j. Assignment of contract by franchisor | Section 9.A. | We may transfer our rights without restriction. |
| k. "Transfer" by franchisee – defined | Section 9.B. | You and your Principals must not transfer any rights or obligations under the Franchise Agreement, any assets of your Franchised Business, or any direct or indirect interest in you except in compliance with the Franchise Agreement. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| l. Franchisor's approval of transfer by franchisee | Section 9.B. | You must notify us with a notice of transfer, and we must give written consent to a transfer by you or your Principals. All transfers must meet certain conditions. |
| m. Conditions for franchisor approval of transfer | Section 9.B. | Conditions include the following: you must pay all amounts due; not be in default; sign a general release (subject to state law); pay transfer fee; and remain liable for pre-transfer obligations. Transferee must meet our criteria, complete required training, meet our guaranty obligations, and enter into our then-current franchise agreement. |
| n. Franchisor's right of first refusal to acquire franchisee's business | Section 9.C. and 9.D. | We can match any offer you want to accept for your business. Before you obtain an offer from a buyer, you must offer to us first. If you do, then we only have a right of first refusal if the terms are different than offered to us. |
| o. Franchisor's option to purchase franchisee's business | Not applicable | Not applicable |
| p. Death or disability of franchisee | Section 9.E. | If the Franchisee or a Principal dies or is disabled, the interest of such franchisee or Principal must be transferred within six months. |
| q. Non-competition covenants during the term of the franchise | Section 7. | You and your Principals may not have any direct or indirect interest in a competitive business. You are prohibited from soliciting advertisers for competitive purpose. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| r. Non-competition covenants after the franchise is terminated or expires | Section 7. | For two years after the expiration, termination, or transfer of the Franchise Agreement, you and your Principals may not directly or indirectly engage in activities involving active participation in a competitive business; activities relating to a competitive business, the performance of which is reasonably likely to involve the use of and/or reference confidential information; soliciting or attempting to solicit, using any form of oral, written, or electronic communications, our current or prospective business advertisers with whom you interacted for the purpose of offering or accepting goods or services that are competitive with those offered by us, our affiliates, or our franchisees; having an interest in any person or entity that engages directly or indirectly in a competitive business within the Territory, within the territory of any other N2 publication business franchisee; or within a 15- mile radius of those territories. |
| s. Modification of the agreement | Sections 15.A. | Except for changes we can make unilaterally, all changes require mutual agreement. |
| t. Integration/merger clause | Section 15.A. | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises made outside the disclosure document and Franchise Agreement may not be enforceable. We may not disclaim representations made in the disclosure document. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| u. Dispute resolution by arbitration or mediation | Section 14. | Disputes must be arbitrated, except for actions we bring for injunctive or other equitable relief. |
| v. Choice of forum | Section 14. | Unless contrary to applicable state law, arbitration will be held at the AAA office nearest to our principal place of business, which is currently Wilmington, North Carolina. Unless contrary to applicable state law, venue for any other proceeding is the state or federal district court in which our principal place of business is located, which is currently Wilmington, North Carolina. See the State- Specific Addenda attached to this disclosure document.<br><br>In addition to the provisions noted in this chart, the Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See the State-Specific Addenda attached to this disclosure document. |
| w. Choice of law | Section 14. | Unless contrary to applicable state law, the Franchise Agreement is to be interpreted and construed under North Carolina law, except for North Carolina choice of law rules, except that any law regulating the offer or sale of franchises, business opportunities, or similar interests, or governing the relationship between you and us will not apply unless its jurisdictional requirements are met independently. See State Specific Addenda attached to this disclosure document. |

## ITEM 18. PUBLIC FIGURES

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

## ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and 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 performance at a particular location or under particular circumstances.

This financial performance representation includes average Commission payments we paid from July 1, 2021 through June 30, 2022 ("Reporting Period") to the 98 franchisees that were in print as of June 30, 2022 and who had been in print for a full year ("Reporting Group"). The total number of publications for which Commission payments were made to the Reporting Group was 111. We do not include information for franchisees who have been operating less than one year because we do not consider that information to be as reliable as that information is from franchisees who have been in operation for at least one year.

### AVERAGE COMMISSION PAYMENTS FOR THE COMMISSION GROUP

This information provides the overall average Commission payments paid to the Commission Group for 111 BELOCAL® publications.

The average Commission paid for the top 10%, 11 publications (out of 111) in the Reporting Period, was $115,133.00. Of this group, 4 (36%) earned a Commission payment that totaled the average or more, and 7 (64%) earned a Commission payment that totaled less than the average. The median Commission earned for this group was $110,323.00. The highest Commission earned was $154,148.00, and the lowest Commission earned was $87,851.00.

The average Commission earned for the bottom 10%, 11 publications in the Reporting Period, was $5,700.00. Of this group, 3 (27%) earned a Commission payment that totaled the average or more, and 8 (73%) earned a Commission payment that totaled less than the average. The median Commission earned for this group was $5,287.00. The highest Commission earned was $14,815.00, and the lowest Commission earned was $149.00.

| | One Publication 1 | Two Publications 2 | Three Publications 3 | Four Publications 4 |
|---|---|---|---|---|
| **Avg. Commission for Top 10%** | $117,494 | $162,289 | $145,122 | $137,041 |
| **Median for Top 10%** | $108,970 | $162,289 | $145,122 | $137,041 |
| **High/Low in Top 10%** | $154,148/ $89,107 | $162,289/ $162,289 | $145,122/ $145,122 | $137,041/ $137,041 |

| | One Publication [1] | Two Publications [2] | Three Publications [3] | Four Publications [4] |
|---|---|---|---|---|
| **Avg. Commission for Bottom 10%** | $6,368 | $30,307 | $145,122 | $137,041 |
| **Median for Bottom 10%** | $4,265 | $30,307 | $145,122 | $137,041 |
| **High/Low in Bottom 10%** | $14,815/ $149 | $30,307/ $30,307 | $145,122/ $145,122 | $0/ $0 |

**Note 1:**
88 franchisees managed one publication each. Of the 8 franchisees who performed in the top 10% of these 88 franchisees, 3 (37.5%) performed at or above the average, and 5 (62.5%) performed below the average. Of the 8 franchisees who performed in the bottom 10% of these 88 franchisees, 3 (37.5%) performed at or above the average, and 5 (62.5%) performed below the average.

**Note 2:**
8 franchisees managed 2 publications each. Of the 1 franchisee who performed in the top 10% of these 8 franchisees, 0 (0%) performed at or above the average, and 0 (0%) performed below the average.
Of the 1 franchisee who performed in the bottom 10% of these 8 franchisees, 0 (0%) performed at or above the average, and 0 (0%) performed below the average.

**Note 3:**
1 franchisee managed 3 publications. The franchisee in the top 10% had a Commission of $145,122.00. The franchisee in the bottom 10% had a Commission of $145,122.00.

**Note 4:**
1 franchisee managed 4 publications. The franchisee in the top 10% had a Commission of $137,041.00. The franchisee in the bottom 10% had a Commission of $137,041.00.

We have not audited or otherwise verified the Commission payments information provided in this Item 19.

You should conduct an independent investigation of the costs and expenses you will incur in operating your Franchised Business. You should use this information to conduct your own analysis of the franchise opportunity in consultation with your financial, business, legal, and tax advisers.

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

We have written substantiation in our possession to support the information appearing in this Item 19, and such substantiation will be made available to you on reasonable request.

Other than the preceding financial performance representation, 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

Matthew Davis 2093 Philadelphia, #3202, Claymont, Delaware 19703; 844-353-5378, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1 Systemwide Outlet Summary**
**For Years 2020 to 2022**

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| **Franchised** | 2020 | 69 | 140 | +71 |
| | 2021 | 140 | 111 | -29 |
| | 2022 | 111 | 139 | +28 |
| **Company-Owned** | 2020 | 0 | 1 | +1 |
| | 2021 | 1 | 3 | +2 |
| | 2022 | 3 | 1 | -2 |
| **Total Outlets** | **2020** | **69** | **141** | **+72** |
| | **2021** | **141** | **114** | **-27** |
| | **2022** | **114** | **140** | **+26** |

**Notes:** All numbers are as of our fiscal year end, which is June 30.

**Table No. 2**
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**
**For Years 2020 to 2022**

| State | Year | Number of Transfers |
|---|---|---|
| **Colorado** | 2020 | 0 |
| | 2021 | 1 |
| | 2022 | 2 |
| **Florida** | 2020 | 0 |
| | 2021 | 1 |
| | 2022 | 1 |
| **Georgia** | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 1 |
| **Illinois** | 2020 | 1 |
| | 2021 | 1 |
| | 2022 | 1 |
| **Indiana** | 2020 | 0 |
| | 2021 | 1 |

| State | Year | Number of Transfers |
|---|---|---|
| | 2022 | 0 |
| **Montana** | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 1 |
| **Ohio** | 2020 | 1 |
| | 2021 | 1 |
| | 2022 | 0 |
| **South Carolina** | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 1 |
| **Totals** | **2020** | **2** |
| | **2021** | **5** |
| | **2022** | **7** |

**Notes:** All numbers are as of our fiscal year end, which is June 30.

**Table No. 3**
**Status of Franchised Outlets**
**For 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 |
|---|---|---|---|---|---|---|---|---|
| **Alabama** | 2020 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | 2022 | 1 | 1 | 0 | 0 | 0 | 1 | 1 |
| **Arizona** | 2020 | 1 | 8 | 0 | 0 | 0 | 2 | 7 |
| | 2021 | 7 | 1 | 0 | 0 | 1 | 2 | 5 |
| | 2022 | 5 | 6 | 0 | 0 | 0 | 3 | 8 |
| **Arkansas** | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| **California** | 2020 | 4 | 6 | 0 | 0 | 0 | 5 | 5 |
| | 2021 | 5 | 2 | 0 | 0 | 1 | 2 | 4 |
| | 2022 | 4 | 8 | 0 | 0 | 0 | 4 | 8 |
| **Colorado** | 2020 | 6 | 9 | 0 | 0 | 0 | 4 | 11 |
| | 2021 | 11 | 1 | 0 | 0 | 0 | 5 | 7 |
| | 2022 | 7 | 8 | 0 | 0 | 0 | 7 | 8 |
| **Connecticut** | 2020 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | 2021 | 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 |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 1 | 3 | 0 | 0 | 0 | 1 | 3 |
| **Florida** | 2020 | 3 | 13 | 0 | 0 | 0 | 0 | 16 |
| | 2021 | 16 | 2 | 0 | 0 | 0 | 4 | 14 |
| | 2022 | 14 | 17 | 1 | 0 | 0 | 15 | 15 |
| **Georgia** | 2020 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | 2021 | 1 | 5 | 0 | 0 | 0 | 1 | 5 |
| | 2022 | 5 | 8 | 0 | 0 | 0 | 7 | 6 |
| **Idaho** | 2020 | 1 | 3 | 0 | 0 | 0 | 0 | 4 |
| | 2021 | 4 | 0 | 0 | 0 | 0 | 2 | 2 |
| | 2022 | 2 | 1 | 0 | 0 | 0 | 1 | 2 |
| **Illinois** | 2020 | 2 | 13 | 0 | 0 | 0 | 5 | 10 |
| | 2021 | 10 | 2 | 0 | 0 | 1 | 3 | 8 |
| | 2022 | 8 | 9 | 0 | 0 | 0 | 6 | 11 |
| **Indiana** | 2020 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 1 | 0 | 0 | 0 | 1 | 3 |
| | 2022 | 3 | 1 | 0 | 0 | 0 | 2 | 2 |
| **Iowa** | 2020 | 1 | 2 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 1 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| **Kansas** | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 2 | 0 | 0 | 0 | 1 | 2 |
| **Kentucky** | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| **Louisiana** | 2020 | 1 | 2 | 0 | 0 | 0 | 1 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 1 | 1 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Maine** | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Maryland** | 2020 | 2 | 2 | 0 | 0 | 0 | 2 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | 2022 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| **Massachusetts** | 2020 | 2 | 1 | 0 | 0 | 1 | 0 | 2 |

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2 | 2 | 0 | 0 | 1 | 0 | 3 |
| | 2022 | 3 | 3 | 0 | 0 | 0 | 2 | 4 |
| **Michigan** | 2020 | 1 | 3 | 0 | 0 | 0 | 1 | 3 |
| | 2021 | 3 | 1 | 0 | 0 | 1 | 3 | 0 |
| | 2022 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| **Minnesota** | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 2 | 0 | 0 | 0 | 1 | 1 |
| **Mississippi** | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| **Missouri** | 2020 | 1 | 2 | 0 | 0 | 0 | 1 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 2 | 0 | 0 | 0 | 3 | 1 |
| **Montana** | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 2 | 0 | 0 | 0 | 2 | 1 |
| **Nebraska** | 2020 | 0 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 1 | 2 |
| | 2022 | 2 | 3 | 0 | 0 | 0 | 1 | 4 |
| **New Hampshire** | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 2 | 0 | 0 | 0 | 2 | 0 |
| **New Jersey** | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| **New Mexico** | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| **New York** | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| **North Carolina** | 2020 | 5 | 4 | 0 | 0 | 1 | 2 | 6 |
| | 2021 | 6 | 1 | 0 | 0 | 1 | 2 | 4 |
| | 2022 | 4 | 5 | 0 | 0 | 0 | 4 | 5 |

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| **North Dakota** | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| **Ohio** | 2020 | 9 | 3 | 0 | 0 | 0 | 1 | 11 |
| | 2021 | 11 | 0 | 0 | 0 | 0 | 0 | 11 |
| | 2022 | 11 | 9 | 2 | 0 | 0 | 11 | 7 |
| **Oklahoma** | 2020 | 0 | 3 | 0 | 0 | 0 | 1 | 2 |
| | 2021 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 3 | 1 | 0 | 0 | 3 | 2 |
| **Oregon** | 2020 | 1 | 1 | 0 | 0 | 0 | 1 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2022 | 0 | 1 | 0 | 0 | 0 | 1 | 0 |
| **Pennsylvania** | 2020 | 6 | 3 | 0 | 0 | 0 | 3 | 6 |
| | 2021 | 6 | 0 | 0 | 0 | 0 | 2 | 4 |
| | 2022 | 4 | 3 | 0 | 0 | 0 | 1 | 6 |
| **South Carolina** | 2020 | 3 | 2 | 0 | 0 | 0 | 0 | 5 |
| | 2021 | 5 | 1 | 0 | 0 | 0 | 4 | 2 |
| | 2022 | 2 | 4 | 0 | 0 | 0 | 1 | 5 |
| **Tennessee** | 2020 | 1 | 3 | 0 | 0 | 0 | 2 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | 2022 | 1 | 4 | 0 | 0 | 0 | 2 | 3 |
| **Texas** | 2020 | 3 | 13 | 0 | 0 | 0 | 3 | 13 |
| | 2021 | 13 | 2 | 0 | 0 | 1 | 5 | 9 |
| | 2022 | 9 | 20 | 0 | 0 | 0 | 12 | 17 |
| **Utah** | 2020 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| **Virginia** | 2020 | 2 | 2 | 0 | 0 | 0 | 2 | 2 |
| | 2021 | 2 | 1 | 0 | 0 | 0 | 2 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| **Washington** | 2020 | 0 | 6 | 0 | 0 | 0 | 0 | 6 |
| | 2021 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| | 2022 | 6 | 8 | 0 | 0 | 0 | 8 | 6 |
| **Totals** | **2020** | **69** | **112** | **0** | **0** | **2** | **39** | **140** |
| | **2021** | **140** | **26** | **0** | **0** | **8** | **46** | **111** |

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at End of Year |
|---|---|---|---|---|---|---|---|---|
| | **2022** | **111** | **138** | **4** | **0** | **0** | **106** | **139** |

**Notes:** All numbers are as of our fiscal year end, which is June 30.

**Table No. 4**
**Status of Company-Owned Outlets**
**For Years 2020 to 2022**

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|---|---|---|---|---|---|---|---|
| **Arizona** | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 1 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 1 | 0 | 0 |
| **California** | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 1 | 1 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Illinois** | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 1 | 1 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Louisiana** | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 1 | 1 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Massachusetts** | 2020 | 0 | 0 | 1 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 1 | 1 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 1 | 0 |
| **Michigan** | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 1 | 1 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| **North Carolina** | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 1 | 1 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| **South Carolina** | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|---|---|---|---|---|---|---|---|
| **Texas** | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 1 | 1 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Totals** | **2020** | **0** | **0** | **1** | **0** | **0** | **1** |
| | **2021** | **1** | **1** | **8** | **7** | **0** | **3** |
| | **2022** | **3** | **0** | **0** | **1** | **1** | **1** |

**Notes:** All numbers are as of our fiscal year end, which is June 30.

**Table No. 5**
**Projected Openings As Of June 30, 2022**

| State | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlets In The Next Fiscal Year | Projected New Company-Owned Outlets In the Next Fiscal Year |
|---|---|---|---|
| **Idaho** | 0 | 1 | 0 |
| **Totals** | **0** | **1** | **0** |

The name, business address, and business telephone number of each current franchisee on June 30, 2022 are listed on Exhibit C.

We have listed for the period from July 1, 2021 through June 30, 2022, the name, city, state, and current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who has had a Franchised Business terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement, and who has left the system during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the date of issuance of this disclosure document are listed on Exhibit D.

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

As of June 30, 2022, we have no current or former franchisees who have signed provisions during the last three fiscal years restricting their ability to speak openly to you about their experience with the BELOCAL® franchise system.

As of the date of this disclosure document, there are no trademark-specific franchisee organizations associated with the franchise system being offered in this disclosure document.

## ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit A are our audited financial statements for the periods July 1, 2019, through June 30,

2020, July 1, 2020, through June 30, 2021, and July 1, 2021 to June 30, 2022. Our fiscal year ends June 30.

## ITEM 22. CONTRACTS

Attached to this disclosure document are the following contracts and their attachments:

1. Franchise Agreement, and all attachments, and all applicable State-specific Amendments
2. AD Services Agreement
3. Form of General Release
4. Form of Transfer Agreement and Consent

## ITEM 23. RECEIPTS

Attached as the last two pages of this disclosure document are two Receipts. When you receive this disclosure document, you must sign both Receipts and return one to us, retaining the other for your records.

**EXHIBIT A**

**FINANCIAL STATEMENTS**

# N2 Franchising, Inc.

## Financial Statements

*As of June 30, 2022 and 2021*
*and for the years ended June 30, 2022, 2021 and 2020*

N2 Franchising, LLC

Table of Contents

As of June 30, 2022 and 2021
and
for the years ended June 30, 2022, 2021 and 2020


Independent Auditor's Report..... 3

Financial Statements

Balance Sheets..... 5

Statements of Operations..... 6

Statements of Changes in Stockholders' Equity..... 7

Statements of Cash Flows..... 8

Notes to Financial Statements..... 9

A&G LLP
CERTIFIED PUBLIC ACCOUNTANTS

**Dallas Office**
2425 N Central Expy.
Suite 200
Richardson, TX 75080
Phone 972 238 5900
Fax 972 692 5357

www.agllp-cpa.com

## Independent Auditor's Report

To the Stockholders
N2 Franchising, Inc.
Wilmington, North Carolina

**Report on the Financial Statements**

***Opinion***
We have audited the financial statements of N2 Franchising, Inc. (a Delaware corporation), which comprise the balance sheets as of June 30, 2022 and 2021, and the related statement of operations, changes in stockholders' equity and cash flows for the years ended June 30, 2022, 2021 and 2020, and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of N2 Franchising, Inc. as of June 30, 2022 and 2021 and the results of its operations, changes in stockholders' equity and cash flows for the years ended June 30, 2022, 2021 and 2020 in conformity 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 (GAAS). 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 N2 Franchising, 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.

***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 N2 Franchising, Inc.'s ability to continue as a going concern within one year from the date the financial statements are issued.

***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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness N2 Franchising, 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 N2 Franchising, 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.

A+G LLP

A&G LLP
Dallas, Texas
October 11, 2022

**Balance Sheets**

| As of June 30, | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 3,769,657** | $ 6,885,662 |
| Income tax receivable | **260,000** | - |
| Prepaid expenses | **281,571** | 113,386 |
| Prepaid taxes | **37,322** | 43,599 |
| Due from affiliate | **4,419,569** | 1,664,156 |
| Total current assets | **8,768,119** | 8,706,803 |
| Deferred tax asset | **169,851** | - |
| **Total assets** | **$ 8,937,970** | $ 8,706,803 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | **$ 261,138** | $ 15,750 |
| Accrued expenses | **3,992,798** | 3,373,449 |
| Taxes payable | **52,826** | 66,812 |
| Current portion of long-term debt | **-** | 381,800 |
| Current portion of long-term bonus payable | **-** | 333,334 |
| Notes payable - stockholders | **-** | 1,900,000 |
| Conversion from notes payable - stockholders | **4,306,762** | 6,071,145 |
| Stockholders' Equity: | | |
| Common stock, $0.001 par value, 1,000,000 shares authorized; 110,000 shares issued and outstanding | **110** | 100 |
| Additional paid-in capital | **2,969,732** | 1,069,742 |
| Retained earnings | **1,661,366** | 1,565,816 |
| Total stockholders' equity | **4,631,208** | 2,635,658 |
| **Total liabilities and stockholders' equity** | **$ 8,937,970** | $ 8,706,803 |

See accompanying notes and independent auditor's report.

| **Statements of Operations** | **Year Ended June 30, 2022** | Year Ended June 30, 2021 | Year Ended June 30, 2020 |
|---|---|---|---|
| Revenue: | | | |
| Advertising sales | **$ 72,233,287** | $ 62,628,561 | $ 66,964,008 |
| Cost of revenue: | | | |
| Direct personnel cost | **94,810** | 1,405,289 | 1,754,870 |
| Commissions | **60,168,191** | 51,033,258 | 52,829,277 |
| Total cost of revenue | **60,263,001** | 52,438,547 | 54,584,147 |
| Gross profit | **11,970,286** | 10,190,014 | 12,379,861 |
| General and administrative expenses: | | | |
| Advertising and marketing | **6,571,190** | 4,573,145 | 7,839,812 |
| Management fees | **1,500,000** | 1,050,000 | 600,000 |
| Personnel cost | **3,275,057** | 2,706,012 | 1,946,753 |
| Professional fees | **198,873** | 307,600 | 369,175 |
| Other general and administrative expenses | **814,157** | 166,638 | 741,144 |
| Total general and administrative expenses | **12,359,277** | 8,803,395 | 11,496,884 |
| Income from operations | **(388,991)** | 1,386,619 | 882,977 |
| Other income (expense): | | | |
| Other income | **8,928** | 3,273 | 12,164 |
| Gain on extinguishment of debt | **387,668** | - | - |
| Interest expense | **(24,833)** | (52,134) | (48,316) |
| Total other income (expense) | **371,763** | (48,861) | (36,152) |
| Income (loss) before provision (benefit) for income taxes | **(17,228)** | 1,337,758 | 846,825 |
| Provision (benefit) for income taxes | **(112,778)** | 361,280 | 257,487 |
| **Net income** | **$ 95,550** | $ 976,478 | $ 589,338 |

See accompanying notes and independent auditor's report.

**Statements of Changes in Stockholders' Equity**

| | Common Stock | | Members' | Additional Paid-In | Retained | Total |
|---|---|---|---|---|---|---|
| | Shares | Amount | Equity | Capital | Earnings | Equity |
| Balance at June 30, 2019 | - | $ - | $ 2,969,842 | $ - | $ - | $ 2,969,842 |
| Net income | - | - | - | - | 589,338 | 589,338 |
| Reclassification from Conversion (Note 1) | 100,000 | 100 | (2,969,842) | 2,969,742 | - | - |
| Conversion to notes payable - stockholders | - | - | - | (1,900,000) | - | (1,900,000) |
| Deferred tax asset | | | | | | |
| Balance at June 30, 2020 | 100,000 | 100 | - | 1,069,742 | 589,338 | 1,659,180 |
| Net income | - | - | - | - | 976,478 | 976,478 |
| Balance at June 30, 2021 | 100,000 | 100 | - | 1,069,742 | 1,565,816 | 2,635,658 |
| Net income | - | - | - | - | 95,550 | 95,550 |
| Conversion from notes payable - stockholders | 10,000 | 10 | - | 1,899,990 | - | 1,900,000 |
| Balance at June 30, 2022 | 110,000 | $ 110 | $ - | $ 2,969,732 | $ 1,661,366 | $ 4,631,208 |

See accompanying notes and independent auditor's report.

| **Statements of Cash Flows** | **Year Ended June 30, 2022** | Year Ended June 30, 2021 | Year Ended June 30, 2020 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net income | **$ 95,550** | $ 976,478 | $ 589,338 |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | | |
| Gain on extinguishment of debt | **(387,668)** | - | - |
| Deferred income taxes | **(169,851)** | - | - |
| Changes in operating assets and liabilities: | | | |
| Income tax receivable | **(260,000)** | - | - |
| Prepaid expenses | **(168,185)** | (110,115) | (1,811) |
| Prepaid taxes | **6,277** | 268,482 | (312,081) |
| Due from affiliate | **(2,755,413)** | (9,429) | 1,286,460 |
| Accounts payable | **245,388** | (274,763) | 249,846 |
| Accrued expenses | **625,217** | 366,069 | (61,377) |
| Taxes payable | **(13,986)** | 29,993 | 36,819 |
| Long-term bonus payable | **(333,334)** | (333,333) | 666,667 |
| Net cash provided (used) by operating activities | **(3,116,005)** | 913,382 | 2,453,861 |
| **Investing Activities** | | | |
| Net cash provided by investing activities | **-** | - | - |
| **Financing Activities** | | | |
| Proceeds from long-term debt | **-** | - | 381,800 |
| Net cash provided by financing activities | **-** | - | 381,800 |
| Net increase (decrease) in cash and cash equivalents | **(3,116,005)** | 913,382 | 2,835,661 |
| Cash and cash equivalents, beginning | **6,885,662** | 5,972,280 | 3,136,619 |
| Cash and cash equivalents, ending | **$ 3,769,657** | $ 6,885,662 | $ 5,972,280 |
| **Supplemental Disclosure of Cash Flow Information** | | | |
| Interest paid | **$ 76,967** | $ 48,316 | $ - |
| Income taxes paid | **$ 71,059** | $ 331,287 | $ 220,668 |
| ***Non-cash operating and financing activities in connection with extinguishment of debt*** | | | |
| Extinguishment of accrued interest | **$ 5,868** | $ - | $ - |
| Extinguishment of long-term debt | **$ 381,800** | $ - | $ - |
| ***Non-cash financing activities in connection with conversion of notes payable - stockholders*** | | | |
| Conversion of notes payable - stockholders | **$ 1,900,000** | $ - | $ - |

See accompanying notes and independent auditor's report.

## 1. Organization and Operations

**Description of Business**
Effective July 1, 2019, N2 Franchising, LLC (the "LLC") converted from a Delaware limited liability company to a Delaware corporation, N2 Franchising, Inc. (the "Conversion"). References in these financial statement footnotes to "Company", "N2 Franchising", "we", "us" and "our" refer to N2 Franchising, Inc. All references to shares or per share amounts following the Conversion refer to shares or per share amounts of common stock.

As a result of the Conversion, the financial impact to the financial statements contained reclassification from member equity account to equity accounts appropriate for a corporation. See Note 6 "Stockholders' Equity".

N2 Franchising was formed on October 26, 2016, and was wholly owned by the Company's founders prior to and following the Conversion. The Company's principal place of business is Wilmington, North Carolina. The Company was formed for the purpose of selling franchised businesses that facilitate publishing and selling advertising for magazines, newsletters, and/or directories for residential communities, cities, towns, and villages under the STROLL or GREET (formerly N2 PUBLISHING®) trade names and business system ("N2 Business"). The N2 Company ("N2 Company"), an affiliate of the Company originally formed as Neighborhood Networks Publishing, Inc., has licensed the trademarks and the proprietary system to the Company under a non-exclusive and perpetual license agreement (the "License"). The License grants the Company the right to use the trademarks and the proprietary information related to the system for licensing them to franchisees of the Company.

In November 2017, the Company formed a new program for the purpose of selling franchised businesses that facilitate publishing and selling advertising for magazines, newsletters, and/or directories for companies, individuals, and/or organizations interested in or connected to the real estate industry under the REAL PRODUCERS® trade name and business system ("RP Business").

In December 2018, the Company formed a new program for the purpose of selling franchised businesses that facilitate publishing and selling advertising for magazines, newsletters, and/or directories for individuals who are newcomers to a particular area under the BELOCAL® trade name and business system ("BL Business").

N2 Business
For the years ended June 30, 2022, 2021 and 2020, 408, 260 and 238 franchise outlets were opened, 519, 366 and 384 franchise outlets were closed, respectively. For the years ended June 30, 2022, 2021 and 2020, we operated 40, 33 and 12 company owned outlets, respectively, and had 516, 627 and 733 franchised outlets, respectively. As of June 30, 2022, these franchisees were located in 44 states in the U.S.

RP Business
For the years ended June 30, 2022, 2021 and 2020, 120, 36 and 71 franchise outlets were opened, 109, 41 and 45 franchise outlets were closed, respectively. For the years ended June 30, 2022, 2021 and 2020, we had 120, 109 and 114 franchised outlets, respectively. As of June 30, 2022, these franchisees were located in 38 states in the U.S.

BL Business
For the years ended June 30, 2022, 2021 and 2020, 138, 26 and 112 franchise outlets were opened, 110, 54 and 41 franchise outlets were closed, respectively. For the years ended June 30, 2022, 2021 and 2020, we operated 1, 3 and 1 company owned outlet, respectively, and had 139, 111 and 140 franchised outlets, respectively. As of June 30, 2022, these franchisees were located in 34 states in the U.S.

**1. Organization and Operations (continued)**

**Going Concern**
Management has evaluated our ability to continue as a going concern as of June 30, 2022. For the year ended June 30, 2022 the Company had negative cash flows from operations of $3,116,005. During fiscal year 2022, the Company's operations were funded through a combination of cash on hand at June 30, 2021. As of June 30, 2022, the Company had approximately $3,769,000 of cash on hand. The Company believes that, as a result, it currently has sufficient cash to meet its funding requirements for at least 12 months following the issuance of the financial statements. As such the Company has concluded that there is not significant doubt about its ability to continue as a going concern.

**COVID-19**
On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption. The full impact of the pandemic will continue to depend on future developments, including the continued spread and duration of the pandemic, the emergence of future variant strains of COVID-19, the availability and distribution of effective medical treatments or vaccines as well as any related federal, state or local governmental orders or restrictions. Accordingly, the Company cannot reasonably determine the ultimate impact the COVID-19 pandemic will have on its future results of operations due to the continuing uncertainty surrounding the pandemic's magnitude and duration.

**2. Significant Accounting Policies**

**Basis of Accounting**
The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP"). Under this method, revenue is recognized when earned and expenses are recognized as incurred.

**Use of Estimates**
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Estimates, among others are used for the revenue recognition. Actual results could differ from those estimates.

**Fiscal Year**
Our fiscal year begins on July 1 and ends on June 30.

**Cash and Cash Equivalents**
For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

**Fair Value Measurements**
Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist primarily of cash and cash equivalents, due from affiliate, other current assets, accounts payable, accrued expenses and other current liabilities. The carrying values of cash and cash equivalents, prepaid expenses, other current assets, accounts payable, accrued expenses and other current liabilities are considered to be representative of their respective fair values due to the short-term nature of these instruments. The carrying value of debt instruments are deemed to approximate their respective fair values as they carry interest rates that are approximate to the current interest rates offered to the Company for debt of the same remaining maturities.

**2. Significant Accounting Policies (continued)**

**Fair Value Measurements (continued)**
Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories:

**Level 1:** Quoted market prices in active markets for identical assets and liabilities.

**Level 2:** Observable market-based inputs or unobservable inputs that are corroborated by market data.

**Level 3:** Unobservable inputs that are not corroborated by market data.

At June 30, 2022, we had no significant non-financial assets or liabilities that required a fair value measurement on a recurring basis and did not have transfers between levels of the fair value hierarchy of assets measured at fair value during the year.

**Comparative Financial Statements**
Certain prior period amounts have been reclassified to conform to current year presentation.

**Revenue Recognition**
In May 2014, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," as amended by multiple updates to the standard. This update requires entities to recognize revenue in the way they expect to be entitled to receive it for the transfer of promised goods or services to customers. The ASU replaced most of the existing revenue recognition requirements in GAAP. The Company adopted the new guidance on January 1, 2019. As a result, the Company changed its accounting policy for revenue recognition as below.

The Company adopted Topic 606 using the cumulative effect transition (modified retrospective) method on January 1, 2019, which was applied to those contracts that were not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 will be presented under ASU 2014-09, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting. As the Company did not identify accounting changes that impacted the amount of the recognized continuing advertising sales from franchisees, no adjustment to retained earnings was required upon adoption.

In January 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2021-02, "Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient." ASU 2021-02 provides a practical expedient that simplifies the application of ASC 606 about identifying performance obligations and permits franchisors that are not public entities to account for pre-opening services listed within the guidance as distinct from the franchise license. The Company elected to adopt the provisions of ASU 2021-02 for the year ended June 30, 2022 using the full retrospective method of transition to the date which FASB ASC 606 was adopted. The Company determined that there were no significant impact to the financial statements by the application of the ASU and as such no adjustment to retained earns was required upon adoption.

**2. Significant Accounting Policies (continued)**

**Revenue Recognition (continued)**
Initial franchise fees are recorded as deferred revenue as a liability on the balance sheet when received and are recognized as revenue over the contractual term of the franchise agreement, when a franchised store is opened or the Company has performed substantially all initial services required by the franchise agreement. These services consist primarily of training, providing an operating manual and start-up materials, including certain equipment and licensing proprietary software. The Company also receives continuing fees from advertising sales typically billed and paid monthly and are based on a percentage of the advertising value of each publication. Continuing fees were recognized as the advertising sales occurred. The timing and amount of revenue recognized related to continuing fees was not impacted by the adoption of Topic 606 based on the application of the sales-based royalty exception within Topic 606.

**Advertising**
All costs associated with advertising and marketing are expensed in the period incurred.

**Income Tax**
In connection to the Conversion, the Company elected to be taxed as a C-Corporation. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred income taxes are provided for the temporary differences in basis of the Company's assets and liabilities and their reported amounts. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are determined based on the enacted rates that are expected to be in effect when these differences are expected to reverse. Deferred tax expense or benefit is the result of the changes in the deferred tax assets and liabilities. The Company records a valuation allowance to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company recognizes income tax related interest and penalties in interest expense and general and administrative expenses, respectively.

**Recent Accounting Pronouncements**
In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" as amended by multiple updates to the standard. This update requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet and requires lessors to classify leases as a sales-type, direct financing or operating lease. The update also expands the required quantitative and qualitative disclosures surrounding leases. In June 2020, the FASB issued ASU 2020-05, "Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities." ASU 2020-05 defers the effective date of ASC 842 for private companies and private not-for-profit entities for one year. The updated guidance is effective for fiscal years beginning after December 15, 2021 with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2016-02 on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)." This standard amends guidance on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities to require that credit losses on available-for-sale debt securities be presented as an allowance rather than as a write-down. The measurement of credit losses for newly recognized financial assets and subsequent changes in the allowance for credit losses are recorded in the statements of operations. This standard is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the effect of adopting ASU 2016-13 on its financial statements and related disclosures.

**2. Significant Accounting Policies (continued)**

**Recent Accounting Pronouncements (continued)**
In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740) ("ASU 2019-12"): Simplifying the Accounting for Income Taxes. The new standard eliminates certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences related to changes in ownership of equity method investments and foreign subsidiaries. The guidance also simplifies aspects of accounting for franchise taxes and enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. This update is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2019-12 on its financial statements.

In January 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2021-02, "Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient." ASU 2021-02 provides a practical expedient that simplifies the application of ASC 606 about identifying performance obligations and permits franchisors that are not public entities to account for pre-opening services listed within the guidance as distinct from the franchise license. The Company elected to adopt the provisions of ASU 2021-02 for the year ended June 30, 2022 using the full retrospective method of transition to the date which FASB ASC 606 was adopted. The Company determined that there was no significant impact to the financial statements by the application of the ASU and as such no adjustment to retained earns was required upon adoption.

We reviewed all other significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

**3. Certain Significant Risks and Uncertainties**

The Company maintains its cash in bank deposit account that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash or cash equivalents. The Company maintains its deposits in one financial institution.

The Company derives its advertising sales revenue from one customer, its affiliate, N2 Company. In the normal course of business, the Company provides credit to its affiliate and does not require collateral.

**4. Long-term Debt**

As of June 30, 2022 and 2021, long-term debt consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Note payable #1 | $ - | $ 381,800 |
| Less: current portion of long-term debt | - | (381,000) |
| Long-term debt, net | $ - | $ - |

***Note Payable #1***
On April 14, 2020, the Company received a loan of $381,800 from Live Oak Banking, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title 1 of the CARES Act, which was enacted March 27, 2020. Monthly principal and interest payments are deferred for six months from the date of the promissory note. The PPP Loan is unsecured, matures on April 14, 2022 and bears interest at a rate of 1% per annum. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties.

**4. Long-term Debt (continued)**

On August 9, 2021, the PPP loan in the amount of $381,800 and related accrued interest was forgiven by the Small Business Administration ("SBA"). The amount forgiven was recognized as a gain on extinguishment of debt during the month ending August 31, 2021.

**5. Long-term Bonus Payable**

As of June 30, 2022 and 2021, long-term bonus payable consisted of the following:

| | 2022 | 2021 |
|---|---|---|
| Bonus payable, in yearly installments of $333,333, due in February 2022 | $ - | $ 333,334 |
| Less: current portion of long-term bonus payable | - | (333,334) |
| Long-term bonus payable, net of current portion | $ - | $ - |

**6. Stockholders' Equity**

In connection with the Conversion, effective July 1, 2019, all of the outstanding membership interests of the LLC immediately prior to the Conversion were converted into 100,000 shares of common stock, $0.001 par value per share, of the Company.

In December 2021, the Company issued 10,000 shares of common stock in as repayment of the balances due under the notes payable to stockholders.

**7. 401(k) Savings Plan**

The Company sponsors a defined contribution 401(k) plan covering all eligible employees. To participate in the plan for the purposes of 401(k) elective deferral contributions, an employee must be 18 years of age or older and must have completed 90 days of service. Participants can elect to contribute through salary deductions a current maximum of $19,500. The Company will contribute a matching contribution equal to 100% of the employee 401(k) elective deferral contributions which are not over 3% of the employee's pay, plus 50% of the employee 401(k) elective deferral contributions which are over 3% of the employee's pay, but are not over 5% of the employee's pay. Vesting of matching contributions occurs over the period of 6 years. Employer contributions to the plan during the years ended June 30, 2022 and 2021 and 2020, were $164,839, $117,084 and $101,039, respectively.

**8. Related Party Transactions**

*Transactions with affiliate*
The Company provided sales services for N2 Company. This revenue is included in advertising sales in the statements of operations and were $72,233,287, $62,628,561 and $66,964,008 for the years ended June 30, 2022, 2021 and 2020, respectively.

The Company's affiliate N2 Company provided accounting, marketing and other operating services for the Company. These costs are included in management fees in the statements of operations and were $1,500,000, $1,050,000 and $$600,000 for the years ended June 30, 2022, 2021 and 2020, respectively.

As of June 30, 2022 and 2021, the Company had an amount of $4,419,569 and $1,664,156, respectively, due from its affiliate. Had these transactions occurred as unrelated third party transactions, the financial results may have varied significantly.

**8. Related Party Transactions (continued)**

*Notes payable - stockholders*
On July 1, 2019, in connection with the Conversion, the Company characterized a portion of members' equity as notes payable to the stockholders, issuing promissory notes to its stockholders in the amount of $1,900,000. These notes bear interest at 2.5% per annum with principal due at maturity. In December 2021 the shareholders converted these notes into 10,000 shares of common stock. At June 30, 2022 and 2021, the Company had a balance due to its stockholders in the amount of $0 and $1,900,000. For the years ended June 30, 2022, 2021 and 2020, the Company recognized interest expense related to these promissory notes in the amount of $23,815, $47,500 and $47,500, respectively.

**9. Income Taxes**

The provision (benefit) for income taxes consists of the following for the years ended June 30:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Current: | | | |
| Federal | **$ -** | $ 251,337 | $ 173,897 |
| State | **57,073** | 109,943 | 83,590 |
| Deferred: | | | |
| Federal | **$ (94,502)** | $ - | $ - |
| State | **(75,349)** | - | - |
| Net provision (benefit) for income taxes | **$ (112,778)** | $ 361,280 | $ 257,487 |

The following is a reconciliation of the expected federal income tax provision at the statutory rate of 21% to the actual provision for income taxes for the years ended June 30:

| | **2022** | **2021** | 2020 |
|---|---|---|---|
| Expected tax provision (benefit) at statutory rates: | **$ (15,603)** | $ 280,929 | $ 177,833 |
| State taxes, net of federal effect | **(14,438)** | 86,855 | 66,036 |
| Permanent | **(80,887)** | 2,667 | 13,618 |
| Other | **(1,850)** | (9,171) | - |
| Provision for income taxes | **$ (112,778)** | $ 361,280 | $ 257,487 |

Temporary differences comprising the deferred tax asset are as follows as of June 30:

| | **2022** | **2021** | 2020 |
|---|---|---|---|
| Deferred tax asset: | | | |
| Net operating loss | **$ 169,851** | $ - | $ - |

The Company's management periodically assess the likelihood that it will be able to recover its deferred tax asset. Management considers all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible profits.

The Company files income tax returns in the U.S. federal jurisdiction and the states of in which it operates. The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Company is subject to examination by taxing jurisdictions for the years and periods ended subsequent to December 31, 2018.

**9. Income Taxes (continued)**

In accordance with FASB ASC 740-10, *Income Taxes*, the Company is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

The Company has analyzed tax positions taken for filing with the jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at June 30, 2022 and 2021.

**10. Commitments and Contingencies**

The Company is party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of the management, all matters are of such nature, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

**11. Subsequent Events**

The Company has evaluated subsequent events through October 11, 2022, the date the financial statements were available to be issued.

# N2 Franchising, Inc.

## Financial Statements

*As of June 30, 2021 and 2020*
*and for the years ended June 30, 2021 and 2020*
*and the period from January 1, 2019 through June 30, 2019*

**N2 Franchising, LLC**

**Table of Contents**

**As of June 30, 2021 and 2020**
and
**for the years ended June 30, 2021 and 2020**
and
**the period from January 1, 2019 through June 30, 2019**


Independent Auditor's Report..... 3

Financial Statements

Balance Sheets..... 4

Statements of Operations..... 5

Statements of Changes in Stockholders' Equity..... 6

Statements of Cash Flows..... 7

Notes to Financial Statements..... 8

A&G LLP
CERTIFIED PUBLIC ACCOUNTANTS

**Dallas Office**
2425 N Central Expy.
Suite 200
Richardson, TX 75080
Phone 972 238 5900
Fax 972 692 5357

www.agllp-cpa.com

## Independent Auditor's Report

To the Stockholders
N2 Franchising, Inc.
Wilmington, North Carolina

**Report on the Financial Statements**
We have audited the accompanying financial statements of N2 Franchising, Inc. (a Delaware corporation), which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of operations, changes in stockholders' equity and cash flows for the years ended June 30, 2021 and 2020 and the period from January 1, 2019 through June 30, 2019, and related notes to the financial statements.

***Management's Responsibility for the Financial Statements***
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting policies generally accepted in the United States of America; this includes 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.

***Auditor's Responsibility***
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of N2 Franchising, Inc. as of June 30, 2021 and 2020, and the results of its operations, changes in stockholders' equity and cash flows for the years ended June 30, 2021 and 2020 and the period from January 1, 2019 through June 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

A+G LLP

A&G LLP
Dallas, Texas
October 13, 2021

**Balance Sheets**

| As of June 30, | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 6,885,662** | $ 5,972,280 |
| Prepaid expenses | **113,386** | 3,271 |
| Prepaid taxes | **43,599** | 312,081 |
| Due from affiliate | **1,664,156** | 1,654,727 |
| Total current assets | **8,706,803** | 7,942,359 |
| **Total assets** | **$ 8,706,803** | $ 7,942,359 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | **$ 15,750** | $ 290,513 |
| Accrued expenses | **3,373,449** | 3,007,380 |
| Taxes payable | **66,812** | 36,819 |
| Current portion of long-term debt | **381,800** | - |
| Current portion of long-term bonus payable | **333,334** | 333,333 |
| Notes payable - stockholders | **1,900,000** | 1,900,000 |
| Total current liabilities | **6,071,145** | 5,568,045 |
| Long-term liabilities: | | |
| Long-term debt, net of current | **-** | 381,800 |
| Long-term bonus payable, net of current | **-** | 333,334 |
| Stockholders' Equity: | | |
| Common stock, $0.001 par value, 1,000,000 shares authorized; 100,000 shares issued and outstanding | **100** | 100 |
| Additional paid-in capital | **1,069,742** | 1,069,742 |
| Retained earnings | **1,565,816** | 589,338 |
| Total stockholders' equity | **2,635,658** | 1,659,180 |
| **Total liabilities and stockholders' equity** | **$ 8,706,803** | $ 7,942,359 |

See accompanying notes and independent auditor's report.

| **Statements of Operations** | **Year Ended June 30, 2021** | Year Ended June 30, 2020 | January 1, 2019 through June 30, 2019 |
|---|---|---|---|
| Revenue: | | | |
| Advertising sales | **$ 62,628,561** | $ 66,964,008 | $ 34,730,497 |
| Cost of revenue: | | | |
| Direct personnel cost | **1,405,289** | 1,754,870 | 759,247 |
| Commissions | **51,033,258** | 52,829,277 | 27,972,252 |
| Total cost of revenue | **52,438,547** | 54,584,147 | 28,731,499 |
| Gross profit | **10,190,014** | 12,379,861 | 5,998,998 |
| General and administrative expenses: | | | |
| Advertising and marketing | **4,573,145** | 7,839,812 | 3,764,793 |
| Management fees | **1,050,000** | 600,000 | 300,000 |
| Personnel cost | **2,706,012** | 1,946,753 | 699,004 |
| Professional fees | **307,600** | 369,175 | 149,888 |
| Other general and administrative expenses | **166,638** | 741,144 | 570,132 |
| Total general and administrative expenses | **8,803,395** | 11,496,884 | 5,483,817 |
| Income from operations | **1,386,619** | 882,977 | 515,181 |
| Other income (expense): | | | |
| Other income | **3,273** | 12,164 | 4,034 |
| Interest expense | **(52,134)** | (48,316) | - |
| Total other income (expense) | **(48,861)** | (36,152) | 4,034 |
| Income before provision for taxes | **1,337,758** | 846,825 | 519,215 |
| Provision for taxes | **361,280** | 257,487 | - |
| **Net income** | **$ 976,478** | $ 589,338 | $ 519,215 |

See accompanying notes and independent auditor's report.

**Statements of Changes in Stockholders' Equity**

| | Common Stock | | Members' | Additional Paid-In | Retained | Total |
|---|---|---|---|---|---|---|
| | Shares | Amount | Equity | Capital | Earnings | Equity |
| Balance at December 31, 2018 | - | $ - | $ 2,450,627 | $ - | $ - | $ 2,450,627 |
| Net income | - | - | 519,215 | - | - | 519,215 |
| Balance at June 30, 2019 | - | - | 2,969,842 | - | - | 2,969,842 |
| Net income | - | - | - | - | 589,338 | 589,338 |
| Reclassification from Conversion (Note 1) | 100,000 | 100 | (2,969,842) | 2,969,742 | - | - |
| Conversion to notes payable - stockholders | - | - | - | (1,900,000) | - | (1,900,000) |
| Balance at June 30, 2020 | 100,000 | 100 | - | 1,069,742 | 589,338 | 1,659,180 |
| Net income | - | - | - | - | 976,478 | 976,478 |
| Balance at June 30, 2021 | 100,000 | $ 100 | $ - | $ 1,069,742 | $ 1,565,816 | $ 2,635,658 |

See accompanying notes and independent auditor's report.

| **Statements of Cash Flows** | **Year Ended June 30, 2021** | Year Ended June 30, 2020 | January 1, 2019 through June 30, 2019 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net income | **$ 976,478** | $ 589,338 | $ 519,215 |
| Changes in operating assets and liabilities: | | | |
| Prepaid expenses | **(110,115)** | (1,811) | 342 |
| Prepaid taxes | **268,482** | (312,081) | - |
| Due from affiliate | **(9,429)** | 1,286,460 | 172,384 |
| Accounts payable | **(274,763)** | 249,846 | 34,094 |
| Accrued expenses | **366,069** | (61,377) | 444,016 |
| Taxes payable | **29,993** | 36,819 | - |
| Long-term bonus payable | **(333,333)** | 666,667 | - |
| Net cash provided by operating activities | **913,382** | 2,453,861 | 1,170,051 |
| **Investing Activities** | | | |
| Net cash provided by investing activities | **-** | - | - |
| **Financing Activities** | | | |
| Proceeds from long-term debt | **-** | 381,800 | - |
| Net cash provided by financing activities | **-** | 381,800 | - |
| Net increase in cash and cash equivalents | **913,382** | 2,835,661 | 1,170,051 |
| Cash and cash equivalents, beginning | **5,972,280** | 3,136,619 | 1,966,568 |
| Cash and cash equivalents, ending | **$ 6,885,662** | $ 5,972,280 | $ 3,136,619 |
| **Supplemental Disclosure of Cash Flow Information** | | | |
| Interest paid | **$ 48,316** | $ - | $ - |
| Income taxes paid | **$ 331,287** | $ 220,668 | $ - |

See accompanying notes and independent auditor's report.

## 1. Organization and Operations

**Description of Business**
Effective July 1, 2019, N2 Franchising, LLC (the "LLC") converted from a Delaware limited liability company to a Delaware corporation, N2 Franchising, Inc. (the "Conversion"). This report includes results for the LLC prior to the Conversion and N2 Franchising, Inc. following the Conversion. References in these financial statement footnotes to "Company", "N2 Franchising", "we", "us" and "our" refer to (a) N2 Franchising, Inc. following the Conversion and (b) the LLC prior to the Conversion. All references to shares or per share amounts following the Conversion refer to shares or per share amounts of common stock.

As a result of the Conversion, the financial impact to the financial statements contained reclassification from member equity account to equity accounts appropriate for a corporation. See Note 6 "Stockholders' Equity" and Note 9 "Income Taxes" for additional information.

N2 Franchising was formed on October 26, 2016, and was wholly owned by the Company's founders prior to and following the Conversion. The Company's principal place of business is Wilmington, North Carolina. The Company was formed for the purpose of selling franchised businesses that facilitate publishing and selling advertising for magazines, newsletters, and/or directories for residential communities, cities, towns, and villages under the N2 PUBLISHING® trade name and business system ("N2 Business"). The N2 Company ("N2 Company"), an affiliate of the Company originally formed as Neighborhood Networks Publishing, Inc., has licensed the trademarks and the proprietary system to the Company under a non-exclusive and perpetual license agreement (the "License"). The License grants the Company the right to use the trademarks and the proprietary information related to the system for licensing them to franchisees of the Company.

In November 2017, the Company formed a new program for the purpose of selling franchised businesses that facilitate publishing and selling advertising for magazines, newsletters, and/or directories for companies, individuals, and/or organizations interested in or connected to the real estate industry under the REAL PRODUCERS® trade name and business system ("RP Business").

In December 2018, the Company formed a new program for the purpose of selling franchised businesses that facilitate publishing and selling advertising for magazines, newsletters, and/or directories for individuals who are newcomers to a particular area under the BELOCAL® trade name and business system ("BL Business").

N2 Business
For the years ended June 30, 2021 and 2020 and the period from January 1, 2019 through June 30, 2019, 260, 238 and 134 franchise outlets were opened, 363, 384 and 197 franchise outlets were closed, respectively. For the years ended June 30, 2021 and 2020 and the period from January 1, 2019 through June 30, 2019, we operated 33, 12 and 1 company owned outlets, respectively, and had 633, 730 and 882 franchised outlets, respectively. As of June 30, 2021, these franchisees were located in 45 states in the U.S.

RP Business
For the years ended June 30, 2021 and 2020 and the period from January 1, 2019 through June 30, 2019, 36, 71 and 37 franchise outlets were opened, 41, 45 and 22 franchise outlets were closed, respectively. For the years ended June 30, 2021 and 2020 and the period from January 1, 2019 through June 30, 2019, we had 110, 115 and 89 franchised outlets, respectively. As of June 30, 2021, these franchisees were located in 37 states in the U.S.

**1. Organization and Operations (continued)**

BL Business
For the years ended June 30, 2021 and 2020 and the period from January 1, 2019 through June 30, 2019, 26, 112 and 58 franchise outlets were opened, 54, 41 and 4 franchise outlets were closed, respectively. For the years ended June 30, 2021 and 2020 and the period from January 1, 2019 through June 30, 2019, we operated 3, 1 and 0 company owned outlet, respectively, and had 112, 140 and 69 franchised outlets, respectively. As of June 30, 2021, these franchisees were located in 33 states in the U.S.

**Going Concern**
Management has evaluated our ability to continue as a going concern as of June 30, 2021. Due to the positive cash flows from operation, we have concluded that there is not significant doubt about our ability to continue as a going concern.

**COVID-19**
On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption. While the disruption is expected to be temporary, there is considerable uncertainty around the duration. Though some of the restrictions were lifted in some states beginning in March and continuing through June 2021, the extent to which the pandemic will impact our business remains highly uncertain if it continues for an extended period. Accordingly, the Company cannot reasonably determine the ultimate impact the COVID-19 pandemic will have on its future results of operations due to the continuing uncertainty surrounding the pandemic's magnitude and duration.

**2. Significant Accounting Policies**

**Basis of Accounting**
The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Under this method, revenue is recognized when earned and expenses are recognized as incurred.

**Use of Estimates**
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Estimates are used for the revenue recognition. Actual results could differ from those estimates.

**Fiscal Year**
Our fiscal years have historically ended on December 31. In 2019, the Company's members approved a change in the Company's fiscal year from a year ending on December 31 to a year beginning on July 1 and ending June 30 of each year, commencing with the year ended December 31, 2018.

**Cash and Cash Equivalents**
For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

**2. Significant Accounting Policies (continued)**

**Fair Value Measurements**
Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist primarily of cash and cash equivalents, due from affiliate, other current assets, accounts payable, accrued expenses and other current liabilities. The carrying values of cash and cash equivalents, prepaid expenses, other current assets, accounts payable, accrued expenses and other current liabilities are considered to be representative of their respective fair values due to the short-term nature of these instruments. The carrying value of debt instruments are deemed to approximate their respective fair values as they carry interest rates that are approximate to the current interest rates offered to the Company for debt of the same remaining maturities.

Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories:

**Level 1:** Quoted market prices in active markets for identical assets and liabilities.

**Level 2:** Observable market-based inputs or unobservable inputs that are corroborated by market data.

**Level 3:** Unobservable inputs that are not corroborated by market data.

At June 30, 2021, we had no significant non-financial assets or liabilities that required a fair value measurement on a recurring basis and did not have transfers between levels of the fair value hierarchy of assets measured at fair value during the year.

**Comparative Financial Statements**
Certain prior period amounts have been reclassified to conform to current year presentation.

**Revenue Recognition**
In May 2014, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," as amended by multiple updates to the standard. This update requires entities to recognize revenue in the way they expect to be entitled to receive it for the transfer of promised goods or services to customers. The ASU replaced most of the existing revenue recognition requirements in GAAP. The Company adopted the new guidance on January 1, 2019. As a result, the Company changed its accounting policy for revenue recognition as below.

The Company adopted Topic 606 using the cumulative effect transition (modified retrospective) method on January 1, 2019, which was applied to those contracts that were not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 will be presented under ASU 2014-09, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting. As the Company did not identify accounting changes that impacted the amount of the recognized continuing advertising sales from franchisees, no adjustment to retained earnings was required upon adoption.

**2. Significant Accounting Policies (continued)**

**Revenue Recognition (continued)**
Initial franchise fees are recorded as deferred revenue as a liability on the balance sheet when received and are recognized as revenue over the contractual term of the franchise agreement, when a franchised store is opened or the Company has performed substantially all initial services required by the franchise agreement. These services consist primarily of training, providing an operating manual and start-up materials, including certain equipment and licensing proprietary software. The Company also receives continuing fees from advertising sales typically billed and paid monthly and are based on a percentage of the advertising value of each publication. Continuing fees were recognized as the advertising sales occurred. The timing and amount of revenue recognized related to continuing fees was not impacted by the adoption of Topic 606 based on the application of the sales-based royalty exception within Topic 606.

**Advertising**
All costs associated with advertising and marketing are expensed in the period incurred.

**Income Tax**
The LLC was taxed as a Partnership for federal income tax purposes prior to the Conversion. Consequently, federal income taxes were not provided for or payable by the LLC. The LLC's net income or loss was allocated to the members who are taxed individually on their share of each LLC's earnings. The LLC recognized income tax related interest and penalties in interest expense and other general and administrative expenses, respectively.

In connection to the Conversion, the Company elected to be taxed as a C-Corporation. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred income taxes are provided for the temporary differences in basis of the Company's assets and liabilities and their reported amounts. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are determined based on the enacted rates that are expected to be in effect when these differences are expected to reverse. Deferred tax expense or benefit is the result of the changes in the deferred tax assets and liabilities. The Company records a valuation allowance to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company recognizes income tax related interest and penalties in interest expense and general and administrative expenses, respectively.

**Recent Accounting Pronouncements**
In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" as amended by multiple updates to the standard. This update requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet and requires lessors to classify leases as a sales-type, direct financing or operating lease. The update also expands the required quantitative and qualitative disclosures surrounding leases. In June 2020, the FASB issued ASU 2020-05, "Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities." ASU 2020-05 defers the effective date of ASC 842 for private companies and private not-for-profit entities for one year. The updated guidance is effective for fiscal years beginning after December 15, 2021 with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2016-02 on its financial statements.

**2. Significant Accounting Policies (continued)**

**Recent Accounting Pronouncements (continued)**
In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)." This standard amends guidance on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities to require that credit losses on available-for-sale debt securities be presented as an allowance rather than as a write-down. The measurement of credit losses for newly recognized financial assets and subsequent changes in the allowance for credit losses are recorded in the statements of operations. This standard is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the effect of adopting ASU 2016-13 on its financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740) ("ASU 2019-12"): Simplifying the Accounting for Income Taxes. The new standard eliminates certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences related to changes in ownership of equity method investments and foreign subsidiaries. The guidance also simplifies aspects of accounting for franchise taxes and enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. This update is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2019-12 on its financial statements.

We reviewed all other significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

**3. Certain Significant Risks and Uncertainties**

The Company maintains its cash in bank deposit account that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash or cash equivalents. The Company maintains its deposits in one financial institution.

The Company derives its advertising sales revenue from one customer, its affiliate, N2 Company. In the normal course of business, the Company provides credit to its affiliate and does not require collateral.

**4. Long-term Debt**

As of June 30, 2021 and 2020, long-term debt consisted of the following:

| | **2021** | 2020 |
|---|---|---|
| Note payable #1 | **$ 381,800** | $ 381,800 |
| Less: current portion of long-term debt | **(381,800)** | - |
| Long-term debt, net | **$ -** | $ 381,800 |

Future maturities of long-term debt for the years following June 30, 2021 are as follows:

| | |
|---|---|
| Year ending June 30, 2022 | $ 381,800 |
| Total | $ 381,800 |

**4. Long-term Debt (continued)**

***Note Payable #1***
On April 14, 2020, the Company received a loan of $381,800 from Live Oak Banking, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title 1 of the CARES Act, which was enacted March 27, 2020. Monthly principal and interest payments are deferred for six months from the date of the promissory note. The PPP Loan is unsecured, matures on April 14, 2022 and bears interest at a rate of 1% per annum. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties.

**5. Long-term Bonus Payable**

As of June 30, 2021 and 2020, long-term bonus payable consisted of the following:

| | 2021 | 2020 |
|---|---|---|
| Bonus payable, in yearly installments of $333,333, due in February 2022 | $ 333,334 | $ 666,667 |
| Less: current portion of long-term bonus payable | (333,334) | (333,333) |
| Long-term bonus payable, net of current portion | $ - | $ 333,334 |

Future maturities of long-term bonus payable for the years following June 30, 2021 are as follows:

| | |
|---|---|
| Year ending June 30, 2022 | $ 333,334 |
| Total | $ 333,334 |

**6. Stockholders' Equity**

In connection with the Conversion, effective July 1, 2019, all of the outstanding membership interests of the LLC immediately prior to the Conversion were converted into 100,000 shares of common stock, $0.001 par value per share, of the Company.

**7. 401(k) Savings Plan**

The Company sponsors a defined contribution 401(k) plan covering all eligible employees. To participate in the plan for the purposes of 401(k) elective deferral contributions, an employee must be 18 years of age or older and must have completed 90 days of service. Participants can elect to contribute through salary deductions a current maximum of $19,500. The Company will contribute a matching contribution equal to 100% of the employee 401(k) elective deferral contributions which are not over 3% of the employee's pay, plus 50% of the employee 401(k) elective deferral contributions which are over 3% of the employee's pay, but are not over 5% of the employee's pay. Vesting of matching contributions occurs over the period of 6 years. Employer contributions to the plan during the years ended June 30, 2021 and 2020 and the period from January 1, 2019 through June 30, 2019, were $117,084, $101,039 and $51,305, respectively.

**8. Related Party Transactions**

*Due from affiliate*
The Company's affiliate N2 Company provided accounting, marketing and other operating services for the Company. For the years ended June 30, 2021 and 2020 and the period from January 1, 2019 through June 30, 2019, the Company provided sales services for N2 Company. As of June 30, 2021 and 2020, the Company had an amount of $1,664,156 and $1,654,727, respectively, due from its affiliate. Had these transactions occurred as unrelated third party transactions, the financial results may have varied significantly.

**8. Related Party Transactions (continued)**

*Notes payable - stockholders*
On July 1, 2019, in connection with the Conversion, the Company characterized a portion of members' equity as notes payable to the stockholders, issuing promissory notes to its stockholders in the amount of $1,900,000. These notes bear interest at 2.5% per annum with principal due at maturity, June 30 2021. At June 30, 2021, the Company had a balance due from its stockholders in the amount of $1,900,000. For the years ended June 30, 2021 and 2020, the Company recognized interest expense related to these promissory notes in the amount of $47,500 and $47,500, respectively.

**9. Income Taxes**

Prior to the Conversion, the Company operated as a partnership for income tax purposes (a partnership is generally not subject to federal income taxes). The termination of the status of N2 Franchising as a partnership in the Conversion has been treated as a change in tax status under GAAP guidance on accounting for income taxes. Subsequent to the Conversion, all income of the Company is subject to corporate income taxes.

The provision for income taxes consists of the following for the years ended June 30:

| | 2021 | 2020 |
|---|---|---|
| Current: | | |
| Federal | $ 251,337 | $ 173,897 |
| State | 109,943 | 83,590 |
| Total current provision for income taxes | $ 361,280 | $ 257,487 |

The following is a reconciliation of the expected federal income tax provision at the statutory rate of 21% to the actual provision for income taxes for the years ended June 30:

| | 2021 | 2020 |
|---|---|---|
| Expected tax provision at statutory rates: | $ 280,929 | $ 177,833 |
| State taxes, net of federal effect | 86,855 | 66,036 |
| Permanent | 2,667 | 13,618 |
| Other | (9,171) | - |
| Provision for income taxes | $ 361,280 | $ 257,487 |

The Company files income tax returns in the U.S. federal jurisdiction and the states of in which it operates. The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Company is subject to examination by taxing jurisdictions for the years and periods ended subsequent to December 31, 2017.

In accordance with FASB ASC 740-10, *Income Taxes*, the Company is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

The Company has analyzed tax positions taken for filing with the jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at June 30, 2021 and 2020.

**10. Commitments and Contingencies**

The Company is party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of the management, all matters are of such nature, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

**11. Subsequent Events**

In July 2021, the promissory notes to stockholders were renewed with the maturity in June 2022.

In August 2021, the PPP loan in the amount of $381,800 and related accrued interest was forgiven by the Small Business Administration ("SBA"). The amount forgiven will be recognized as a gain upon debt extinguishment during the month ending August 31, 2021.

The Company has evaluated subsequent events through October 13, 2021, the date the financial statements were available to be issued.

# N2 Franchising, Inc.

## Financial Statements

*As of June 30, 2020 and 2019*
*and for the year ended June 30, 2020, the period from January 1, 2019 through June 30, 2019 and the year ended December 31, 2018*

**N2 Franchising, LLC**

**Table of Contents**

**As of June 30, 2020 and 2019**
and
**For the year ended June 30, 2020**
and
**the period from January 1, 2019 through June 30, 2019**
and
**the year ended December 31, 2018**


Independent Auditor's Report..... 3

Financial Statements

Balance Sheets..... 4

Statements of Operations..... 5

Statements of Changes in Stockholders' Equity..... 6

Statements of Cash Flows..... 7

Notes to Financial Statements..... 8

A&G LLP
CERTIFIED PUBLIC ACCOUNTANTS

**Dallas Office**
2425 N Central Expy.
Suite 200
Richardson, TX 75080
Phone 972 238 5900
Fax 972 238 5357

**Marshall Office**
215 East Austin Street
Marshall, TX 75670
Phone 903 938 9255
Fax 903 938 9254

www.agllp-cpa.com

## Independent Auditor's Report

To the Stockholders
N2 Franchising, Inc.
Wilmington, North Carolina

**Report on the Financial Statements**
We have audited the accompanying financial statements of N2 Franchising, Inc. (a Delaware corporation), which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of operations, changes in stockholders' equity and cash flows for the year ended June 30, 2020, the period from January 1, 2019 through June 30, 2019 and the year ended December 31, 2018, and related notes to the financial statements.

***Management's Responsibility for the Financial Statements***
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting policies generally accepted in the United States of America; this includes 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.

***Auditor's Responsibility***
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of N2 Franchising, Inc. as of as of June 30, 2020 and 2019, and the results of its operations, changes in stockholders' equity and cash flows for the year ended June 30, 2020, the period from January 1, 2019 through June 30, 2019 and the year ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

A+G LLP

A&G LLP
Dallas, Texas
October 13, 2020

**Balance Sheets**

| As of June 30, | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 5,972,280** | $ 3,136,619 |
| Prepaid expenses | **3,271** | 1,460 |
| Prepaid taxes | **312,081** | - |
| Due from affiliate | **1,654,727** | 2,941,187 |
| Total current assets | **7,942,359** | 6,079,266 |
| **Total assets** | **$ 7,942,359** | $ 6,079,266 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | **$ 290,513** | $ 40,667 |
| Accrued expenses | **3,007,380** | 3,068,757 |
| Taxes payable | **36,819** | - |
| Current portion of long-term bonus payable | **333,333** | - |
| Notes payable - stockholders | **1,900,000** | - |
| Total current liabilities | **5,568,045** | 3,109,424 |
| Long-term liabilities: | | |
| Long-term debt | **381,800** | - |
| Long-term bonus payable, net of current | **333,334** | - |
| Stockholders' Equity: | | |
| Members' equity | **-** | 2,969,842 |
| Common stock, $0.001 par value, 1,000,000 shares authorized; 100,000 shares issued and outstanding | **100** | - |
| Additional paid-in capital | **1,069,742** | - |
| Retained earnings | **589,338** | - |
| Total stockholders' equity | **1,659,180** | 2,969,842 |
| **Total liabilities and stockholders' equity** | **$ 7,942,359** | $ 6,079,266 |

See accompanying notes and independent auditor's report.

| **Statements of Operations** | **Year Ended June 30, 2020** | January 1, 2019 through June 30, 2019 | Year Ended December 31, 2018 |
|---|---|---|---|
| Revenues: | | | |
| Advertising sales | **$ 66,964,008** | $ 34,730,497 | $ 66,674,506 |
| Total revenue | **66,964,008** | 34,730,497 | 66,674,506 |
| Cost of revenue: | | | |
| Direct personnel cost | **1,754,870** | 759,247 | 1,559,948 |
| Commissions | **52,829,277** | 27,972,252 | 52,551,540 |
| Total cost of revenue | **54,584,147** | 28,731,499 | 54,111,488 |
| General and administrative expenses: | | | |
| Advertising and marketing | **7,839,812** | 3,764,793 | 7,235,186 |
| Management fees | **600,000** | 300,000 | 600,000 |
| Personnel cost | **1,946,753** | 699,004 | 1,930,295 |
| Professional fees | **369,175** | 149,888 | 266,608 |
| Other general and administrative expenses | **741,144** | 570,132 | 1,318,753 |
| Total general and administrative expenses | **11,496,884** | 5,483,817 | 11,350,842 |
| Income from operations | **882,977** | 515,181 | 1,212,176 |
| Other income (expense): | | | |
| Other income | **12,164** | 4,034 | 20,835 |
| Interest expense | **(48,316)** | - | - |
| Total other income | **(36,152)** | 4,034 | 20,835 |
| Income before provision for taxes | **846,825** | 519,215 | 1,233,011 |
| Provision for taxes | **257,487** | - | - |
| **Net income** | **$ 589,338** | $ 519,215 | $ 1,233,011 |

See accompanying notes and independent auditor's report.

**Statements of Changes in Stockholders' Equity**

| | Common Stock | | Members' | Additional Paid-In | Retained | Total |
|---|---|---|---|---|---|---|
| | Shares | Amount | Equity | Capital | Earnings | Equity |
| Balance at December 31, 2017 | - | $ - | $ 1,217,616 | $ - | $ - | $ 1,217,616 |
| Net income | - | - | 1,233,011 | - | - | 1,233,011 |
| Balance at December 31, 2018 | - | - | 2,450,627 | - | - | 2,450,627 |
| Net income | - | - | 519,215 | - | - | 519,215 |
| Balance at June 30, 2019 | - | - | 2,969,842 | - | - | 2,969,842 |
| Net income | - | - | - | - | 589,338 | 589,338 |
| Reclassification from Conversion (Note 1) | 100,000 | 100 | (2,969,842) | 2,969,742 | - | - |
| Conversion to notes payable - stockholders | - | - | - | (1,900,000) | - | (1,900,000) |
| Balance at June 30, 2020 | 100,000 | $ 100 | $ - | $ 1,069,742 | $ 589,338 | $ 1,659,180 |

| **Statements of Cash Flows** | **Year Ended June 30, 2020** | January 1, 2019 through June 30, 2019 | Year Ended December 31, 2018 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net income | **$ 589,338** | $ 519,215 | $ 1,233,011 |
| Changes in operating assets and liabilities: | | | |
| Prepaid expenses | **(1,811)** | 342 | (1,802) |
| Prepaid taxes | **(312,081)** | - | - |
| Due from affiliate | **1,286,460** | 172,384 | 274,201 |
| Accounts payable | **249,846** | 34,094 | (30,176) |
| Accrued expenses | **(61,377)** | 444,016 | (999,532) |
| Taxes payable | **36,819** | - | - |
| Long-term bonus payable | **666,667** | - | - |
| Net cash provided by operating activities | **2,453,861** | 1,170,051 | 475,702 |
| **Investing Activities** | | | |
| Net cash provided by investing activities | **-** | - | - |
| **Financing Activities** | | | |
| Proceeds from long-term debt | **381,800** | - | - |
| Net cash provided by financing activities | **381,800** | - | - |
| Net increase in cash and cash equivalents | **2,835,661** | 1,170,051 | 475,702 |
| Cash and cash equivalents, beginning | **3,136,619** | 1,966,568 | 1,490,866 |
| Cash and cash equivalents, ending | **$ 5,972,280** | $ 3,136,619 | $ 1,966,568 |
| **Supplemental Disclosure of Cash Flow Information** | | | |
| Interest paid | **$ -** | $ - | $ - |
| Income taxes paid | **$ 220,668** | $ - | $ - |

See accompanying notes and independent auditor's report.

**1. Organization and Operations**

Effective July 1, 2019, N2 Franchising, LLC (the "LLC") converted from a Delaware limited liability company to a Delaware corporation, N2 Franchising, Inc. (the "Conversion"). This report includes results for the LLC prior to the Conversion and N2 Franchising, Inc. following the Conversion. References in these financial statement footnotes to "Company", "N2 Franchising", "we", "us" and "our" refer to (a) N2 Franchising, Inc. following the Conversion and (b) the LLC prior to the Conversion. All references to shares or per share amounts following the Conversion refer to shares or per share amounts of common stock.

As a result of the Conversion, the financial impact to the financial statements contained reclassification from member equity account to equity accounts appropriate for a corporation. See Note 6 "Stockholders' Equity" and Note 9 "Income Taxes" for additional information.

N2 Franchising was formed on October 26, 2016, and was wholly owned by the Company's founders prior to and following the Conversion. The Company's principal place of business is Wilmington, North Carolina. The Company was formed for the purpose of selling franchised businesses that facilitate publishing and selling advertising for magazines, newsletters, and/or directories for residential communities, cities, towns, and villages under the N2 PUBLISHING® trade name and business system ("N2 Business"). The N2 Company ("N2 Company"), an affiliate of the Company originally formed as Neighborhood Networks Publishing, Inc., has licensed the trademarks and the proprietary system to the Company under a non-exclusive and perpetual license agreement (the "License"). The License grants the Company the right to use the trademarks and the proprietary information related to the system for licensing them to franchisees of the Company.

In November 2017, the Company formed a new program for the purpose of selling franchised businesses that facilitate publishing and selling advertising for magazines, newsletters, and/or directories for companies, individuals, and/or organizations interested in or connected to the real estate industry under the REAL PRODUCERS® trade name and business system ("RP Business").

In December 2018, the Company formed a new program for the purpose of selling franchised businesses that facilitate publishing and selling advertising for magazines, newsletters, and/or directories for individuals who are newcomers to a particular area under the BELOCAL® trade name and business system ("BL Business").

N2 Business

For the year ended June 30, 2020, the period from January 1, 2019 through June 30, 2019 and the year ended December 31, 2018, 238, 134 and 427 franchise outlets were opened, 384, 197 and 427 franchise outlets were closed, respectively. For the year ended June 30, 2020, the period from January 1, 2019 through June 30, 2019 and the year ended December 31, 2018, we operated 12, 1 and 3 company owned outlets, respectively, and had 730, 882 and 945 franchised outlets, respectively. As of June 30, 2020, these franchisees were located in 46 states in the U.S.

RP Business

For the year ended June 30, 2020, the period from January 1, 2019 through June 30, 2019 and the year ended December 31, 2018, 71, 37 and 76 franchise outlets were opened, 45, 22 and 5 franchise outlets were closed, respectively. For the year ended June 30, 2020, the period from January 1, 2019 through June 30, 2019 and the year ended December 31, 2018, we had 115, 89 and 74 franchised outlets, respectively. As of June 30, 2020, these franchisees were located in 39 states in the U.S.

**1. Organization and Operations (continued)**

BL Business
For the year ended June 30, 2020, the period from January 1, 2019 through June 30, 2019 and the year ended December 31, 2018, 112, 58 and 15 franchise outlets were opened, 41, 4 and 0 franchise outlets were closed, respectively. For the year ended June 30, 2020, the period from January 1, 2019 through June 30, 2019 and the year ended December 31, 2018, we operated 1, 0 and 0 company owned outlet, respectively, and had 140, 69 and 15 franchised outlets, respectively. As of June 30, 2020, these franchisees were located in 36 states in the U.S.

**COVID-19**
Commencing in December 2019, the novel strain of coronavirus ("COVID-19") began spreading throughout the world, including the first outbreak in the US in February 2020. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. COVID-19 has disrupted and continues to significantly disrupt local, regional, and global economies and businesses. Because of the operating restrictions placed on the business between March and May, limitations on group gatherings, forced closures, and other consequences of the outbreak, there have been and will likely continue to be significant disruptions in customer demand, and it is likely there will be significant disruptions in the business operations and services, employee availability, and other aspects of operating our business for an indeterminate period. Though some of the restrictions were lifted in June, traffic and sales are still being impacted and the extent to which the COVID-19 pandemic will impact our business remains highly uncertain, and could materially and adversely affect the Company's financial condition, results of operations, and cash flows if it continues for an extended period.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which significantly revised U.S. tax law and is expected to provide additional benefits to the Company. See Note 4. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As of the date of this report, the related financial impact and duration cannot be reasonably estimated at this time.

**2. Significant Accounting Policies**

**Basis of Accounting**
The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Under this method, revenue is recognized when earned and expenses are recognized as incurred.

**Use of Estimates**
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Estimates are used for the revenue recognition. Actual results could differ from those estimates.

**Fiscal Year**
Our fiscal years have historically ended on December 31. In 2019, the Company's members approved a change in the Company's fiscal year from a year ending on December 31 to a year beginning on July 1 and ending June 30 of each year, commencing with the year ended December 31, 2018.

**Cash and Cash Equivalents**
For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

**2. Significant Accounting Policies (continued)**

**Fair Value Measurements**
Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist primarily of cash and cash equivalents, due from affiliate, other current assets, accounts payable, accrued expenses and other current liabilities. The carrying values of cash and cash equivalents and trade payables are considered to be representative of their respective fair values due to the short-term nature of these instruments.

Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three levels of the fair value hierarchy:

**Level 1:** Observable inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

**Level 2:** Observable market-based inputs or unobservable inputs that are corroborated by market data.

**Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs are based on our own assumptions used to measure assets and liabilities at fair value and require significant management judgment or estimation.

Non-recurring fair value measurements include the assessment of property and equipment and intangible assets for impairment. As there is no corroborating market activity to support the assumptions used, the Company has designated these estimates as Level 3.

At June 30, 2020, we had no significant non-financial assets or liabilities that required a fair value measurement on a recurring basis and did not have transfers between levels of the fair value hierarchy of assets measured at fair value during the year.

**Comparative Financial Statements**
Certain prior period amounts have been reclassified to conform to current year presentation.

**Revenue Recognition**
In May 2014, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," as amended by multiple updates to the standard. This update requires entities to recognize revenue in the way they expect to be entitled to receive it for the transfer of promised goods or services to customers. The ASU replaced most of the existing revenue recognition requirements in GAAP. The Company adopted the new guidance on January 1, 2019. As a result, the Company changed its accounting policy for revenue recognition as below.

The Company adopted Topic 606 using the cumulative effect transition (modified retrospective) method on January 1, 2019, which was applied to those contracts that were not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 will be presented under ASU 2014-09, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting. As the Company did not identify accounting changes that impacted the amount of the recognized continuing advertising sales from franchisees, no adjustment to retained earnings was required upon adoption.

**2. Significant Accounting Policies (continued)**

**Revenue Recognition (continued)**
Initial franchise fees are recorded as deferred revenue as a liability on the balance sheet when received and are recognized as revenue over the contractual term of the franchise agreement, when a franchised store is opened or the Company has performed substantially all initial services required by the franchise agreement. These services consist primarily of training, providing an operating manual and start-up materials, including certain equipment and licensing proprietary software. The Company also receives continuing fees from advertising sales typically billed and paid monthly and are based on a percentage of the advertising value of each publication. Continuing fees were recognized as the advertising sales occurred. The timing and amount of revenue recognized related to continuing fees was not impacted by the adoption of Topic 606 based on the application of the sales-based royalty exception within Topic 606.

**Advertising**
All costs associated with advertising and marketing are expensed in the period incurred.

**Income Tax**
The LLC was taxed as a Partnership for federal income tax purposes prior to the Conversion. Consequently, federal income taxes were not provided for or payable by the LLC. The LLC's net income or loss was allocated to the members who are taxed individually on their share of each LLC's earnings. The LLC recognized income tax related interest and penalties in interest expense and other general and administrative expenses, respectively.

In connection to the Conversion, the Company elected to be taxed as a C-Corporation. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred income taxes are provided for the temporary differences in basis of the Company's assets and liabilities and their reported amounts. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are determined based on the enacted rates that are expected to be in effect when these differences are expected to reverse. Deferred tax expense or benefit is the result of the changes in the deferred tax assets and liabilities. The Company records a valuation allowance to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company recognizes income tax related interest and penalties in interest expense and general and administrative expenses, respectively.

**Recent Accounting Pronouncements**
In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" as amended by multiple updates to the standard. This update requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet and requires lessors to classify leases as a sales-type, direct financing or operating lease. The update also expands the required quantitative and qualitative disclosures surrounding leases. In June 2020, the FASB issued ASU 2020-05, "Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities." ASU 2020-05 defers the effective date of ASC 842 for private companies and private not-for-profit entities for one year. The updated guidance is effective for fiscal years beginning after December 15, 2021 with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2016-02 on its financial statements.

**2. Significant Accounting Policies (continued)**

**Recent Accounting Pronouncements (continued)**
In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)." This standard amends guidance on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities to require that credit losses on available-for-sale debt securities be presented as an allowance rather than as a write-down. The measurement of credit losses for newly recognized financial assets and subsequent changes in the allowance for credit losses are recorded in the statements of operations. This standard is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the effect of adopting ASU 2016-13 on its financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740) ("ASU 2019-12"): Simplifying the Accounting for Income Taxes. The new standard eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences related to changes in ownership of equity method investments and foreign subsidiaries. The guidance also simplifies aspects of accounting for franchise taxes and enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. This update is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2019-12 on its financial statements.

We reviewed all other significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

**3. Certain Significant Risks and Uncertainties**

The Company maintains its cash in bank deposit account that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash or cash equivalents. The Company maintains its deposits in one financial institution.

The Company derives its advertising sales revenue from one customer, its affiliate, N2 Company. In the normal course of business, the Company provides credit to its affiliate and does not require collateral.

**4. Long-term Debt**

On April 14, 2020, the Company entered into a loan (Loan) agreement with a bank under the Paycheck Protection Program (PPP) pursuant to the CARES Act in the amount of $381,800, with a term of two years, is unsecured, and is guaranteed by the Small Business Administration (SBA). The loan bears interest at a fixed rate of one percent per annum, with the first six months of interest and principal deferred.

On June 5, 2020, the PPP was amended by the Paycheck Protection Program Flexibility Act of 2020 (PPPFA). Some or all of the Loan may be forgiven if at least 60 percent of the loan proceeds are used by the Company to cover payroll costs, and if the Company maintains its employment and compensation within certain parameters during the twenty-four week period following the loan origination date and complies with other relevant conditions.

**4. Long-term Debt (continued)**

As of June 30, 2020 and 2019, long-term debt consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Note payable (PPP Loan), bearing interest at 1.00%, due in April 2022 | **$ 381,800** | $ - |

Future maturities of long-term debt for the years following June 30, 2020 are as follows:

| | |
|---|---|
| Year ending June 30, 2021 | - |
| Year ending June 30, 2022 | 381,800 |
| Total | $ 381,800 |

**5. Long-term Bonus Payable**

As of June 30, 2020 and 2019, long-term bonus payable consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Bonus payable, in yearly installments of $333,333, due in February 2022 | **$ 666,667** | $ - |
| Less: current portion of long-term bonus payable | **(333,333)** | - |
| Long-term bonus payable, net of current portion | **$ 333,334** | $ - |

Future maturities of long-term bonus payable for the years following June 30, 2020 are as follows:

| | |
|---|---|
| Year ending June 30, 2021 | 333,333 |
| Year ending June 30, 2022 | 333,334 |
| Total | $ 666,667 |

**6. Stockholders' Equity**

In connection with the Conversion, effective July 1, 2019, all of the outstanding membership interests of the LLC immediately prior to the Conversion were converted into 100,000 shares of common stock, $0.001 par value per share, of the Company.

**7. 401(k) Savings Plan**

The Company sponsors a defined contribution 401(k) plan covering all eligible employees. To participate in the plan for the purposes of 401(k) elective deferral contributions, an employee must be 18 years of age or older and must have completed 90 days of service. Participants can elect to contribute through salary deductions a current maximum of $19,500. The Company will contribute a matching contribution equal to 100% of the employee 401(k) elective deferral contributions which are not over 3% of the employee's pay, plus 50% of the employee 401(k) elective deferral contributions which are over 3% of the employee's pay, but are not over 5% of the employee's pay. Vesting of matching contributions occurs over the period of 6 years. Employer contributions to the plan during the year ended June 30, 2020, the period from January 1, 2019 through June 30, 2019 and the year ended December 31, 2018, were $101,039, $51,305 and $77,242, respectively.

**8. Related Party Transactions**

*Due from affiliate*
The Company's affiliate N2 Company provided accounting, marketing and other operating services for the Company. For the year ended June 30, 2020, the period from January 1, 2019 through June 30, 2019 and the year ended December 31, 2018, the Company provided sales services for N2 Company. As of June 30, 2020 and 2019, the Company had an amount of $1,654,727 and $2,941,187, respectively, due from its affiliate. Had these transactions occurred as unrelated third party transactions, the financial results may have varied significantly. This related party receivable/payable is unsecured, bears no interest, and is due on demand.

*Notes payable - stockholders*
On July 1, 2019, in connection with the Conversion, the Company recharacterized a portion of members' equity as notes payable to the stockholders, issuing promissory notes to its stockholders in the amount of $1,900,000. These notes bear interest at 2.5% per annum with principal due at maturity, June 30 2020. At June 30, 2020, the Company had a balance due from its stockholders in the amount of $1,900,000. For the year ended June 30, 2020, the Company recognized interest expense related to these promissory notes in the amount of $47,500.

**9. Income Taxes**

Prior to the Conversion, the Company operated as a partnership for income tax purposes (a partnership is generally not subject to federal income taxes). The termination of the status of N2 Franchising as a partnership in the Conversion has been treated as a change in tax status under GAAP guidance on accounting for income taxes. Subsequent to the Conversion, all income of the Company is subject to corporate income taxes.

The provision for income taxes consists of the following for the year ended June 30:

| | 2020 |
|---|---|
| Current: | |
| Federal | $ 173,897 |
| State | 83,590 |
| Total current provision for income taxes | $ 257,487 |

The following is a reconciliation of the expected federal income tax provision at the statutory rate of 21% to the actual provision for income taxes for the year ended June 30:

| | 2020 |
|---|---|
| Expected tax provision at statutory rates: | $ 177,833 |
| State taxes, net of federal effect | 66,036 |
| Permanent | 13,618 |
| Provision for income taxes | $ 257,487 |

The Company files income tax returns in the U.S. federal jurisdiction and the states of in which it operates. The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Company is subject to examination by taxing jurisdictions for the years and periods ended subsequent to December 31, 2017.

In accordance with FASB ASC 740-10, *Income Taxes*, the Company is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

**9. Income Taxes (continued)**

The Company has analyzed tax positions taken for filing with the jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at June 30, 2020 and 2019.

**10. Commitments and Contingencies**

The Company is party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of the management, all matters are of such nature, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

**11. Subsequent Events**

In July 2020, the promissory notes to stockholders were renewed with the maturity in June 2021.

The Company has evaluated subsequent events through October 13, 2020, the date the financial statements were available to be issued.

**EXHIBIT B**

**FRANCHISE AGREEMENT**

**(WITH ATTACHMENTS AND STATE-SPECIFIC AMENDMENTS)**

**N2 FRANCHISING, INC. FRANCHISE AGREEMENT**

**Name of Franchisee**

**Street Address**

**City State Zip Code**

**Telephone**

**Franchisee ID Number**

Form dated: October 14, 2022
FDD dated: October 14, 2022

**N2 FRANCHISING, INC.**
**FRANCHISE AGREEMENT**

**TABLE OF CONTENTS**


| Section | | Page |
|---|---|---|
| 1. | GRANT | 2 |
| 2. | TERM AND RENEWAL | 3 |
| 3. | FEES | 3 |
| 4. | COMMISSIONS | 4 |
| 5. | FRANCHISEE'S OBLIGATIONS, REPRESENTATIONS, AND WARRANTIES | 7 |
| 6. | FRANCHISOR'S OBLIGATIONS | 14 |
| 7. | COVENANTS AGAINST UNFAIR COMPETITION | 15 |
| 8. | USE OF MARKS AND COPYRIGHTED MATERIALS | 19 |
| 9. | TRANSFER AND ASSIGNMENT | 21 |
| 10. | DEFAULT AND TERMINATION | 25 |
| 11. | OBLIGATIONS OF FRANCHISEE UPON TERMINATION | 28 |
| 12. | INSURANCE; INDEMNIFICATION; INDEPENDENT CONTRACTOR | 29 |
| 13. | NOTICES | 31 |
| 14. | APPLICABLE LAW; DISPUTE RESOLUTION | 32 |
| 15. | CONSTRUCTION OF AGREEMENT | 34 |

ATTACHMENTS

| | |
|---|---|
| Attachment A | Definitions |
| Attachment B | Designated Publication and Territory |
| Attachment C | Principals' Undertaking |
| Attachment D | Confidentiality Agreement and Ancillary Covenants Not to Compete |
| Attachment E | Statement of Ownership Interests and Management Information |
| Attachment F | Electronic Funds Transfer Authorization |

STATE-SPECIFIC AMENDMENTS

**N2 FRANCHISING, INC.**
**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT ("**Agreement**"), is entered into by and between N2 Franchising, Inc., a Delaware corporation ("**Franchisor**"), and [name of franchisee entity], a [name of state where entity is filed and type of entity or an individual] ("**Franchisee**"), and will be effective on the date signed by Franchisor ("**Effective Date**"). Capitalized terms used in this Agreement are defined in Attachment A, hereto, unless otherwise defined herein.

**RECITALS**

A. Franchisor's affiliate, The N2 Company ("**N2 Co.**"), operates a business that sells marketing services, creates advertising, and owns and publishes magazines, newsletters, and/or directories ("**publications**") for the residents and visitors of neighborhoods, cities, towns, villages, and other residential communities ("**Communities**") and for members of specific commercial or professional industries or groups; and for specific retail or special interest groups ("**Industry Groups**").

B. Franchisor has the right to use and license the use of a system ("**System**") for the establishment and operation of franchised businesses that sell print advertising to businesses that wish to advertise in one or more print publications, that facilitate the publishing of publications, solicit and compile content for the publications, and that develop relationships among residents of Communities and members of Industry Groups, all under the Marks ("**Franchised Business**"). The System is identified by certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited to, the trademark(s) set forth in Attachment B and such other trade names, service marks, trademarks, logos, emblems, and indicia of origin as are now designated, and may hereafter be designated by Franchisor in writing, for use in connection with the System ("**Marks**"). Franchisor licenses to others the right to manage publications under various brand names and systems, and such publications are collectively referred to herein as "N2 publications." Any publication managed by Franchisor's affiliates is also an "N2 publication."

C. The distinguishing characteristics of the System include, without limitation, specifications, policies and procedures for operations; quality of the products and services offered; procedures for sales, management, and financial control; customer service; training and assistance; and advertising and promotional programs, all of which may be changed, improved, and further developed by Franchisor from time to time.

D. Franchisee wishes to obtain the right to establish and operate a Franchised Business whereby Franchisee will sell print advertising, solicit and compile content, and facilitate the publishing of a print publication (the "**Publication**") to be distributed within the non-exclusive geographic area ("**Territory**") identified in Attachment B to this Agreement, and using the Mark identified in Attachment B and the System.

E. N2 Co. also owns and operates a business selling digital marketing goods and services ("**Hyport Digital**"). The System also includes the systems for soliciting leads for and managing client relationships with Hyport Digital. The Hyport Digital trademarks are included in the definition of "Marks." Franchisor desires to grant Franchisee the opportunity, but not the obligation, to solicit leads for and facilitate client relationships with Hyport Digital as part of the Franchised Business.

F. Franchisor is willing to grant Franchisee a franchise to operate a Franchised Business in accordance with the terms and conditions of this Agreement in reliance on Franchisee's application and Franchisee's representations made in this Agreement.

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**AGREEMENT**

**1. GRANT**

A. Grant of Rights. Franchisor hereby grants Franchisee the non-exclusive right and license, and Franchisee hereby accepts the right and obligation, to establish and operate in the Territory the Franchised Business. Franchisee acknowledges and agrees that this Agreement grants Franchisee the right to operate only the Franchised Business and to distribute the Publication only within the Territory set forth in Attachment B. Franchisee has no right to distribute the Publication to any person or community outside of Franchisee's Territory. Franchisee has the right to sell and offer to sell print advertising to clients located both inside and outside of the Territory, but only in accordance with Franchisor's then-current cross-selling policies and Administration Manual. This Agreement grants Franchisee with the right to sell print advertisements only. Franchisee does not have the right to offer or sell digital advertising. From time to time, Franchisor may permit Franchisee by policy to sell digital advertisements, but Franchisor may rescind or change any such policy at any time, in its sole discretion, and Franchisee must at all times comply with Franchisor's then-current digital advertising policies and the Administration Manual. Franchisor also has the right to require Franchisee to sell packages of advertising goods and services, which may include print and digital components. Notwithstanding anything in this Agreement to the contrary, Franchisor has the right to restrict Franchisee from offering or selling advertisements in any form to any client or prospective client at any time. Franchisor has the right to allow other franchisees or affiliates of Franchisor, or any other party Franchisor deems appropriate, to offer and sell advertising in any form to clients located in Franchisee's Territory, without any liability to Franchisee

B. Limitations. Franchisee has the right to solicit advertisers inside or outside of its Territory to sell print advertisements that would be included in the Publication or in other N2 publications, but subject to the limitations set forth in this Agreement and only in compliance with Franchisor's then-current cross-selling policy.

C. Reserved Rights. The rights granted to Franchisee under this Agreement are nonexclusive, and Franchisee is not granted any territorial rights or other protection. Accordingly, Franchisor, its affiliates, and any other authorized person or entity will, without limitation, have the right **(1)** to develop and establish other business systems (including systems that distribute products or services similar to those offered by the Franchised Business) using the Marks, or other names or marks, and to grant licenses to use those systems at any location without providing any rights to Franchisee, **(2)** to advertise and promote any N2 publications, N2 Co. businesses, and the businesses of Franchisor's franchisees, anywhere, **(3)** to operate, and license others to operate, any Franchised Business, N2 publication franchised businesses, or any business of any of Franchisor's affiliates, anywhere, including locations that are inside, adjacent to, or surrounded by Franchisee's Territory, and **(4)** to engage, directly or indirectly, at wholesale, retail, or otherwise, in the production, distribution, license, and sale of all forms (including electronic forms) of magazines, newsletters, advertising, marketing, graphic and web design, or other services and products, under the Marks, or under other names or marks, at any location, including in the Territory, through any method of distribution, including, but not limited to, mail order catalogs and the Internet, regardless of the proximity to, or the competitive impact on, the Franchised Business.

D. Cross-publication Advertising. Notwithstanding anything to the contrary herein, Franchisee acknowledges and agrees that other persons or entities may sell advertising for the Publication.

These other persons or entities include, without limitation, Franchisor, Franchisor's affiliates, and other franchisees. In accordance with Franchisor's then-current cross selling policies, Franchisee may have the opportunity to sell advertising for other N2 publications.

E. Hyport Digital Sales. Franchisor hereby grants Franchisee the conditional, non-exclusive right and license, and Franchisee hereby accepts the right and option to solicit leads for and facilitate client relationships with Hyport Digital. Franchisee acknowledges and agrees that Franchisee may be required to complete and obtain certifications and training and meet other standards set forth in the Administration Manual in order to conduct some or all of the foregoing activities. Franchisee acknowledges and agrees that these activities are optional and not required under the terms of this Agreement. Franchisee acknowledges and agrees that its opportunity to solicit leads for and facilitate client relationships with Hyport Digital is subject to all of the terms of this Agreement and standards in the Administration Manual and is part of its operations of the Franchised Business. If Franchisee fails to comply with any requirements pertaining to Hyport Digital, including without limitation, its goods, services, clients, operations, and trademarks, Franchisee shall be in default under this Agreement. Franchisee's rights to solicit leads for and facilitate client relationships with Hyport Digital are conditioned upon Franchisor maintaining the Hyport Digital sales program. Franchisor has the right to modify (including eliminate) Franchisee's rights with respect to Hyport Digital in its sole discretion. The goods and services offered by Hyport Digital may be changed in Franchisor's affiliate's sole discretion.

## 2. TERM AND RENEWAL

A. Term; Opening Date. The term of this Agreement will begin on the Effective Date and will continue until three years from the Effective Date ("**Term**"), unless terminated earlier in accordance with this Agreement. Franchisee must commence business with the public no later than 60 days after the Effective Date, unless Franchisee obtains a written extension of such time period from Franchisor. Franchisee must obtain authorization from Franchisor to commence operations.

B. Renewal. This Agreement and the rights granted by this Agreement are not renewable, and Franchisee has no expectation of any right to extend or renew the Term.

## 3. FEES

A. Initial Franchise Fee. Franchisor hereby waives the initial franchise fee of $570. If this is the second or additional franchise agreement Franchisee is entering into, Franchisee is not required to pay Franchisor an initial franchise fee.

B. Samples Shipping Fee and Extra Orders Fee. Franchisee must pay Franchisor's or its affiliate's then current samples shipping fee each month, which fee is currently assessed on a monthly flat-fee basis, regardless of whether Franchisee requests samples from Franchisor or its affiliate or not, and which fee Franchisor or its affiliate may change from time to time in its sole discretion. If Franchisee requests extra copies of an issue of the Publication after the original printing of the issue, Franchisee shall pay Franchisor or its affiliates an extra copy orders fee in the amount then set forth in the Administration Manual, which Franchisor or its affiliates may change from time to time in their sole discretion.

C. Adjustment Fee. After Franchisor receives from Franchisee the content to be included in an issue of the Publication, Franchisor or its affiliate will provide Franchisee a proof copy of the edit issue. If Franchisee requests that Franchisor make any changes to the layout or content of the proof copy, then Franchisee must pay Franchisor or its affiliate the then-current adjustment fee assessed to make such changes, in accordance with Franchisor's then-current adjustment policy, as set forth in the Administration Manual, which Franchisor or its affiliates may change from time to time in their sole discretion.

D. Missed Deadline Fee. If Franchisee fails to submit to Franchisor or its affiliate the content required to publish any of the Publication's issues by the applicable deadline communicated to Franchisee by Franchisor or its affiliate, then Franchisor reserves the right to require Franchisee to pay Franchisor or its affiliate the then-current missed deadline fee, as set forth in the Administration Manual, which Franchisor or its affiliates may change from time to time in their sole discretion.

E. Optional Services Fee. If Franchisee elects to use Franchisor's or its affiliate's optional services (as those services may change from time to time), Franchisee shall sign the then-current form of services agreement and pay the then-current fees.

F. Lead Generation Fee. If Franchisor or its affiliates provide Franchisee with lead generation services, Franchisee shall pay the then-current lead generation fee assessed, as set forth in the Administration Manual, which Franchisor or its affiliates may change from time to time in their sole discretion.

G. Franchisor's Right to Deduct. Franchisor shall have the right to deduct or withhold any fees assessed by Franchisor from Franchisee's Commissions.

## 4. COMMISSIONS

A. Commission Payments. Franchisor will calculate Commissions on an issue-by-issue basis and will pay Franchisee a monthly Commission based on the aggregate of all monthly Commissions earned for each of Franchisee's N2 publications (if Franchisee manages more than one N2 publication), unless the calculation of the Commission equals a Negative Commission, in which case, Franchisee will not receive a Commission in such month, and the amount of the Negative Commission will continue to be due and will be deducted from Cash Received in subsequent month(s) as part of the Commission(s) calculation for such subsequent month(s). Franchisor reserves the right to make Commission payments based upon estimates of payments it or its affiliate will receive in connection with Advertising Contracts (defined below), and it and its affiliate reserve the right to refund, for any reason, payments made by advertisers. Commission payments will be accompanied by a Commissions accounting and reconciliation report. If the Commissions report reflects that Franchisee has been paid a Commission in an amount that is more than Franchisee is due, then Franchisee must return to Franchisor the amount of overpayment ("**Returnable Commissions**"). Franchisee shall not be entitled to receive any payment after the final Commission payment that Franchisor makes to Franchisee following the termination, expiration, or transfer of this Agreement, for any reason. Franchisee shall not be entitled to receive any payment based upon past due monies associated with the Franchised Business that are collected by Franchisor or its affiliates after the termination, expiration, or transfer of this Agreement, for any reason

B. Cross-Selling Fees. Franchisee agrees and acknowledges that any Selling Franchisee that sells print advertising for the Publication shall be entitled to receive Franchisor's then-current Outgoing Cross-Selling Fee, and Franchisee shall be entitled to receive Franchisor's then-current Receiving Cross-Selling Fee. Further, if Franchisee sells print advertising for a publication that is the responsibility of another franchisee, then Franchisee will be eligible to receive Franchisor's then-current Outgoing Cross-Selling Fee for such sale(s), as set forth in the Administration Manual, provided Franchisee complies with Franchisor's then-current policies, procedures, and guidelines related to cross-selling. Franchisor shall have the right to terminate Franchisee's right to cross-sell or this Agreement if Franchisee fails to comply with Franchisor's policies, procedures, and guidelines related to cross-selling. Currently, the Cross-Selling Fees are calculated as follows:

(i) The Selling Franchisee will receive an Outgoing Cross-Selling Fee equal to 25%

of the monthly Cash Received for each print advertisement sold by the Selling Franchisee that will be included in the publication managed by the Receiving Franchisee.

(ii) The Receiving Franchisee will receive a Receiving Cross-Selling Fee equal to 75% of the monthly Cash Received for that print advertisement, less the Royalty of 15% of the Cash Received and the Publication Expenses.

Any time during the Term of this Agreement, with no prior notices unless otherwise required by law, Franchisor reserves the right to change the Cross-Selling Fee to be calculated as follows:

(i) The Selling Franchisee would receive an Outgoing Cross-Selling Fee equal to 10% of the monthly Cash Received for each print advertisement sold by the Selling Franchisee into the publication managed by the Receiving Franchisee.

(ii) The Managing Franchisee (as defined by Franchisor's then-current Administration Manual) would receive a Managing Cross-Selling Fee equal to 30% of the monthly Cash Received for each print advertisement, less the Royalty of 15% of the Cash Received.

(iii) The Receiving Franchisee would receive a Receiving Cross-Selling Fee equal to 60% of the monthly Cash Received for that print advertisement, less the Publication Expenses.

C. Pre-Print Commissions. If Franchisee cross-sells print advertising for inclusion in a publication managed by another franchisee or affiliate before the first issue of the Publication is published, then Franchisee may elect to receive a Pre-print Commission in lieu of the Outgoing Cross-Selling Fee. If Franchisee elects to receive a Pre-print Commission, Franchisor will pay Franchisee the Pre-print Commission within 20 days after the publication deadline of the publication in which the ad appears.

D. Returnable Commissions. Franchisee and Principals are jointly and severally liable for, and will return all Returnable Commissions to, Franchisor. Franchisor may deduct the amount of any Returnable Commissions from future Commissions payable to Franchisee hereunder. After the termination or expiration of this Agreement, Franchisor will notify Franchisee and Principals of any Returnable Commissions, and Franchisee and Principals will have 15 days to return such Returnable Commissions to Franchisor. Franchisee and Principals acknowledge that any failure by Franchisee or Principals to return any Returnable Commissions to Franchisor within 15 days after any such notice is a breach of this Agreement for which Franchisor may pursue all legal and equitable remedies that may be available to it, including termination of this Agreement. If Franchisee fails to pay Returnable Commissions as required herein, and Franchisor elects, in its sole discretion, to pursue payment of any Returnable Commissions in collection, then Franchisee and Principals agree to pay such collection costs in addition to the Returnable Commissions owed. This Section 4.D. will survive the expiration or termination of this Agreement.

E. Content Submission Deadlines and Commission Payment Dates. Within 30 days after Franchisee's first issue is published, Franchisor will, in its sole discretion, assign Franchisee a monthly deadline for advertising and content submission. The deadline will be communicated to Franchisee in writing, and Commissions, if any, will be paid to Franchisee within 30 days following Franchisee's assigned deadline.

F. Electronic Funds Transfer. At Franchisor's request, Franchisee will execute Attachment F to this Agreement and all other documents necessary to permit Franchisor to credit or debit funds into Franchisee's designated bank account by electronic funds transfer ("**EFT**") in the amount of the Commission payments described in Section 4.A. and any other amounts due under this Agreement at the

time such amounts become due and payable under the terms of this Agreement. Upon written notice to Franchisee, Franchisor may designate another method of payment.

G. Taxes. As an independent business, Franchisee is responsible for all tax reporting requirements for Franchisee and Franchisee's employees. Accordingly, Franchisee and Franchisor agree that Franchisor will not withhold, deduct, or pay income tax, social security, or any other payroll or other taxes or amounts for Franchisee's benefit or for the benefit of any and all personnel hired by Franchisee, including but not limited to, employees, contractors, subcontractors, or agents ("**Independent Staff**"). Franchisee is solely responsible for filing all tax returns, tax declarations, and tax schedules, and for the payment of all taxes as required by law, including without limitation, local, state, and federal income taxes, Social Security taxes, Medicare taxes, unemployment compensation taxes, and any other federal, state, or local taxes, fees, or withholdings due for Franchisee. Franchisee is responsible for withholding, accruing, and paying all income, Social Security, Medicare, unemployment compensation taxes, and any other federal, state, or local taxes, fees, or withholdings relating to all Independent Staff, if any, as well as all statutory insurance and other benefits required by law for Franchisee and Independent Staff and all other benefits promised to the Independent Staff by Franchisee, if any.

H. Corporate Ads. Franchisor and its affiliates have the right, but not the obligation, to place national, regional, or local advertisements or advertising inserts that have been solicited and obtained by Franchisor, Franchisor's affiliates, or a third party, without Franchisee's involvement, in the Publication in the size and format as determined by Franchisor in its sole discretion and at Franchisor's sole expense ("**Corporate Ads**"). Franchisee has no right to review and/or approve the form or content of such Corporate Ads. Franchisor may, but is not required to, pay Franchisee a commission with respect to any Corporate Ad. If Franchisor elects to pay Franchisee a commission for any particular Corporate Ad, such commission will be paid in accordance with Franchisor's then-current Corporate Ad commission policy, as set forth in the Administration Manual, and the amount of such commission may be calculated in a different manner than the calculation of Commissions under Section 4.A., in Franchisor's sole discretion. If any additional incremental expenses are incurred by Franchisor due to the placement of Corporate Ads, and Franchisor does not pay Franchisee a commission for such placements, the additional incremental expenses resulting from the Corporate Ad(s) in the Publication will not be included in Publication Expenses for purposes of calculating Franchisee's commission.

I. Cross-Selling into Publications Managed by Franchisor or its Affiliates. Franchisor may, but is not obligated, to allow Franchisee to sell advertisements into N2 publications managed by Franchisor or its affiliates. Franchisee agrees to comply with Franchisor's then-current policies, procedures, and guidelines related to cross-selling if Franchisee is authorized to sell into N2 publications managed by Franchisor or its affiliates. If Franchisee is authorized to sell into N2 publications managed by Franchisor or its affiliates, Franchisee shall be entitled to a commission. Such commission will be paid in accordance with Franchisor's then-current commission policy, as set forth in the Administration Manual, and the amount of such commission may be calculated in a different manner than the calculation of Commissions under Section 4.A., in Franchisor's sole discretion. The amount of the commission shall always be at least the amount of the then-current fees Franchisor or its affiliates receive for selling Corporate Ads into the Publication.

J. Hyport Digital Sales Commission. If Franchisee elects to solicit leads for and facilitate client relationships with Hyport Digital, Franchisee shall be entitled to receive the then-current "**HD Sales Commission**." The amount, due date, calculation, and other details of the HD Sales Commission are subject to change in Franchisor's sole discretion. Franchisor may consider the following factors, among others, in establishing the HD Sales Commission: **(1)** the type of good or service Franchisee sells to the client, **(2)** the other goods and services the client purchases, **(3)** whether or not Franchisee referred the client to Hyport Digital, **(4)** the involvement of the Hyport Digital sales team, and **(5)** Franchisee's role in facilitating the

relationship between the client and Hyport Digital. The HD Sales Commission is due, as applicable, **(i)** only to the first franchisee that introduces a new prospective lead to Hyport Digital who has not already been a client of Hyport Digital for the previous 12 month period and **(ii)** only if the client unconditionally and completely pays for goods and services purchased from Hyport Digital. The HD Sales Commission shall be calculated on the gross invoice price of the goods and services less all taxes, credits, discounts, rebates, or allowances (if any). The HD Sales Commission will be paid in the month following the client's unconditional and complete payment for purchased goods and services. To receive the HD Sales Commission, Franchisee must be in full compliance with all of the franchise agreements (including this Agreement) between Franchisee and Franchisor (and any other agreements with Franchisor's affiliates). Franchisee's opportunity to solicit leads for and facilitate client relationships with Hyport Digital and to receive the HD Sales Commission is conditioned on the continuance of the sales program. Franchisor reserves the right to modify and discontinue the program in Franchisor's sole discretion. The then-current HD Sales Commission will be set forth in the Administration Manual.

## 5. FRANCHISEE'S OBLIGATIONS, REPRESENTATIONS, AND WARRANTIES

A. Standards Compliance. To protect the reputation and goodwill of Franchisor and to maintain the high standards of operation under the Marks, Franchisee must conduct its business in accordance with the Administration Manual, other written directives which Franchisor may issue to Franchisee from time to time, and any other manuals and materials created or approved for use in the operation of the Franchised Business. Franchisee acknowledges and agrees that following System standards and maintaining uniformity among all Franchised Businesses is important. Franchisee further acknowledges and agrees that local conditions or other special circumstances may warrant a deviation from System standards, and Franchisor may, in its reasonable judgment, allow such deviation.

B. Approved Products and Services. Franchisee must offer only the products and services that have been expressly approved for sale in writing by Franchisor and must offer all of the products and services that Franchisor requires; Franchisee must discontinue offering any products or services which Franchisor may, in its sole discretion, disapprove in writing at any time; and Franchisee must refrain from deviating from Franchisor's standards and specifications without Franchisor's prior written consent. If Franchisor grants Franchisee the right to offer any products or services that are not contemplated by the Advertising Contracts described in Section 5.E.(1) below, then Franchisee will use the form of contract Franchisor requires to document the sale of the products or services, which form will require that all fees and amounts payable under such contracts must be paid directly to Franchisor or its affiliate or their designee, as applicable, in accordance with the terms thereof. Franchisee must not accept any payments from any purchaser of such products and/or services or in connection with complying with Franchisee's obligations under this Agreement. Franchisor may terminate this Agreement for Franchisee's failure to comply with the requirements set forth in this Section 5.B.

C. Approved Suppliers. Franchisee must comply with all of Franchisor's requirements relating to the purchase of products, supplies, and/or services used or offered by the Franchised Business and if required, must purchase such items and/or services from suppliers approved by Franchisor, including without limitation payroll processing and insurers. Franchisee acknowledges and agrees that Franchisor may change the number of approved suppliers or distributors at any time and may designate itself, an affiliate, or a third party as the exclusive source for any or all items or services. Franchisee must receive prior, written approval from Franchisor before purchasing any products, supplies, or services from any supplier not already approved by Franchisor. If Franchisee desires to purchase, lease, or use any products, services, or other items from an unapproved supplier, Franchisee must submit to Franchisor a written request for such approval, or must request the supplier itself to make such request. When reviewing a product or supplier, Franchisor will consider various factors, including, but not limited to, pricing, quality, consistency, efficiency, effectiveness, control of and protection of proprietary information, ability to service

the entire franchise system, data security, credit worthiness, and solvency. At Franchisor's request, Franchisee must pay or reimburse Franchisor for Franchisor's reasonable expenses incurred in the supplier approval process (whether or not approval of the supplier is granted). Franchisor has the right to require that its representatives be permitted to inspect the supplier's business premises, software, security systems, or procedures, and require that samples from the supplier be delivered, if applicable, either to Franchisor or to an independent laboratory designated by Franchisor, for testing. A charge, not to exceed the cost of the inspection and of the test (including Franchisor's administrative costs attributable to both), must be paid by Franchisee or the supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the business premises and products of any such approved supplier. Franchisor has the right to revoke, in its sole discretion, the approval of any item or supplier that fails to meet Franchisor's standards. Nothing in the foregoing will be construed to require Franchisor to approve any particular supplier, nor is Franchisor required to issue any supplier approval standards and specifications to Franchisees. Franchisor will give Franchisee 60 days prior written notice of its revocation of any previously approved supplier. Franchisee's failure to comply with the provisions of this Section 5.C. will be deemed a material breach under this Agreement.

D. Training.

(1) Franchisee must successfully complete, as Franchisor determines, Franchisor's initial training program prior to commencing operations of the Franchised Business, which must be no later than 60 days after the Effective Date of this Agreement. Franchisee and any other personnel of Franchisee whom Franchisor may designate (for purposes of brand standards compliance and communications), must attend and complete any remedial or additional training that Franchisor may from time to time require. Initial training is provided at no additional charge to Franchisee, but Franchisee is responsible for all other costs associated with the training, which may include transportation, lodging, meals, wages, and other travel-related expenses. Franchisor reserves the right to provide the training in any form, whether it be in person, virtual, or other electronic means.

(2) If Franchisor requires, or if Franchisee requests additional or remedial training, attendees of additional or remedial training may be required to pay Franchisor's then-current rate for such additional or remedial training or tuition/attendance fees charged by other third-party providers of such training. Franchisee is responsible for all of its costs associated with training, including without limitation transportation, lodging, other travel-related costs, and wages. Training will be conducted at locations and using the methods designated by Franchisor.

(3) If Franchisor requires, Franchisee must complete Franchisor's required training and certification program in order to solicit leads for and facilitate client relationships with Hyport Digital.

E. Management and Promotion of the Franchised Business. The Principal or operations manager named in Attachment E hereto must personally supervise and devote full-time attention to the day-to-day operations and management of the Franchised Business. Franchisee must obtain Franchisor's approval to use an operations manager. Franchisee, through its Principal and/or operations manager, must diligently promote the sale of, and stimulate interest in, advertising in the Publication that Franchisee manages, however Franchisee must not agree, represent, or warrant to any advertiser that such advertiser will have any exclusive advertising rights and/or protection from competing advertisers. In promoting the Publication, Franchisee, its Principal(s), operations manager, and other representatives, must:

(1) Solicit contracts for print advertising in the Publication from advertisers ("Advertising Contracts"), quoting prices and terms set by Franchisor or its affiliate (or otherwise approved by Franchisor in writing), and using the form contracts provided by Franchisor or its affiliate. To the fullest extent permitted by applicable law, Franchisor and/or its affiliate reserve the right to establish maximum,

minimum, or other pricing requirements with respect to Advertising Contracts. All Advertising Contracts, or other contracts related to the Publication, must be between Franchisor or its affiliate and the Communities, Industry Groups, or advertiser, as applicable, and Franchisee will not be a party to, or a third-party beneficiary of, any such Advertising Contract or any other contract relating to the Publication. Additionally, all fees and amounts payable under the Advertising Contracts must be paid directly to Franchisor or its affiliate or their designee, as applicable, in accordance with the terms thereof, and Franchisee must not accept any payments from any advertiser, Industry Group, or Community, nor will Franchisee make payments on behalf of any Industry Group, Community, or advertiser for any reason. Franchisor may terminate this Agreement for Franchisee's failure to comply with the requirements set forth in this Section 5.E.(1). Franchisee shall not enter into Advertising Contracts or any other contract related to the Publication on Franchisor or its affiliate's behalf, and Franchisor and its affiliates are party to any Advertising Contract or any other contract related to the Publication, not Franchisee or its Principals.

(2) Forward to Franchisor or its affiliate all Advertising Contracts or other contracts related to the Publication that have been executed by a representative of an advertiser for review, approval, and execution by Franchisor or its affiliate no later than 30 days after such contracts have been executed by the advertiser and enter all such contracts into the accounting system (Portal) designated by Franchisor within seven days from the date of sale; and

(3) Each month, and for each publication that Franchisee manages, Franchisee must solicit, gather, obtain, and, as applicable, generate, content for the Publication that complies with Franchisor's standards and requirements. Each month, and for each publication that Franchisee manages, Franchisee must **(i)** maintain a minimum, monthly Commission in the amount prescribed in the Administration Manual, **(ii)** include a minimum number of pages that meet Franchisor's standard within each issue of the Publication, as prescribed in the Administration Manual, and **(iii)** include a minimum number of articles on the topics prescribed in the Administration Manual. Franchisor may change the amount of the minimum Commission, minimum number of pages, and minimum number of topic specific articles at any time during the Term of this Agreement, in its discretion.

(4) For each Quarter, and for each publication that Franchisee manages, Franchisee must complete the minimum number of Qualified Sales, as prescribed in the Administration Manual. Franchisor may change the definition of Qualified Sales, the minimum number of Qualified Sales, and Quarter-related requirements at any time during the Term of this Agreement, in its discretion. A "**Quarter**" is a three-month period starting in January of each year. A "**Qualified Sale**" for purposes of this Agreement will have the definition given the term in the Administration Manual.

(5) Franchisee must complete each content, review, approval, and publishing task for the Publication set forth in the Administration Manual by the deadlines set by Franchisor, as each may change from time to time.

(6) Distribute the Publication to all recipients Franchisor requires.

(7) Subject to the terms of this Agreement and the policies and requirements of the Administration Manual, and at Franchisee's option, solicit leads for and facilitate client relationships with Hyport Digital. At all times when Franchisee is promoting or soliciting the sale of Hyport Digital goods and services or interaction with Hyport Digital leads and clients, Franchisee shall conduct business in a manner that reflects favorably at on the Hyport Digital goods and services and the good name, good will, and reputation associated with the Marks, Franchisor, and Franchisor's affiliates. At all times, all payments for Hyport Digital goods and services shall be directed to Franchisor's affiliate. Franchisee nor any of its employees shall directly or indirectly **(i)** make any representations on behalf of Franchisor's affiliate or Franchisor or with respect to the Hyport Digital goods and services, except such as are expressly authorized

by Franchisor's affiliate or Franchisor or are set forth in their authorized sales materials or **(ii)** engage in any unfair, misleading, or deceptive practices with respect to the Hyport Digital goods and services.

F. Participation in Strategic Partner Arrangements. Franchisor or other of Franchisor's franchisees may, from time to time, establish one or more national or regional accounts with advertisers that may be located in, or have offices, branches, or some other presence in Franchisee's Territory ("**Strategic Partners**"), and Franchisor has sole discretion in determining whether or not an advertiser is deemed a Strategic Partner. Franchisor may, at its discretion, permit Franchisee to call on Strategic Partners in an effort to sell advertising to Strategic Partners in the Publication. If Franchisee attempts to sell advertising to a Strategic Partner, Franchisee must strictly comply with all of Franchisor's or its affiliate's requirements relating to such relationships, including honoring any pricing arrangement agreed to between Franchisor or its affiliate and each Strategic Partner. Franchisor reserves the right to designate, at any time, any of Franchisee's advertisers as a Strategic Partner.

G. Participation in Conferences. Franchisor may, but is not required to, offer, host, or arrange for national and/or regional conferences to be held one or more times each year. If Franchisor requires Franchisee's attendance at such conferences, then Franchisee will attend and pay all related travel and attendance costs, which may include an attendance fee.

H. Office; Equipment. Franchisee may operate the Franchised Business from any facility it chooses, which may be Franchisee's home. Franchisee's office must be located within a radius of 50 miles from the perimeter of Franchisee's Territory. Franchisor does not provide Franchisee any assistance in locating an office. Franchisee must acquire and use any computer (including tablets), hardware, cloud systems, and software for the operation of the Franchised Business that Franchisor requires, including any enhancements, additions, substitutions, modifications, upgrades, and specific models or versions ("**Technology**"). Franchisor may also require Franchisee to license from Franchisor, or others Franchisor designates, any computer software Franchisor develops or acquires for use in connection with the Franchised Business and pay the associated fee. If Franchisor provides Franchisee with any Technology or Software Programs, or requires specific cloud systems and software, Franchisor reserves the right to maintain complete access, at all times, to such provided Technology or Software Programs, or required cloud systems, and software without Franchisee's permission, and Franchisee must provide Franchisor all passwords and other login credentials at Franchisor's request. Otherwise, Franchisor does not have independent access to Franchisee's personal computer. Despite the fact that Franchisee agrees to buy, use, and maintain the Technology and Software Programs according to Franchisor's standards and specifications, Franchisee will have sole and complete responsibility for: **(1)** the acquisition, operation, maintenance, and upgrading of the Technology and Software Programs; **(2)** the manner in which the Technology and Software Programs interface with Franchisor's and any third party's computer system; and **(3)** any and all consequences if the Technology or Software Programs are not properly operated, maintained, and upgraded. Franchisee acknowledges and agrees that Franchisor shall have no responsibility under any circumstances for any malfunction or "crash" of any Technology or Software Programs provided by, required by, or approved by Franchisor, including, but not limited to, for any data lost as a result of such malfunction or "crash."

I. Disclosure and Franchisee's Investigation of this Franchise.

(1) Franchisee acknowledges having received a complete copy of this Agreement and all related attachments and exhibits and a complete copy of Franchisor's franchise disclosure document required by the Federal Trade Commission's Franchise Trade Regulation Rule (16 C.F.R. Part 436) within the time period required by applicable law before Franchisee executed this Agreement or paid any consideration to Franchisor. Franchisee acknowledges that it did not rely on any promises, representations, or agreements about the system, business, or franchise not expressly contained in this Agreement or

Franchisor's franchise disclosure document in making its decision to sign this Agreement. Franchisee acknowledges that Franchisor and its representatives have not made any promises, representations, or agreements, oral or written, except as expressly contained in this Agreement and the franchise disclosure document. Franchisee further acknowledges that Franchisee has read this Agreement and Franchisor's franchise disclosure document and that Franchisee understands the terms of this Agreement and accepts them as being reasonably necessary for Franchisor to maintain the uniformity of Franchised Businesses and to protect the goodwill of the Marks and the integrity of the System.

(2) Franchisee has conducted an independent investigation of the business contemplated by this Agreement and recognizes that an investment in the Franchised Business involves business risks; that Franchisee's success is largely dependent on Franchisee's abilities and efforts; and that the nature of the Franchised Business may change over time. Franchisee has not received or relied on any guaranty or assurance, express or implied, as to the revenues, profits, or success of the business contemplated by this Agreement.

(3) Franchisee understands and agrees that Franchisor may operate and change the System and Franchisor's business in any manner that is not expressly and specifically prohibited by this Agreement. Without limitation of the foregoing, Franchisee acknowledges that the products and services to be offered by Franchisee may be supplemented, improved, or otherwise modified from time to time by Franchisor.

(4) Whenever Franchisor has expressly reserved in this Agreement, or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, then except as otherwise expressly and specifically provided in this Agreement, Franchisor may make its decision or exercise its right and/or discretion on the basis of Franchisor's judgment of what is in Franchisor's best interests, including, without limitation, Franchisor's judgment of what is in the best interests of Franchisor's franchise network at the time Franchisor's decision is made or Franchisor's right or discretion is exercised, without regard to whether: **(i)** other reasonable alternative decisions or actions could have been made by Franchisor; **(ii)** Franchisor's decision or the action Franchisor takes promotes its financial or other individual interest; **(iii)** Franchisor's decision or the action Franchisor takes applies differently to Franchisee and one or more other franchisees or Franchisor's internal operations or its affiliate's operations; or **(iv)** Franchisor's decision or the exercise of Franchisor's right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant will not imply or impute any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions, and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

J. Organization. If Franchisee is a corporation, partnership, limited liability company, or other legal entity, Franchisee represents and warrants the following:

(1) Franchisee is duly organized and validly existing under the laws of the state of its formation;

(2) Franchisee is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;

(3) Franchisee's corporate charter or written partnership or limited liability company agreement will at all times provide that the activities of Franchisee are confined exclusively to the operation

of the Franchised Business;

(4) The execution of this Agreement and the performance of the transactions contemplated hereby are within Franchisee's corporate power, if Franchisee is a corporation, or if Franchisee is a partnership or a limited liability company, are permitted under Franchisee's written partnership or limited liability company agreement and have been duly authorized by Franchisee; and

(5) Franchisee has provided to Franchisor prior to the execution of this Agreement, and will from time to time during the Term of this Agreement at Franchisor's request provide to Franchisor, copies of Franchisee's articles of incorporation and bylaws or, as applicable, Franchisee's written partnership or limited liability company agreement, other governing documents, any amendments to them, resolutions authorizing Franchisee's entry into and performance of this Agreement, and any certificates, buy-sell agreements, or other documents restricting the sale or transfer of Franchisee's stock or other ownership interests and any other documents that Franchisor may reasonably request.

K. Ownership; Principals' Undertaking.

(1) If Franchisee is a corporation, partnership, limited liability company, or other legal entity, the ownership interests in Franchisee are accurately and completely described in Attachment E. If Franchisee is a corporation, Franchisee will maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Franchisee or, if Franchisee is a partnership, limited liability company, or other form of legal entity, Franchisee will maintain at all times a current list of all owners of an interest in the partnership, limited liability company, or other entity. Franchisee will make its list of owners available to Franchisor upon request.

(2) If Franchisee is a corporation, Franchisee will maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate representing stock of the corporation will have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement. If Franchisee is a partnership or limited liability company, its written partnership or limited liability company agreement will provide that ownership of an interest in the partnership or limited liability company is held subject to all restrictions imposed upon assignments by this Agreement.

(3) The Principals that Franchisor designates are set forth in Attachment E and must sign the Principal's Undertaking, Attachment C to this Agreement.

L. Legal Compliance. In addition to complying with Franchisor's obligations under this Agreement, Franchisee will comply with all applicable federal, state, and local laws, rules, regulations, ordinances, and orders. Such laws, rules, regulations, ordinances, and orders vary from jurisdiction to jurisdiction and may be amended or implemented or interpreted in a different manner from time to time. It is Franchisee's sole responsibility to apprise itself of the existence and requirements of all such laws, rules, regulations, ordinances, and orders and to adhere to them at all times during the Term of this Agreement. Without limiting the foregoing, Franchisee certifies that neither Franchisee nor any of Franchisee's Principals, employees, or anyone associated with Franchisee is listed in connection with any Anti-Terrorism Law (including, but not limited to, the Annex to Executive Order 13224 (The Annex is available at (http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx), and Franchisee agrees not to hire or have any dealings with a person so listed. Franchisee further certifies that Franchisee has no knowledge or information that, if generally known, would result in Franchisee, Franchisee's Principals, employees, or anyone associated with Franchisee being so listed. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws and, in connection with such compliance, Franchisee represents and warrants that none of

Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and Franchisee's Principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining which actions it must take to comply with all Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities as provided in this Agreement pertain to its obligations under this Section 5.L. Any misrepresentation by Franchisee under this Section 5.L. or any violation of the Anti-Terrorism Laws by Franchisee, its Principals, or employees will constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or any of its affiliates.

M. Intellectual Property Representations and Warranties. Franchisee represents and warrants to Franchisor **(1)** that any and all content Franchisee **(a)** uses, shares, or posts in connection with any Online Presence and **(b)** submits or causes to be submitted for publication in any N2 publication, and that Franchisor's affiliate's publication of such content, will not violate any law or right (including those of Franchisor, its affiliates, and any third party), including but not limited to intellectual property rights, such as copyright, trademark, or likeness; and **(2)** that Franchisee shall not use in any manner or suggest any association with the intellectual property of any other party without all necessary rights, permissions, or authority. Franchisee represents and warrants that it has and will obtain all necessary rights, permissions, or authority to use, and to have Franchisor's affiliate publish, all content that Franchisee submits or causes to be submitted. Franchisee will in indemnify, defend, and hold harmless Franchisor, its affiliates, and their respective officers, directors, employees, owners, agents, representatives, and independent contractors, past or present, harmless, to the fullest extent permitted by law, from any and all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted), which arises out of or is based upon **(i)** the content Franchisee solicits, gathers, obtains, or generates, in connection with the operation of the Franchised Business; **(ii)** the content Franchisee submits, or causes to be submitted, for publication in any N2 publication; and **(iii)** Franchisee's breach of this representation and warranty.

N. Powers of Attorney. Franchisee hereby appoints Franchisor as Franchisee's true and lawful attorney-in-fact, with full power and authority to assign to Franchisor upon the termination, expiration, or transfer of this Agreement all rights to any Online Presences (including a social media accounts and webpages), telephone number(s), and any business listings related to or associated with the Franchised Business. Such power of attorney will survive the expiration or termination of this Agreement, and Franchisee agrees to execute such forms and documents as Franchisor deems necessary to appoint Franchisor as Franchisee's true and lawful attorney-in-fact with full power and authority for the foregoing purposes. Franchisor will not assume any obligations for costs or expenses related to such Online Presences (including a social media accounts and webpages), telephone number(s), and business listings that accrued prior to the date on which they were required by Franchisor.

O. No Competing Interests. Franchisee warrants and represents that neither Franchisee nor any of its affiliates nor Principals own, operate, or have any financial or beneficial interest in any business that is the same as or similar to a Franchised Business or the publishing business of N2 Co.; nor are bound by any confidentiality, non- disclosure, non-competition, and/or non-solicitation agreement(s) such that entering into this Agreement will violate such agreement(s).

P. Continuing Obligations. Franchisee and Franchisee's Principals make the foregoing representations, warranties, and covenants understanding that such representations, warranties, and covenants are continuing obligations. Franchisee agrees to cooperate with Franchisor to verify Franchisee's and Franchisee's Principals' continuing compliance with such representations, warranties, and covenants. Any failure to comply with these representations, warranties, and covenants will constitute a material event of default under this Agreement.

Q. Performance by Delegate. Franchisee acknowledges and agrees that any rights or duties of Franchisor may be exercised and/or performed by any of Franchisor's affiliates, designees, agents (who may be an unaffiliated third party), or employees.

R. Submission of Information and Timely Communication. Franchisee must promptly provide to Franchisor or its affiliates information relating to the Franchised Business as Franchisor or its affiliates may reasonably require and in the manner they require. Franchisee must promptly respond to Franchisor's or its affiliates' requests for direction, information, or approvals that are reasonably necessary for Franchisor to perform its obligations under this Agreement or for the affiliate to publish the Publication. Franchisee must promptly provide to Franchisor or its affiliates the materials, content, or information that Franchisor may reasonably request to perform its obligations under this Agreement or for the affiliate to publish the Publication.

S. Fines. For each instance where Franchisee fails to obtain prior written approval for advertising or promotional plans and materials, offers unauthorized products or services, or otherwise fails to comply with the System operating standards and Administration Manual, Franchisor shall, at Franchisor's option, have the right to levy a fine in an amount up to $500 for the first instance and up to $1,000 for a second or subsequent instance. The imposition of a fine pursuant to this section shall not act as a waiver of any of Franchisor's other remedies under this Agreement. Furthermore, Franchisor has the right to collect any such fines by means of EFT.

T. Ownership of Content. Franchisor is and will be the sole and exclusive owner in perpetuity of all right, title and interest in and to the content created by Franchisee, Franchisee's employees, or Principals in connection with the Franchised Business, including without limitation all intellectual property rights. Franchisee and Franchisee's Principals agree that such content is work made for hire for Franchisor as defined in Section 101 the Copyright Act of 1975 and Franchisor is and will be considered the sole and exclusive author of the content for all purposes. To the extent any part of the content does not qualify as a work made for hire, Franchisee, Franchisee's employees, and Principals hereby irrevocably assign, transfer, and otherwise convey to Franchisor in perpetuity, all right, title, and interest in and to the content created in connection with the Franchised Business and waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and Franchisee's Principals agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such content in any and all countries and further agree to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. Franchisee and Franchisee's Principals hereby irrevocably designate and appoint Franchisor as Franchisee's and their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance intellectual property right related to any content. In the event that the foregoing provisions of this Section 5.T. are found to be invalid or otherwise unenforceable, Franchisee and Franchisee's Principals hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the content to the extent such use or sublicense would, absent this Agreement, directly or indirectly, infringe Franchisee's or their rights therein.

## 6. FRANCHISOR'S OBLIGATIONS

Franchisor agrees to provide, or cause to be provided, the following to Franchisee:

A. Administration Manual. During the initial training program and for the Term of this Agreement, access to the Administration Manual, either in paper and/or electronic form.

B. Software Programs. For a reasonable fee, any Software Programs that Franchisor acquires or develops for use in the System; provided, that Franchisor is under no obligation to develop or acquire

such Software Programs.

C. Operational Advice. Ongoing advice and written materials, as Franchisor deems necessary in its sole discretion, concerning techniques for managing and operating the Franchised Business.

D. Approved Products, Services, and Suppliers. From time to time, as Franchisor deems appropriate, a list of approved products, services, and suppliers.

E. Training. An initial training program for Franchisee and additional training as determined by Franchisor.

**7. COVENANTS AGAINST UNFAIR COMPETITION**

A. Non-Disclosure of Confidential Information. Franchisee and Principals agree that the Confidential Information is solely owned by Franchisor, and this Agreement does not grant to Franchisee or any Principal any rights in or to the Confidential Information. Franchisee and Principals further agree that the use or duplication of any of the Confidential Information in any other business would constitute an unfair method of competition. Franchisee and Principals acknowledge that Franchisor desires to maintain the confidentiality of the Confidential Information and is making it available to Franchisee for the sole purpose of Franchisee using the Confidential Information in connection with the operation of the Franchised Business under the terms and conditions of this Agreement. Franchisee and Principals further acknowledge and agree that the Confidential Information is proprietary to and a valuable trade secret of Franchisor and that any disclosure or unauthorized use thereof will cause irreparable loss and harm to Franchisor. In consideration of the opportunity to obtain access to the Confidential Information, Franchisee and each Principal agree and covenant:

(1) To use the Confidential Information for their own use in conjunction with the operation of the Franchised Business and to carry out the obligations of Franchisee pursuant to the terms this Agreement and not for any other purpose and to refrain from disclosing the Confidential Information to any third person or entity not directly associated with Franchisee, except as may be required by law. In the event Franchisee, any Principal, or any persons who were lawfully disclosed the Confidential Information become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand, or similar process) to disclose any of the Confidential Information, Franchisee and Principals will provide Franchisor with prompt prior written notice of such requirement so that Franchisor may seek a protective order or other appropriate remedy and/or waive compliance with the terms hereof. In the event that such protective order or other remedy is not obtained, or that Franchisor waives compliance with the provisions hereof, Franchisee and Principals agree to furnish only that portion of the Confidential Information which Franchisee and/or Principals are advised by written opinion of counsel is legally required and exercise best efforts to obtain assurance that confidential treatment will be accorded such Confidential Information;

(2) To ensure that all counsel, accountants, and other representatives of Franchisee and/or Principals who are given access to the Confidential Information on behalf of Franchisee or Principals comply with the confidentiality provisions of this Agreement. Franchisee and each Principal are, jointly and severally, fully responsible for any breach of this Agreement by any person to whom access to the Confidential Information is given by Franchisee, Principals, or their representatives;

(3) Not to make copies of the Confidential Information for any purpose that is not directly related to the Franchised Business;

(4) Not to upload or download, or attempt to upload or download, any Confidential Information that is not directly related to the Franchised Business; and

(5) Upon termination or expiration of this Agreement, promptly return to Franchisor all Confidential Information and all copies thereof.

For clarity, any attempt by Franchisee to upload, download, or copy, into any format or using any method, any Confidential Information that is not directly related to the Franchised Business, including without limitation, client and advertiser information, will constitute grounds for immediate termination of this Agreement.

B. Noncompetition. Franchisee and Principals represent that they are not currently working with or for any Person engaged in any Competitive Business. Franchisee and each Principal specifically acknowledge that they will receive valuable Confidential Information beyond their present skills and experience and that such Confidential Information provides a competitive advantage. In consideration for gaining access to Confidential Information, the use of the Marks and other valuable consideration associated with the grant of the right to operate the Franchised Business, Franchisee and Principal(s) agree that:

(1) During the Term of this Agreement, neither Franchisee nor any Principal will, for themselves or through or on behalf of or in conjunction with other persons or entities, **(i)** own, maintain, operate or engage in a Competitive Business or provide any Competitive Services at any location within the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor or its affiliates have used, sought registration of, or registered the Marks or similar marks or operated or granted others the right to operate a business (including other of Franchisor's franchisees) under the Marks or similar marks or **(ii)** solicit or attempt to solicit, using any form of oral, written, or electronic communications, Franchisor's or its affiliate's current or prospective business advertisers with whom Franchisee or any Principal interacted for the purpose of soliciting, offering or accepting goods or services that are competitive with those offered by Franchisee, Franchisor, or Franchisor's affiliates; and

(2) For a period of two years after the termination, expiration, or transfer of this Agreement, regardless of the reasons for such termination, expiration, or transfer, Franchisee and its Principal(s) shall not, within the Restricted Territory:

(i) own, operate, or manage any Competitive Business, or

(ii) engage in, or assist others in engaging in or providing Competitive Services; or

(iii) perform any activities for or relating to a Competitive Business, the performance of which is reasonably likely to involve the use or disclosure of, and/or reference to Confidential Information.

(3) For a period of two years after the termination, expiration, or transfer of this Agreement, regardless of the reasons for such termination, expiration, or transfer, Franchisee and its Principals shall not, within the Restricted Territory, solicit or attempt to solicit, using any form of oral, written, or electronic communications, Franchisor's or its affiliate's current or prospective business advertisers with whom Franchisee or any Principal interacted for the purpose of soliciting, offering or accepting goods or services that are competitive with those offered by Franchisee, Franchisor, or Franchisor's affiliates.

(4) Provided, however, that nothing herein shall prohibit Franchisee or any Principal from owning, solely as an investment, securities of any Person traded on any national securities exchange if neither Franchisee nor any Principal controls, or is a member of a group which controls, such Person and does not, directly or indirectly, own 5% or more of any class of securities of such Person.

C. Definitions.

(1) Restricted Territory. The term "**Restricted Territory**" means the following divisible and severable territorial divisions:

(i) the territories of and a 15-mile radius around the perimeter of the territory of any publication business owned by Franchisor, its affiliates, or its franchisees (including the Territory); or

(ii) the territories of any publication business owned by Franchisor, its affiliates, or its franchisees (including the Territory);

(iii) the territories of any of Franchisor's franchisees (including the Territory); or

(iv) a 15-mile radius around the perimeter of the Territory and the Territory; or

(v) the Territory.

(2) Competitive Business. The term "**Competitive Business**" includes the following divisible and severable business lines or services ("**Competitive Services**") which the Franchisee's Franchised Business provided at any time within the twelve-month period prior to the termination, expiration or transfer of this Agreement:

(i) selling digital and/or print advertising to businesses for publication in or related to publications that compete with N2 publications, including BELOCAL® publications;

(ii) publishing and/or facilitating the publishing of publications that compete with N2 publications, including BELOCAL® publications;

(iii) developing relationships among members of Communities and members of Industry Groups within the Territory for the purpose of selling or marketing publications that compete with N2 publications, including BELOCAL® publications; or

(iv) offering or selling digital marketing services which are offered or sold by Franchisor or its affiliates or are or were offered and sold by Franchisee.

D. Reasonableness of Covenants. Franchisee and Principals agree that the preceding covenants contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other legitimate business interests of Franchisor. Each of the covenants herein will be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 7. is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee and Principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 7. Franchisee and Principals further understand and agree that Franchisor will have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 7., or any portion thereof, without Franchisee's or Principals' consent, effective immediately upon notice to Franchisee or Principals, and Franchisee and Principals agree that they will promptly comply with any covenant as so modified. The time periods set forth in this Section 7 will be tolled for any period of noncompliance.

E. Improvements. If Franchisee, Franchisee's employees, or Principals develop any new concept, process, or improvement in the operation or promotion of the Franchised Business ("**Improvement**"), Franchisee agrees to promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such Improvement will become Franchisor's sole property, and Franchisor will be the sole owner of all related patents, patent applications, and other intellectual property rights. Franchisee and Franchisee's Principals hereby assign to Franchisor any rights Franchisee or they may have or acquire in the Improvements, including the right to modify the Improvement, and waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and Franchisee's Principals agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. Franchisee and Franchisee's Principals hereby irrevocably designate and appoint Franchisor as Franchisee's and their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such Improvement. In the event that the foregoing provisions of this Section 7.E. are found to be invalid or otherwise unenforceable, Franchisee and Franchisee's Principals hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly, infringe Franchisee's or their rights therein.

F. Client and Other Data. Franchisee shall maintain a current list of the names, businesses, addresses, e-mail addresses and telephone numbers of the advertisers and prospective advertisers who have provided such information to the Franchised Business ("**Client List**"). Franchisee shall provide the Client List to the Franchisor upon request. The Client List shall be the property of Franchisor. Franchisee shall not disclose such information to any person or entity other than Franchisor, or sell such list(s) or any portions thereof to any person or entity without the express written consent of Franchisor. Likewise, other data collected by Franchisee or Franchisee's information technology system (Client List and the other data collectively referred to herein as "**Franchisee Data**") is deemed to be owned by Franchisor, and Franchisee agrees to furnish the Franchisee Data to Franchisor at any time that Franchisor requests it. Franchisor hereby grants Franchisee a limited license to use Franchisee Data while this Agreement or a successor franchise agreement is in effect, but only in accordance with the policies that Franchisor establishes periodically and applicable law. Franchisee shall not be due any compensation based upon Franchisor's use of the Franchisee Data. Franchisee may not sell, transfer, or use Franchisee Data for any purpose other than operating the Franchised Business in accordance with the terms of this Agreement and the Administration Manual.

G. Remedies. Franchisee and Principals agree that the obligations in this Section 7. are necessary and reasonable in order to protect Franchisor and expressly agree that monetary damages would be inadequate to compensate Franchisor for any breach of any covenant or agreement set forth herein. Accordingly, Franchisee and Principals agree and acknowledge that any such violation or threatened violation will cause irreparable injury to Franchisor for which no adequate remedy at law may be available and that, in addition to any other remedies that may be available, in law, in equity, or otherwise, Franchisor is entitled to obtain injunctive relief and specific performance against Franchisee and/or Principals for the threatened breach of this Section 7. or the continuation of any such breach, without proof of actual damages and without the posting of any bond. Franchisee and Principals further agree to pay all court costs and reasonable attorneys' fees incurred by Franchisor in connection with the enforcement of this Section 7., including payment of all costs and expenses for obtaining injunctive relief or any other remedy available to Franchisor for any violation of the requirements of this Section 7.

H. Execution of Covenants by Franchisee's Principals and Management. Franchisee agrees to require and obtain the execution of covenants similar to those set forth in Sections 7.A. and B. from all of Franchisee's Principals not signing the Principals' Undertaking, and, at Franchisor's request, any other of

Franchisee's personnel. These covenants must be substantially in the form set forth in Attachment D; however, Franchisor reserves the right, in Franchisor's sole discretion, to decrease the scope of the noncompetition covenant set forth in Attachment D or eliminate such noncompetition covenant altogether for any person that is required to execute such agreement.

## 8. USE OF MARKS AND COPYRIGHTED MATERIALS

Franchisor hereby grants Franchisee a limited license to use the Marks set forth in Attachment B and Copyrighted Materials designated by Franchisor, solely for the purpose of operating, advertising, and promoting the Franchised Business, as contemplated by this Agreement. Franchisee further expressly agrees that:

A. Franchisor is the lawful owner or licensee of the Marks and the Copyrighted Materials. Franchisee's interest in the Marks and the Copyrighted Materials is solely that of a licensee, and all goodwill attributable to the use of the Marks with respect to the Franchised Business will accrue to the benefit of Franchisor. Franchisee disclaims any proprietary interest in any of the Marks and the Copyrighted Materials.

B. Franchisee will not use the name of any N2 publication or any of Franchisor's Marks or trade names, including the specific Marks "BELOCAL", "N2," "N2 Publishing," "Hyport Digital," or any abbreviation, acronym, or variation of those words as part of Franchisee's name, as part of any business entity in which Franchisee owns or holds an interest, or as part of any Online Presence (including any Internet, Web address, or email domain name or URL). Franchisee must submit to Franchisor for approval, in writing, Franchisee's proposed entity name, and Franchisee will not name its entity using any name that is not approved by Franchisor.

C. Franchisee will use the Marks in the precise form that Franchisor prescribes and will observe Franchisor's directions regarding the presentation, display, and use of the Marks and the use, copying, and distribution of the Copyrighted Materials.

D. Franchisee will not, directly or indirectly, establish or operate an Online Presence that in any way concerns, discusses or alludes to the Franchisor, the System, the Publication, any N2 publication, or the Franchised Business without Franchisor's written consent, which Franchisor is not obligated to provide. An "**Online Presence**" includes **(1)** a website, other webpages, URLs, or domain names, **(2)** accounts, pages, handles, or profiles on social media sites, social networking sites, news sites and groups, online, internet, or digital directories, video, photography, audio, podcast, and messaging services, blogs, or forums, **(3)** e-commerce sites or accounts, **(4)** digital or online advertising and marketing content and services, **(5)** mobile applications, **(6)** virtual reality platforms, **(7)** identifiers of an Online Presence, or **(8)** a presence on any other type of online, internet, or digital tool, good, or service that may be developed. Franchisor has the rights to create any Online Presences it deems appropriate, in its sole discretion. Further, the Marks may not be used as part of, in conjunction with, to establish or to operate any Online Presence or email address, unless specifically approved by the Franchisor, which approval Franchisor is not obligated to provide. Franchisee will not post, and will take such steps as necessary to ensure that its employees and representatives do not post, any information to an Online Presence relating to the Franchisor, Franchisor's affiliates, the System, the Marks, or the Franchised Business that **(i)** does not comply with the Franchisor's then-current brand, social media, or Online Presence guidelines described in the Administration Manual, **(ii)** is derogatory, disparaging, or critical of the Franchisor, the System or the Marks, **(iii)** is offensive, inflammatory or indecent, **(iv)** infringes upon the intellectual property rights of Franchisor, Franchisor's affiliates, or third parties, or **(v)** harms the goodwill and/or public image of the System and/or the Marks. Franchisee shall not establish or permit or aid anyone else to establish any links to any Online Presence

which Franchisor may create. Franchisor alone has the right, but not the obligation, to establish, maintain, modify or discontinue all internet and electronic commerce activities pertaining to the System, including through any Online Presence. Franchisor shall not be liable for downtime that may occur to any such Online Presence or email address, whether such downtime is caused by Franchisor or a third-party. Franchisor alone will be, and at all times remain, the sole owner of the copyrights to all material which appears on any Online Presence, including any and all material Franchisee may furnish to Franchisor for use on an Online Presence. Ownership of all URLs and other identifiers with any such Online Presence shall vest exclusively in Franchisor. Franchisor shall have the right, but not the obligation, to designate one or more webpage(s) or other form of Online Presence to describe Franchisee, the Franchised Businesses, the Publication, the N2 publications, Franchisor, Franchisor's affiliates, and the Marks, with such webpage(s) or Online Presence to be located within Franchisor's website or another Online Presence. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web page(s) and any other Online Presence and email addresses; and Franchisor shall have the right to refuse to post and/or discontinue posing any content and/or the operation of any webpage or Online Presence. Franchisee shall not establish a separate website or Online Presence or business email address, without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish an Online Presence or email address, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Online Presence or email address. Franchisee shall not use the Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any Online Presence or email address of Franchisee, except as permitted by Franchisor's then-current policies. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without Franchisor's prior written consent as to Franchisee's plan for transmitting such advertisements. For any Online Presence (and all URLS and other identifiers related to any Online Presence) or email address Franchisee is approved to create or use, Franchisor reserves the right, at its sole option and discretion, to have the Online Presence directly owned by Franchisor or to require any such Online Presence or email address be transferred to Franchisor upon the termination, expiration, or transfer of this Agreement for any reason. Franchisor has the right to require that any Online Presence or email address Franchisee is permitted to create, use, or maintain be registered in Franchisor's name. Upon request, Franchisee must provide Franchisor with any login credentials for any Online Presence or email address Franchisee is authorized to create, use, or maintain. Franchisor has the right to access any Online Presence to take corrective action if any content or post on the Online Presence is in violation of Franchisor's policies. Franchisor may take ownership of any Online Presence at any time during the Term of this Agreement and upon expiration, transfer, or termination of this Agreement, and operate it in Franchisor's sole discretion. Franchisor may revoke any approval for Franchisee to use create or use an Online Presence, in Franchisor's sole discretion. Franchisee agrees that the electronic commerce and marketing remains a rapidly developing field and that the provisions of this subsection may need to be modified in the future or that guidelines on use of the internet may be introduced in the Administration Manual. In the event that Franchisor makes such modifications or issues such guidelines, Franchisee agrees that they shall be legally binding on Franchisee to the extent permitted by applicable law.

E. Franchisor may, in its sole discretion, provide Franchisee with a _____@n2co.com email address or email address using a different domain name that contains the name or any part of the name of the Publication or any of the Marks, or derivatives thereof, at no charge. Franchisee may request additional email addresses using the n2co.com or other domain names that contain the Marks or any part of the Marks (except the n2co.com domain) at no charge. If Franchisor provides Franchisee such email address(es), Franchisee must use such email address(es) in connection with the Franchised Business and as otherwise directed in the Administration Manual. If Franchisee requests additional email addresses using the n2co.com domain, Franchisee must pay Franchisor the then-current fee for each such additional address.

F. Franchisee must obtain Franchisor's prior approval for all advertising and promotional plans and materials that Franchisee desires to use to promote the Franchised Business and that have not been prepared or previously approved by Franchisor. Franchisee must submit such unapproved plans and materials to Franchisor (by personal delivery, by facsimile, through the mail, or by e-mail using the e-mail address required by Franchisor), and Franchisor will approve or disapprove such plans and materials within 14 days from the date of receipt by Franchisor, and Franchisor reserves the right to disapprove previously approved plans and materials at any time, in Franchisor's sole discretion. Franchisee will not use such plans or materials until approved by Franchisor. Franchisee must promptly discontinue use of any promotional or advertising plans or materials upon notice from Franchisor to do so.

G. Franchisee must notify Franchisor immediately of any apparent infringement of, or challenge to, Franchisee's use of any Mark and of any claim by any person of any rights in any Mark or any Copyrighted Materials. Franchisee and Principals must not communicate with any person other than Franchisor, its affiliates, their counsel, and Franchisee's counsel in connection with any such apparent infringement, challenge, or claim. Franchisor will have complete discretion to take any action it deems appropriate in connection with any infringement of, or challenge or claim to, any Mark or Copyrighted Materials and the right to control exclusively, or to delegate control of, any settlement, litigation, Patent and Trademark Office, or other proceeding arising out of any such alleged infringement, challenge, or claim or otherwise relating to any Mark or Copyrighted Materials. Franchisee agrees to execute all such instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any affiliate in the Marks or Copyrighted Materials.

## 9. TRANSFER AND ASSIGNMENT

A. By Franchisor.

(1) Franchisor has the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity without prior notice to, or consent of, Franchisee, and upon such transfer or assignment, the transferee or assignee will be solely responsible for all of Franchisor's obligations arising hereunder subsequent to the transfer or assignment.

(2) If Franchisor transfers or assigns this Agreement to an unaffiliated third-party purchaser in connection with the sale of the entire N2 publication(s) franchising business, and if, as of the date of such transfer or assignment, the remaining Term of this Agreement is less than 540 days, then, prior to or contemporaneously with the closing of such transfer or assignment, Franchisor will, at Franchisee's option, enter into an amendment to this Agreement with Franchisee pursuant to which the then-existing Term of this Agreement will be extended so that it expires on the date which is 540 days from the closing date of such transfer or assignment. Nothing in this Section 9.A.(2) limits or otherwise affects Franchisor's right to transfer or assign this Agreement as provided in Section 9.A.(1).

B. By Franchisee. Franchisee will not transfer or assign this Agreement without Franchisor's prior written consent. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement will be null and void and will constitute a material breach under this Agreement. For purposes of this Agreement, the term "**transfer**" shall mean any issuance, sale, assignment, gift, pledge, mortgage or any other encumbrance, transfer by bankruptcy, transfer by judicial order, merger, consolidation share exchange, transfer by operation of law or otherwise, whether direct or indirect, voluntary or involuntary. Any ownership or structural changes in Franchisee including but not limited to, any merger, reorganization, transfer of shares, stock, or interests among owners, issuance of additional shares or classes of stock or additional partnership interests, shall constitute and be deemed a transfer. If Franchisee wishes to transfer all or part of its interest in the Franchised Business or this Agreement, or in

substantially all of the assets of the Franchised Business, or if Franchisee or any Principal wishes to transfer any ownership interest in Franchisee, transferor and the proposed transferee must apply to Franchisor for its consent. Franchisee agrees to submit to Franchisor all information Franchisor requires in order to determine whether to approve a proposed transfer of the Franchised Business, and Franchisor agrees to notify Franchisee of its approval or disapproval within a reasonable period of time, not to exceed 30 days, after Franchisor has received all requested information relating to the proposed transfer of the Franchised Business. A marketing list, client list or potential client list may be transferred only to a transferee to whom Franchisee's rights and obligations under this Agreement are simultaneously being transferred in accordance with the terms hereof. If Franchisor does not exercise its rights under Section 9.C or Section 9.D, the decision as to whether to approve a proposed transfer shall be made by Franchisor in its sole discretion and shall include numerous factors deemed relevant by Franchisor. These factors may include, but will not be limited to, the following conditions:

(1) Franchisee and its affiliates are not in default of this Agreement, or any other agreement with Franchisor or its affiliates, and have substantially and timely complied with all the terms and conditions of such agreements during their respective terms, including but not limited to paid all amounts due;

(2) The transferor and its principals, if applicable, have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and any other agreement with Franchisor or its affiliates, and under federal, state, or local laws, rules, and regulations or orders;

(3) The transferee demonstrates to Franchisor's satisfaction that it meets Franchisor's then-current qualifications, and, at the transferee's expense, transferee and any of its principals and any other personnel required by Franchisor complete any training programs then in effect for N2 publication franchisees upon such terms and conditions as Franchisor may require;

(4) The transferee must enter into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint and several, liability for, and agreeing to perform from the date of the transfer, all obligations, covenants, and agreements of Franchisee under this Agreement. If the transferee is a corporation, partnership, limited liability company, or other entity, those of transferee's principals who are designated as principals, also must execute such agreement and guarantee the performance thereof;

(5) The transferee must execute Franchisor's then-current form of franchise agreement for a term ending on the expiration date of this Agreement (including any renewal terms provided by this Agreement). The new franchise agreement will supersede this Agreement in all respects, and its terms may differ from the terms of this Agreement, including higher fees, but the transferee will not be required to pay an initial franchise fee. If the transferee is a corporation, partnership, limited liability company, or other entity, those of transferee's principals who are designated as principals, also must execute such agreement and guarantee the performance thereof;

(6) The transferor will remain liable for all of its obligations to Franchisor under this Agreement incurred prior to the effective date of the transfer and must execute any and all instruments reasonably requested by Franchisor to evidence such liability;

(7) Upon application for consent, Franchisee must pay Franchisor a transfer fee in an amount equal to the then-current initial franchise fee that Franchisor generally charges to new franchisees,

plus Franchisor's reasonable attorneys' fees incurred in connection with the transfer; and

(8) If transferee is a corporation, partnership, limited liability company, or other entity, the transferee must make all of the representations, warranties, and covenants in Section 7. as Franchisor may request and must provide evidence satisfactory to Franchisor that such representations, warranties, and covenants are true and correct as of the date of the transfer.

C. By Franchisee – Right of First Offer. If Franchisee or any of its Principals desires to transfer this Agreement or the Franchised Business for legal consideration before obtaining an offer from a buyer, Franchisee must send Franchisor an offer in writing ("**Offer Notice**") containing the exact terms and conditions on which Franchisee desires to transfer the Franchisee, the Franchise Agreement, or the Franchised Business. Upon receipt of the Offer Notice Franchisor will have the option, exercisable by notice ("**Response Notice**") delivered to Franchisee within 30 days thereafter, to indicate Franchisor's intention to accept Franchisee's offer to sell such interest in this Agreement or the Franchised Business for the price and terms contained in the Offer Notice. Franchisor has the right to investigate and analyze the business and all other matters Franchisor deems necessary or desirable in order to make an informed investment decision with respect to the fairness of the terms described in the Offer Notice. Franchisor may conduct such investigation and analysis in any manner Franchisor deems reasonably appropriate, and Franchisee and its Principals agree to provide Franchisor with all information Franchisor requests and to cooperate fully with Franchisor in connection therewith. If Franchisor delivers a Response Notice, Franchisor and Franchisee and/or its Principals will enter into a purchase agreement reasonably satisfactory to both Franchisor and Franchisee, containing such agreements, representations, warranties, covenants, and indemnities, and requiring such documents at closing, as is reasonably necessary to protect each party's interests. The closing shall occur not more than 90 days after the date of the Response Notice, unless the closing is delayed for reasons beyond Franchisor's reasonable control. If Franchisor does not deliver a Response Notice, as provided above, Franchise and/or its Principals may solicit offers to transfer this Agreement or the Franchised Business from other parties at the exact same price and on the exact same terms as presented in the Offer Notice for a period of time expiring 365 days after the Offer Notice is delivered to Franchisor. Franchisee must immediately deliver to Franchisor a complete and accurate copy of any offer that Franchisee receives within such 365-day period from any such third party that Franchisee and/or its Principals are willing to accept ("**Third Party Offer**"). If the terms of the Third Party Offer are the same as those contained in the Offer Notice, then Franchisee and/or its Principals may accept such offer and complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to our approval of the transfer as provided in Section 9.B, provided that if the sale to such offeror is not completed within 90 days after delivery of such Third Party Offer to us, or if there is any change in the terms of the offer, Franchisee must promptly notify Franchisor and Franchisor will have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the 30-day period following Franchisee's notification of the expiration of the 90-day period or the change to the terms of the offer.

D. By Franchisee – Right of First Refusal. If the terms of the Third Party Offer pursuant to Section 9.C are different in any material respect (including price and/or payment terms) from those contained in the Offer Notice pursuant to Section 9.C, Franchisor will have the option, exercisable by notice delivered to you within 30 days from the date of delivery to us of a complete and accurate copy of the Third Party Offer, to purchase such interest in this Agreement, Franchisee, or the Franchised Business for the price and on the terms and conditions contained in such Third Party Offer. In addition, if Franchisee or any of its Principals desire to transfer this Agreement, Franchisee, or the Franchised Business to a prospective buyer without first giving Franchisor an Offer Notice pursuant to Section 9.C, Franchisee or its Principals must obtain a bona fide, executed written offer and earnest money deposit in the amount of at least 5% of the offering price from a responsible and full disclosed purchaser and must deliver immediately to Franchisor a complete and accurate copy of such offer ("**Right of First Refusal Offer**"). Franchisor has the right to investigate and analyze the business and all other matters Franchisor deems necessary or

desirable in order to make an informed investment decision with respect to the fairness of the terms of our right of first refusal. Franchisor may conduct such investigation and analysis in any manner Franchisor deems reasonably appropriate, and Franchisee and its Principals agree to provide Franchisor with all information Franchisor requests and to cooperate fully with Franchisor in connection therewith. If Franchisor exercises its option to purchase pursuant to the terms of the Third Party Offer or the Right of First Refusal Offer, as provided in this Section 9.D or Section 9.C, Franchisor and Franchisee and/or its Principals will enter into a purchase agreement reasonably satisfactory to Franchisor and Franchisee, containing such agreements, representations, warranties, covenants, and indemnities and requiring such documents at closing, as are reasonably necessary to protect each party's interests. The closing shall occur not more than 90 days after the date of our response to the Third Party Offer or Right of First Refusal Offer, as applicable, unless the closing is delayed for reasons beyond Franchisor's reasonable control. In the event the consideration, terms and/or conditions offered by a third party are such that Franchisor may not reasonably be able to furnish the same consideration, terms and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by the third party, Franchisor at its own expense may designate an independent appraiser and the appraiser's determination shall be binding. If Franchisor does not exercise its option to purchase pursuant to the terms of the Third Party Offer or the Right of First Refusal Offer, as provided in this Section 9.D or Section 9.C, Franchisee or its Principals may complete the sale to such offeror pursuant to and on the exact terms of such offer, subject to Franchisor's approval of the transfer as provided in Section 9.B, provided that if the sale to such offeror is not completed within 90 days after delivery of such offer to Franchisor, or if there is any change in the terms of the offer, Franchisee must promptly notify Franchisor and Franchisor will have an additional option to purchase (on the terms of the revised offer, if any, and otherwise as set forth herein) during the 30-day period following Franchisee's notification of the expiration of the 90-day period or the change to the terms of the offer.

E. Transfer Upon Death or Disability

(1) Upon the death or disability of Franchisee or a Principal, the executor, administrator, conservator or other personal representative of such person shall transfer the Franchisee's or Principal's interest to a party approved by Franchisor within six months thereof. The transfer must be completed within six months of the death or disability or this Agreement shall automatically terminate, unless Franchisor grants an extension in writing. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to all conditions set forth in this Article 9, including Franchisor's right of first offer and right of first refusal, provided that if the transfer is by devise or inheritance, the transferor will not be obligated to pay a transfer fee. Franchisor's consent to a transfer of any interest subject to the restrictions of this Article 9 of this Agreement, shall not constitute a waiver of any claims it may have against the assignor, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms or conditions of this Agreement by the transferee. The term "**disability**" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent Franchisee or a Principal from operating the Franchised Business in the manner required by this Agreement and the Administration Manual or from performing its, his, or her obligations under this Agreement and the Administration Manual.

(2) During the period between death or disability of Franchisee or a Principal and the completion of the transfer described in Section 9.E.(1)., the Franchised Business still must be operated in accordance with the terms and conditions of this Agreement. Upon the death or disability of Franchisee or a Principal, the Franchisee's or the Principal's executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not to exceed 30 days from the date of death or disability, appoint a manager (unless Franchisee or the Principal had previously appointed a manager who remains responsible for the day-to-day operation of the Franchised Business). Any new manager must

complete Franchisor's standard training program at Franchisee's expense, sign Franchisor's then-current form of confidentiality and non-compete agreement, and comply with any of Franchisor's then-current requirements for approval of a manager.

(3) Not in lieu of any additional rights Franchisor may have, upon death or disability of Franchisee or a Principal, Franchisor may, but not need, assume the Franchised Business's management (or appoint a party to assume its management) until the transfer pursuant to Section 9.E.(1).is completed. The terms and conditions for the exercise of Franchisor's step-in right are set forth in Section 12.E.

## 10. DEFAULT AND TERMINATION

A. Default and Termination. Franchisee acknowledges that each of Franchisee's obligations described in this Agreement is a material and essential obligation; that nonperformance of such obligations will adversely and substantially affect Franchisor and the System; and that the exercise by Franchisor of the rights and remedies set forth herein is appropriate and reasonable.

B. Automatic Termination. Franchisee will be deemed to be in default of this Agreement, and all rights granted herein will automatically terminate without notice to Franchisee if:

(1) Franchisee becomes insolvent or makes a general assignment for the benefit of creditors;

(2) Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof;

(3) an involuntary petition is filed with respect to Franchisee under any such laws and is not dismissed within 60 days after it is filed;

(4) Franchisee admits in writing its inability to pay its debts when due;

(5) Franchisee is adjudicated as bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state;

(6) a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee;

(7) a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction;

(8) proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee;

(9) a final judgment remains unsatisfied or of record for 30 days or longer (unless supersedeas bond is filed);

(10) Franchisee is dissolved;

(11) This Agreement and the Franchised Business are not transferred in accordance with Section 9. of this Agreement within six months of the death or disability of Franchisee or any of its Principals, unless Franchisor grants an extension in writing; or

(12) execution is levied against Franchisee's business or property.

C. Termination on Notice; No Cure. Franchisor may terminate this Agreement immediately upon written notice to Franchisee, without an opportunity to cure, if:

(1) Franchisee abandons or otherwise ceases operations of the Franchised Business contemplated by this Agreement;

(2) Franchisee transfers or attempts to transfer this Agreement in violation of Section 9. of this Agreement;

(3) Franchisee uses the Copyrighted Materials or uses or discloses the Confidential Information in violation of this Agreement;

(4) Franchisee or any of its Principals fails to comply with any of the covenants set forth in this Agreement, including those in Section 7.A to 7.C. relating to confidentiality and restrictions against competition;

(5) Franchisee or any of its Principals misuses or makes any unauthorized use of the System, the Marks, or impairs the goodwill associated therewith or Franchisor's rights therein; or otherwise breaches the obligations set forth in Section 8;

(6) Franchisee or any Principal makes any material misrepresentation to Franchisor or breaches any warranty or representation made to Franchisor, whether in this Agreement or otherwise;

(7) Franchisee or any Principal is convicted of, or pleads nolo contendere to, a felony or indictable offense in any court, becomes known to Communities, Industry Groups, or advertisers as being of bad moral character, disparages, embarrasses, or tarnishes Franchisor's reputation, or fails to comport itself at all times in accordance with the highest standards of conduct and behavior, consistent with its responsibilities as a franchisee;

(8) For any N2 publication for which Franchisee is responsible, the total expenses, including Royalty and Publication Expenses (defined below), in a given month exceed the revenue actually received by Franchisor in that same month under the Advertising Contracts for that same publication;

(9) Franchisee or any of its affiliates is in default of any other agreement with Franchisor or any of Franchisor's affiliates and fails to cure such default as provided for in such other agreement;

(10) Franchisee or any of the Principals commits a second or subsequent event of default under this Agreement, whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Franchisee after notice by Franchisor;

(11) Franchisee underreports its sales of Advertising Contracts;

(12) Franchisee accepts any payments from any advertiser, Community, or Industry Group, or makes any payments on behalf of any Community, Industry Group, or advertiser, for any reason;

(13) Franchisee begins operations of the Franchised Business prior to receiving prior authorization from Franchisor;

(14) Franchisee operates under any trademark not approved by Franchisor or otherwise uses any trademark not approved by Franchisor in the operation of the Franchised Business;

(15) Franchisee defaults under Section 5.M;

(16) Franchisee fails to include the minimum number of pages in an issue (as determined by Franchisor's then-current standard) two or more times within a six month period;

(17) Franchisee fails to meet a deadline two or more times within a 12 month period;

(18) Franchisee or any of the Principals acts, or fails to act, in a way that that is reasonably likely to have an adverse effect on the Publication, N2 publications, the System, or the Marks; or Franchisee, by act or omission, impairs the value of, or the goodwill associated with, the Publication, N2 publications, the System, or the Marks; or

(19) Franchisee commits a default which is not capable of being cured.

D. Termination on Notice; Opportunity to Cure. Except as provided in Sections 10.B and 10.C of this Agreement, upon any default by Franchisee which is capable of being cured, Franchisor may terminate this Agreement by giving Franchisee written notice of termination stating the nature of the default and the time period within which the default must be cured ("**cure period**"). Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's satisfaction within the cure period (or any longer period that applicable law may require). If any such default is not cured within the cure period, this Agreement will terminate without further notice to Franchisee effective immediately upon the expiration of the cure period. Unless included in the provision below, the cure period will be specified in Franchisor's notice to Franchisee. Defaults which are susceptible of cure hereunder may include, but are not limited to, the following:

(1) Franchisee does not meet all content, review, approval, processing and other publication deadlines for the Publication, including but not limited to the deadline to provide approval(s) on or before the Franchisee's assigned Commission date, or such other date as Franchisor may specify from time to time;

(2) Franchisee does not operate its Franchised Business in accordance with all of Franchisor's standards and procedures, including without limitation, those set forth in Sections 5.B. and 5.E. of this Agreement and those set forth in Franchisor's Administration Manual;

(3) Franchisee fails to maintain the Publication for the Territory that contains substantive, current, specific information in accordance with Franchisor's standards and procedures;

(4) Franchisee fails to submit content on or before the applicable deadline or fails to submit sufficient content;

(5) Franchisor terminates more than one publication contract or otherwise ceases production of more than one publication for which Franchisee is responsible, in any six-month period due to the fact that the Publication Expenses for such publications exceed the total revenue received by Franchisor with respect to such publications;

(6) Franchisee otherwise discontinues more than one N2 publication in any six-month period for any reason or is forced to discontinue more than one N2 publication in any six-month period of

time due to the fact that the Publication Expenses for such discontinued publication exceed the total revenue received by Franchisor with respect to such publication;

(7) Franchisee or Principals fail to return any Returnable Commissions to Franchisor within 15 days after receiving notice from Franchisor that such Returnable Commissions are due;

(8) Franchisee fails to pay when due any fee, expense, charge, or other amount due and owing to any supplier or creditor of Franchisee;

(9) Franchisee fails to pay its employees and/or independent contractors in accordance with applicable federal, state, and local labor and/or employment and payday laws;

(10) Franchisee or any Principal **(i)** fails to interact with a lead or facilitate a client relationship with Hyport Digital in a professional manner or **(ii)** through act or omission, violates a policy or requirement of the Administration Manual regarding the Hyport Digital leads, clients, goods, services, and trademarks;

(11) Franchisee fails to comply with any other provision of this Agreement; or

(12) Franchisor receives repeated advertiser, Community, or Industry Group complaints about the Franchised Business.

E. Mutual Termination Right. Franchisor and Franchisee each have the right to terminate this Agreement for any reason or no reason by providing the other party with written notice of termination on or before the earlier to occur of **(1)** nine months following the Effective Date or **(2)** the date on which the first issue of the Publication is issued. In the event of termination of this Agreement pursuant to this Section 10.E., neither party will incur any liability or have any obligation to pay the other party any amounts hereunder, except for amounts due and owing as of the date of the mutual termination. In Franchisor's sole discretion, Franchisor may condition Franchisee's termination under this Section 10.E. upon the parties' execution of a mutual termination and release agreement in the form required by Franchisor, and Franchisee will be required to comply with all of its post-termination obligations required in this Agreement.

F. Step-In Rights. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right, or any other rights Franchisor may have against Franchisee, upon a failure to meet any of the requirements of this Agreement, or upon a failure to cure any default within the applicable time period (if any), Franchisor has the right, but not the obligation, to assume the Franchised Business's management (or appoint a party to assume its management) until such time as Franchisor determines that the default has been cured and Franchisee is otherwise in compliance with this Agreement, or until Franchisor determines it will no longer exercise its step-in right. The terms and conditions for the exercise of Franchisor's step-in right are set forth in Section 12.E.

G. Limitation of Services or Benefits. Franchisor shall have the right, but not the obligation, to temporarily or permanently limit or remove certain services or benefits provided by Franchisor or Franchisor's affiliates, or required to be provided by Franchisor, to Franchisee hereunder in lieu of exercising its right to terminate this Agreement, including, without limitation, eliminating any Online Presences associated with the Publication or the Franchised Business, restricting or removing Franchisee's right to purchase products directly or indirectly from Franchisor or its affiliates, limiting Franchisor's advertising and promotional assistance, restricting or removing Franchisee's right to use Franchisor's Software Programs or Franchisor-provided Technology, if any, and publishing the Publication. Nothing in this Section constitutes a waiver of any other right or remedy of Franchisor under this Agreement. Franchisee acknowledges that Franchisor's exercise of its rights pursuant to this Section shall not be deemed

a constructive termination. Any services or benefits removed or limited pursuant to this Section may be reinstated at any time in Franchisor's sole discretion.

## 11. OBLIGATIONS OF FRANCHISEE UPON TERMINATION

Upon the expiration or termination of this Agreement, all rights granted to Franchisee hereunder will immediately terminate, and Franchisee must:

A. Immediately cease to conduct operations of the Franchised Business;

B. Promptly discontinue all use of the Marks, Copyrighted Materials, and Confidential Information and take appropriate action to return to Franchisor all Copyrighted Materials and Confidential Information in Franchisee's possession or within its control;

C. Pay all amounts due under this Agreement;

D. Pay to Franchisor all damages, costs, and expenses, including reasonable attorney's fees incurred by Franchisor in connection with any of Franchisee's default(s) of this Agreement;

E. Comply with the covenants set forth in Section 7.;

F. At Franchisor's option, assign to Franchisor all rights, control, and access to any business listings and Online Presences (including accounts, credentials, and login information) related to or associated with the Franchised Business and execute all forms and documents required by Franchisor to transfer such items to Franchisor. Franchisee agrees to use different telephone numbers, business listings, and Online Presences in connection with any subsequent business conducted by Franchisee. Franchisor has the right to prohibit Franchisee's continued control of, use of, or access to such Online Presences; and

G. Pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 11.

## 12. INSURANCE; INDEMNIFICATION; INDEPENDENT CONTRACTOR

A. Insurance. Franchisee will procure and maintain in full force and effect at all times during the Term of this Agreement, at Franchisee's expense, an insurance policy or policies protecting Franchisee against any demand or claim with respect to personal injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring at or in connection with Franchisee's operation as an independent contractor. Such policy or policies must be written by a carrier approved or required by Franchisor and must include, but not be limited to, the following:

(1) Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability, and fire damage coverage, in the amount of $2,000,000 combined single limit per occurrence, $4,000,000 general aggregate.

(2) Automobile liability coverage, including coverage of owned, non-owned, and hired vehicles, with coverage in amounts not less than $300,000, combined single limit.

(3) Event insurance for each event Franchisee hosts or sponsors in connection with the Publication in the amount of $1,000,000 per occurrence, $2,000,000 in the aggregate, regardless of where

the event is located.

(4) Such other insurance as may be required by the state or locality in which Franchisee operates.

Franchisor reserves the right, in its sole discretion, to require Franchisee to procure and maintain in full force and effect at all times during the Term of this Agreement, at Franchisee's expense, any other insurance policies or coverages that Franchisor deems necessary, as well as higher policy limits, as specified by Franchisor from time to time in writing.

Franchisee may elect to have reasonable deductibles in connection with the coverage required under above. Such policies must also include a waiver of subrogation in favor of Franchisor, its affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them. Franchisee's obligation to obtain and maintain the foregoing policies in the amounts specified are not limited in any way by reason of any insurance which may be maintained by Franchisor, nor will Franchisee's performance of such obligation relieve it of liability under the indemnity provisions set forth in Section 12.B. of this Agreement. All insurance policies required hereunder (except workers' compensation, if applicable) must name Franchisor and its affiliates, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants, and employees of each of them, as additional insureds and must expressly provide that such additional insureds' interests will not be affected by Franchisee's breach of any policy provisions and that the insurer must defend each additional insured in any covered action while reserving the additional insureds' right to involve counsel of their own choosing. Franchisee's insurance must apply as primary and non-contributory.

Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in writing, Franchisor will have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, will be payable by Franchisee immediately upon notice. Franchisor may also, in its sole discretion, elect to reduce the compensation payable to Franchisee under Section 4. of this Agreement by an amount equal to the charges Franchisor incurs in procuring and maintaining such insurance coverage required by this Agreement. The foregoing remedies are in addition to any other remedies Franchisor may have at law or in equity.

B. Indemnification. Franchisee will indemnify, defend, and hold harmless Franchisor, its affiliates, and their respective officers, directors, employees, owners, agents, representatives, and independent contractors, past or present ("**Indemnitees**"), harmless, to the fullest extent permitted by law, from any and all losses and expenses (defined below) incurred in connection with any action, suit, proceeding, claim, demand, investigation, or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted), which arises out of or is based upon any act or omission, whether actual or alleged, negligent or otherwise, of Franchisee, its employees, or agents, in connection with the performance of Franchisee, its employees, or agents in connection with the operation of the Franchised Business, Franchisee's employer/employee relationships, or the breach by Franchisee of any representation, warranty, or obligation herein. "**Losses and expenses**" includes, without limitation, all losses, compensatory, exemplary, or punitive damages, fines, charges, costs, expenses, lost profits, reasonable attorneys' fees, court costs, settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill, and other such amounts incurred in connection with the matters described. This indemnity will survive the expiration or termination of this Agreement.

C. Collections Actions. Franchisee will reimburse Franchisor or its affiliate for the costs

Franchisor or its affiliate incurs to enforce advertising contracts entered into in connection with the Publication. If advertisers breach such agreements, Franchisor and/or its affiliate reserve the right, in their sole discretion, to seek payment from advertisers either by engaging a collections agency, instituting other collections means, and/or filing a lawsuit, and Franchisee will reimburse Franchisor or its affiliate for the costs of enforcement, including without limitation collections costs, other legal and court costs, and reasonable attorneys' fees.

D. Relationship of the Parties. Franchisee and Franchisor are independent contractors. Neither Franchisee nor Franchisor are agents, legal representatives, subsidiaries, joint venturers, partners, employees, or servants of the other for any purpose. Neither Franchisee nor Franchisor will be obligated by, or have any liability under, any agreements or representations made by the other, nor will Franchisor be liable for any damages to any person or property directly or indirectly arising out of Franchisee's operation of the Franchised Business, whether or not caused by Franchisor's negligence or willful action or failure to act. Franchisor also has no liability for any sales, use, excise, gross receipts, property, income, or other taxes that Franchisee might incur in connection with Franchisee's operation of the Franchised Business. Franchisee has control over Franchisee's own work schedule and determines the hours Franchisee works on any given day. Franchisee will use his or her own equipment and materials. Franchisor will provide from time to time suggestions and training to assist Franchisee, but Franchisee has control over the method used to obtain the desired results, provided that the actions performed are ethical, legal, and do not violate Franchisor's policies. All employees hired by or working for Franchisee will be Franchisee's or Franchisee's affiliates' employees and will not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control. Franchisor does not have the authority to hire, fire, promote, or demote any of Franchisee's or Franchisee's affiliates' employees or take any disciplinary action whatsoever against any of them. Additionally, Franchisee must communicate to all employees that Franchisee, not Franchisor, is their employer; and Franchisee must ensure that no payroll checks or other employment-related documents (such as job applications and W-2s) contain or reference the Marks or Franchisor's name. During the Term of this Agreement, Franchisee must hold itself out to the public as an independent contractor conducting the Franchised Business pursuant to the rights granted by Franchisor. In accordance with the policies and format for given notice determined by Franchisor, Franchisee may notify Franchisor that one or more of Franchisee's employees or representatives are authorized to be Franchisee's agent(s) and to communicate with Franchisor and its affiliates on Franchisee's behalf on the matters that Franchisee specifies. Franchisor shall not be liable to Franchisee for losses or expenses Franchisee incurs due to Franchisor's compliance with the instructions given by Franchisee's agents.

E. Step-In Rights Generally. In the event Franchisor exercises its step-in rights in accordance with the terms as set forth above Franchisee, must (in addition to paying all other amounts owed due under this Agreement) pay to Franchisor an additional fee of 45% of the monthly Cash Received, plus any expenses Franchisor or a third party incurs in managing the Franchised Business ("**Management Fee**"). The Franchisee shall pay the Management Fee for as long as the Franchisor or the third party is operating the Franchised Business. The Management Fee is due monthly. If Franchisor (or a party it appoints) undertakes to operate the Franchised Business pursuant to the exercise of Franchisor's step-in rights, Franchisee agrees to indemnify and hold Franchisor or the party (and Franchisor's or the party's affiliates, representative(s), and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of Franchisor's or the party's operation of the Franchised Business. Franchisor (or a party) has a duty to utilize only reasonable efforts to operate the Franchised Business and will not be liable to Franchisee, a Principal, or their respective heirs, beneficiaries, or devisees for any debts, losses, or obligations the Franchised Business incurs, or to any of Franchisee's or its Principals' creditors for any products, other assets, or services the Franchised Business purchases, while Franchisor (or a party) manages it.

## 13. NOTICES

A. Except as expressly provided in Section 13.B. below, any and all notices required or permitted under this Agreement must be in writing and must be delivered by electronic mail to the parties at the following e-mail addresses:

| | |
|---|---|
| Notices to N2: | legal@n2co.com |
| Notices to Franchisee and Principals: | _____@n2co.com<br>and<br>[INSERT PERSONAL EMAIL ADDRESSES] |

All notices and other written communications will be deemed delivered and received on the date the transmission is received in the e-mail box designated above, whether or not the party receiving such message opens and reads the message in a timely manner. Franchisor and Franchisee have, and each of them hereby accept, the obligation to check, open, and read the messages in the e-mail boxes designated above at least once each Business Day.

B. Upon the expiration or termination of this Agreement, or if, for any reason, Franchisor no longer provides an n2co.com e-mail account to Franchisee, then all future notices must be in writing and personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid to the parties at the following addresses until a different address is designated by written notice to the other party:

| | |
|---|---|
| Notices to Franchisor: | N2 Franchising, Inc.<br>Attention: President<br>2093 Philadelphia Drive, #3202<br>Claymont, DE 19703 |
| Notices to Franchisee and Principals: | _____<br>_____<br>_____<br>Attention: _____ |

## 14. APPLICABLE LAW; DISPUTE RESOLUTION

A. Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq*.) or other federal law, this Agreement, the franchise, and all claims arising from the relationship between Franchisor, its affiliates, and Franchisee will be governed by and construed in accordance with the laws of the state of North Carolina, without regard to its conflict of law rules. Franchisor and Franchisee acknowledge that the agreements regarding applicable law, forum, and venue set forth in this Section 14. provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising out of this Agreement or the relationship created by this Agreement. Franchisor and Franchisee further acknowledge the receipt and sufficiency of mutual consideration for such benefit.

B. Arbitration.

(1) Any dispute, controversy, or claim arising out of, in connection with, or relating to this Agreement, and the relationships created hereby; or the formation, interpretation, breach, termination, or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, must be resolved by arbitration. The arbitration must be administered in accordance with the Commercial

Rules of the AAA. There will be one arbitrator. The arbitrator(s) must be experienced in franchising or franchise law and have no prior business or professional relationship with either party. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 *et seq*.) ("**FAA**"). The parties intend and agree that any state laws attempting to prohibit arbitration or void out-of-state forums for arbitration are preempted by the FAA and that arbitration will be held as provided in this Section 14.B. The arbitrator(s) must provide a reasoned award in writing. The award rendered by the arbitrator(s) will be final, and judgment may be entered thereon in any court having jurisdiction thereof.

(2) The costs and expenses of arbitration paid to the AAA and to the arbitrator will initially be paid equally by the two sides to the arbitration. All other arbitration-related expenses, including but not limited to attorneys' fees and travel expenses, will be paid initially by the party which incurred such expense. Notwithstanding the foregoing, the arbitrator(s) must award to the prevailing party the reasonable costs and fees, including attorneys' fees, incurred in the arbitration.

(3) Arbitration will be conducted in the city in which Franchisor maintains its principal business office at the time of the arbitration.

(4) **TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ARBITRATION WILL PROCEED SOLELY ON AN INDIVIDUAL BASIS WITHOUT THE RIGHT FOR ANY DISPUTES TO BE ARBITRATED ON A CLASS ACTION BASIS OR ON BASES INVOLVING CLAIMS BROUGHT IN A PURPORTED REPRESENTATIVE CAPACITY ON BEHALF OF OTHERS. DISPUTES MAY NOT BE JOINED OR CONSOLIDATED WITH ANY OTHER ARBITRATION UNLESS AGREED TO IN WRITING BY ALL PARTIES.**

(5) The arbitrator(s) has no power or authority to award punitive damages and, with respect to any claim for damages, the arbitrator(s) is authorized to award only actual damages sustained by a party.

(6) If Franchisor, Franchisee, or any of Franchisee's Principals files in court any claim that should have been brought in arbitration under this Section 14.B., and the other party succeeds in a motion to compel arbitration of such claim, the party filing such claim in court must reimburse the other party its reasonable attorneys' fees and costs for defending against the lawsuit and for its motion to compel arbitration. Further, if prior to an arbitrator's final decision, either Franchisee, any of Franchisee's Principals, or Franchisor commences an action in any court for a claim that arises out of or relates to this Agreement (except for the purpose of enforcing this arbitration provision or as otherwise permitted by this Agreement), the party bringing the action in court will be responsible for the other party's expenses of enforcing this arbitration provision, including court costs, arbitration filing fees, and other costs and attorneys' fees.

(7) Neither Franchisee nor any of Franchisee's Principals will assert any claim or cause of action against Franchisor or its officers, directors, shareholders, employees, or affiliates after two years following the event giving rise to such claim or cause of action.

(8) Notwithstanding the foregoing provisions of this Section 14.B., controversies, disputes, or claims related to or based on past due monies owed pursuant to this Agreement, the Marks, the Confidential Information, Franchisee's and the Principals' covenants against unfair competition, or the Copyrighted Materials may be brought in court.

C. Notwithstanding the foregoing, each party retains the right to apply to any court of competent jurisdiction for provisional and/or conservatory relief, including injunctions or pre-arbitral attachments, and any such request will not be deemed incompatible with the agreement to arbitrate or a

waiver of the right to arbitrate. Franchisee and its Principals hereby irrevocably consent to personal jurisdiction in the state and federal courts located in the county in which Franchisor maintains its principal place of business for this purpose.

D. To the extent that litigation is permitted in accordance with the above provisions, or in the event that, notwithstanding the above provisions, it is ultimately determined that a particular claim is not arbitrable under applicable law, the following provisions will apply:

(1) **VENUE AND JURISDICTION. ANY ACTION BROUGHT BY ANY PARTY AGAINST THE OTHER IN ANY COURT, WHETHER FEDERAL OR STATE, MUST BE BROUGHT EXCLUSIVELY WITHIN THE COUNTY OR THE FEDERAL JUDICIAL DISTRICT WHERE FRANCHISOR'S PRINCIPAL BUSINESS OFFICE IS LOCATED. FRANCHISEE AND ITS PRINCIPALS HEREBY SUBMIT TO THE JURISDICTION OF THOSE COURTS FOR PURPOSES OF ANY SUCH PROCEEDING AND WAIVE ANY OBJECTIONS TO JURISDICTION AND ANY CLAIM THAT SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM OR THAT VENUE IS IMPROPER. NOTWITHSTANDING THE ABOVE, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER PROVISIONAL RELIEF, ANY PARTY MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.**

(2) **WAIVER OF JURY TRIAL. FRANCHISEE AND FRANCHISOR HEREBY IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**

(3) **WAIVER OF PUNITIVE DAMAGES. THE PARTIES HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM, CLAIMS FOR DAMAGES WILL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY A PARTY.**

(4) Attorneys' Fees. If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party will be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

## 15. CONSTRUCTION OF AGREEMENT

A. Entire Agreement. This Agreement, the documents referred to herein, and the Attachments hereto constitute the entire, full, and complete agreement between Franchisor, Franchisee, and Principals concerning the subject matter hereof and supersede all prior related agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to Franchisee. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

B. No Waiver. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee or the Principals under this Agreement will constitute a waiver by Franchisor to enforce any such right, option, duty, or power against Franchisee or the Principals, or as to a subsequent breach or default by Franchisee or the

Principals.

C. Approval or Consent. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee must make a timely written request to Franchisor, and such approval or consent must be obtained in writing. No waiver, approval, consent, advice, or suggestion given to Franchisee, and no neglect, delay, or denial of any request therefor, will constitute a warranty or guaranty by Franchisor, nor does Franchisor assume any liability or obligation to Franchisee or any third party as a result thereof.

D. Force Majeure. Upon the occurrence of an event of Force Majeure, the party affected thereby must give prompt notice thereof to the other party, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected, and a plan for resuming operation under the Agreement, which the party must promptly undertake and maintain with due diligence. Such affected party will be liable for failure to give timely notice only to the extent of damage actually caused. Except as provided in this Section 15.D., neither party will be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure.

E. Severability. Except as expressly provided to the contrary herein, each portion, section, part, term, and provision of this Agreement will be considered severable; and if, for any reason, any portion, section, part, term, or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such determination will not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms, or provisions of this Agreement that may remain otherwise intelligible, and the latter will continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms, or provisions will be deemed not to be part of this Agreement; and such portion, section, part, term, or provision as similar as possible to that which was severed will automatically be added, which addition will be valid and not contrary to or in conflict with any law or regulation.

F. Counterpart Execution; Digital Signatures. This Agreement may be executed in multiple counterparts, each of which when so executed will be an original, and all of which will constitute one and the same instrument. Facsimile signatures, which includes digital signatures, will have the same effect as handwritten signatures for the purposes of validity, enforceability, and admissibility.

G. Headings. The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions will not be deemed to govern, limit, modify, or in any other manner affect the scope, meaning, or intent of the provisions of this Agreement or any part thereof, nor will such captions otherwise be given any legal effect.

H. Survival. Any obligation of Franchisee or the Principals that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or the Principals therein will be deemed to survive such termination, expiration, or transfer. Without limitation of the foregoing, the provisions of Section 14. are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

I. Gender. All references herein to the masculine, neuter, or singular will be construed to include the masculine, feminine, neuter, or plural, where applicable. Without limiting the obligations individually undertaken by the Principals under this Agreement, all acknowledgments, promises, covenants, agreements, and obligations made or undertaken by Franchisee in this Agreement will be deemed, jointly and severally, undertaken by all of the Principals.

J. Remedies Cumulative. All rights and remedies of the parties to this Agreement are cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure, or default or threatened breach, failure, or default of any term, provision, or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement will be continuing and will not be exhausted by any one or more uses thereof and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination, or exercise of Franchisor's rights pursuant to Section 10. of this Agreement will not discharge or release Franchisee or any of the Principals from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination, or the exercise of such rights under this Agreement. Additionally, Franchisee and the Principals will pay all court costs and reasonable attorneys' fees and costs incurred by Franchisor in obtaining any remedy available to Franchisor for any violation of this Agreement.

K. No Third-Party Beneficiary. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors, and personnel and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, authorized by Section 9.) any rights or remedies under or as a result of this Agreement.

L. Further Assurances. The parties will promptly execute and deliver such further documents and take such further action as may be necessary in order to effectively carry out the intent and purposes of this Agreement.

M. Agreement Effective Upon Execution by Franchisor. This Agreement will not become effective until signed by an authorized representative of Franchisor.

[Remainder of the Page is Intentionally Blank.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the dates set forth below, each intending to be legally bound by its terms.

**FRANCHISOR:**
N2 Franchising, Inc.

By:_____
Duane Hixon, CEO
Date:_____

**FRANCHISEE:**
[Insert name of Franchisee entity here]

By:_____
Name:_____
Title:_____
Date:_____

**ATTACHMENT A**
**DEFINITIONS**

"**Administration Manual**" means Franchisor's confidential operations manual, which may consist of one or more manuals, containing Franchisor's mandatory and suggested standards, specifications, and operating procedures relating to the operation of the Franchised Business and Franchisee's obligations under this Agreement. The term also includes alternative or supplemental means of communicating information to Franchisee, including bulletins, video files, audio files, CD ROMs, and electronic communications.

"**Advertising Value**" means the greater of **(1)** the minimum market value of each print ad, as Franchisor or its affiliate determines, in its sole discretion; **(2)** the contract price for which the print advertising actually sold, which Franchisee can determine; **(3)** the cash value of services that Franchisee barters in exchange for print advertising; or **(4)** the combined amount/value of (2) and (3), if applicable.

An "**affiliate**" of a named person is any person or entity that is controlled by, controlling or under common control with such named person.

"**Business Day**" means each day other than a Saturday, Sunday, federal U.S. holiday, or any other day on which the Federal Reserve is not open for business in the United States.

"**Cash Received**" means all revenue actually received by Franchisor or it affiliate(s) from advertisers, Communities, Industry Groups, or other parties under the terms of an Advertising Contract or any other form of agreement or contract related to the Publication.

"**Commission**" the Franchisee will receive for each of the N2 publications it manages, including the Publication, is calculated as follows:

(i) For any print advertisement Franchisee sells for inclusion in the Publication, the amount equal to the total Cash Received for the Publication in the applicable month; minus the Royalty for the Publication for the applicable month; minus the Publication Expense for the Publication for the applicable month; plus

(ii) For any print advertisement Franchisee sells for inclusion in a publication managed by another franchisee or the Franchisor's affiliate, as applicable, (x) the amount equal to Franchisor's then-current Outgoing Cross-Selling Fee, divided by the total number of publications Franchisee manages, or (y) the Pre-print Commission, divided by the total number of publications Franchisee manages; plus

(iii) For any print advertisement another franchisee or Franchisor's affiliate sells for inclusion in the Publication, the amount equal to Franchisor's then-current Receiving Cross-Selling Fee; plus

(iv) if in the future Franchisor institutes a fee for managing a client, for any print advertisement where Franchisee "manages" (as defined in Franchisor's then-current Administration Manual) a client who publishes a print advertisement in another publication managed by another franchisee, Franchisee will receive a Commission equal to Franchisor's then-current Managing Cross-Selling Fee, divided by the number of publications Franchisee manages; minus

(v) All other applicable fees and/or deductions applicable to Franchisee or the Publication, including, but not limited to: (1) samples shipping fees or extra copy orders fees; (2)

adjustment fee; (3) missed deadline fee; (4) Returnable Commissions; (5) digital remarketing costs; (6) fees for services Franchisor or its affiliates provide, including any optional services Franchisee elects to receive; (7) cross selling fees originating from Franchisee's sales into publications managed by Franchisor or its affiliates or fees for Corporate Ads; (8) lead generation fees; and/or (9) Negative Commissions.

"**Confidential Information**" means information and know-how, oral or written, and documents relating to Franchisor, its affiliate, the Franchised Business, and any publication furnished by Franchisor, or representatives of Franchisor, to Franchisee. Franchisor's Confidential Information includes, without limitation, all trademarks, trade names, service marks, emblems, and indicia of origin used by Franchisor in connection with the operation of the Franchised Business, and all trade secrets or know-how, including, but not limited to, research, plans, products, services, customer lists, advertisers, business plans, marketing data, software, forms, processes, methods of operation, and other business information disclosed to Franchisee by Franchisor or its representatives. The term Confidential Information does not include information which Franchisee or Principals can establish **(a)** is or becomes generally available to the public other than as a result of disclosure by Franchisor, or **(b)** becomes available to Franchisee from a source other than Franchisor or the representatives of Franchisor, provided that such source is not and was not bound by a non-disclosure or confidentiality agreement with Franchisor.

"**Copyrighted Materials**" means works of authorship which are owned by Franchisor or its affiliate and fixed in a tangible medium of expression including, without limitation, the contents of the Administration Manual, the design elements of the Marks, Franchisor's bulletins, correspondence, and communications with its franchisees, training, advertising and promotional materials, and the content and design of Franchisor's Online Presences and all N2 publications, and other written materials relating to the operation of the Franchised Business and the System.

"**Negative Commissions**" means the negative amount that occurs when the Royalty, Publication Expenses, and other applicable fees and deductions (including without limitation amounts owed Franchisor or its affiliate as a result of other agreements between Franchisee or its affiliate on the one hand and Franchisor or its affiliate on the other hand) exceed Cash Received.

"**Person**" means an individual or an entity, including a corporation, limited liability company, partnership, trust, unincorporated organization, association, or investment entity, or any Governmental Authority.

"**Pre-print Commission**" means a one-time payment equal to 10% of the total value of the contract with the advertiser for the purchase of print advertisements to be included in a publication managed by a Receiving Franchisee.

"**Principals**" includes, collectively and individually, all officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) whom Franchisor designates as Franchisee's Principals, and all holders of a direct or indirect ownership interest in Franchisee and of any entity directly or indirectly controlling Franchisee.

"**Publication Expense**" means Franchisor's affiliates' cost to design, publish, print, and deliver each issue of the Publication and undertake all other related tasks, including, without limitation, design fees (for print advertisements), printing costs, postage, administrative costs, including allocable portions of salaries, computer systems, etc., and any miscellaneous fees, including, without limitation, ad creation fees. The Publication Expense for the Publication is determined based on the number of publications that will be distributed ("**Publication Count**") and the number of pages in the Publication ("**Page Count**"). The Publication Expense for each Publication can be determined by entering the Publication Count and the Page Count in the Publication Calculator on Franchisor's Online Presence or as otherwise provided by Franchisor

or its affiliate. Franchisor or its affiliate determines the cost basis used for calculating the Publication Expense ("**Cost Basis**") on an annual basis, and that Cost Basis is implemented on September 1 of each year and is applied through August 31 of the following year ("**Calculation Year**"). Notwithstanding anything to the contrary in this Agreement, Franchisor or its affiliate will not increase the Cost Basis by more than the greater of **(a)** 10% per Calculation Year or **(b)** the percentage change in the Consumer Price Index – All Urban Consumers, which is determined and published by the Bureau of Statistics of the United States Department of Labor, for the immediately preceding Calculation Year; except that, if postage rates increase at any time during any Calculation Year, Franchisor or its affiliate reserve the right to increase the Cost Basis during the Calculation Year by the amount of the postage rate increase.

"**Receiving Franchisee"** means the franchisee or affiliate of Franchisor who has the right to distribute the publication within which the print advertisements sold by a Selling Franchisee will be published.

"**Royalty**" means 15% of the Advertising Value of each issue of the Publication (or, in the case of cross-selling, the publication managed by another franchisee or affiliate of Franchisor), whether or not Franchisor or its affiliate actually receives payment for the print advertisements.

"**Selling Franchisee**" means the franchisee (or affiliate of Franchisor) who sells print advertisements to be included in a publication managed by another franchisee (or affiliate of Franchisor).

"**Software Programs**" means the proprietary or other software programs developed or acquired by or on behalf of Franchisor for use in connection with the Franchised Business.

**ATTACHMENT B**

**PUBLICATION DESCRIPTION AND OTHER INFORMATION**

Franchisee has the right to operate the Franchised Business only for the Publication described below and in compliance with the Agreement and the information provide below:

1. The Territory for the BELOCAL® Publication is:

_____

_____

_____

2. Franchisee has the right to use the following Marks, as set forth in the Agreement:

BELOCAL®

3. Franchisee acknowledges that Franchisor is the lawful, rightful, and sole owner of the Internet domain name, belocalpub.com.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| **N2 Franchising, Inc.** | **[Insert name of Franchisee entity here]** |
| By:_____ | By:_____ |
| Duane Hixon, CEO | Name:_____ |
| Date:_____ | Title:_____ |
| | Date: _____ |

**ATTACHMENT C**
**PRINCIPALS' UNDERTAKING**

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement, and any revisions, modifications, and amendments thereto, (collectively, "**Agreement**") by and between N2 Franchising, Inc. ("**Franchisor**"), and [Franchisee], ("**Franchisee**"), and dated [Insert Date of Agreement]), the undersigned ("**Principal**") agrees as follows:

1. Principal acknowledges and agrees as follows:

(a) The undersigned is a "Principal," as defined in the Agreement, and has read the terms and conditions of the Agreement and acknowledges that the execution of this Principal's Undertaking is in partial consideration for, and a condition to, Franchisor entering into the Agreement with Franchisee and that Franchisor would not have entered into the Agreement without the execution of this Principal's Undertaking; and

(b) Without limiting any of Franchisee's obligations under the Agreement, Principal **(i)** makes all of the covenants, representations, warranties, and agreements set forth in Section 5.L. (Legal Compliance), Section 7. (Confidentiality, Non-Competition), Section 8. (Use of Marks and Copyrighted Materials), Section 9. (Transfer and Assignment), and Section 14. (Applicable Law and Dispute Resolution) of the Agreement and is obligated to perform thereunder; and **(ii)** represents that each and every representation of Franchisee made in connection with the Agreement is true, correct, and complete in all respects as of the time given and as of the time of the undersigned's execution of this Principals' Undertaking.

2. The obligations of Principal are independent of the obligations of Franchisee, and a separate action or actions may be brought and prosecuted against Principal, whether or not actions are brought against Franchisee or whether or not Franchisee is joined in any such action.

3. This Principal's Undertaking is governed by and interpreted in accordance with the laws of the State of North Carolina, without regard to its conflicts of law principles. This Principal's Undertaking is enforceable by and against the respective administrators, executors, successors, and assigns of the Principal, and the death of any Principal will not terminate the liability of such Principal or limit the liability of other Principals hereunder.

IN WITNESS WHEREOF, the undersigned execute this Principals' Undertaking effective as of the date(s) set forth below.

**PRINCIPAL(S):**

| | |
|---|---|
| _____ | _____ |
| (Signed as an Individual) | (Signed as an Individual) |
| Name:_____ | Name: _____ |
| Date:_____ | Date: _____ |

**ATTACHMENT D**
**CONFIDENTIALITY AGREEMENT AND ANCILLARY COVENANTS NOT TO COMPETE**

This Agreement is made and entered into this _____ day of _____, 20__, between N2 Franchising, Inc. ("**Franchisor**") and _____ ("**Covenantor**"). Franchisor has granted to _____ ("**Franchisee**") the right to operate business pursuant the terms of a franchise agreement between Franchisor and Franchisee dated _____ ("**Franchise Agreement**"). Initially capitalized terms used, but not defined in this Agreement, have the meanings contained in the Franchise Agreement.

**RECITALS**

A. Franchisor has the right to use and license the use of a system ("**System**") for the establishment and operation of franchised businesses that sell print advertising for publications under the Marks ("**Franchised Business**").

B. The System is identified by certain Marks and includes certain Confidential Information which provides economic advantages to Franchisor and licensed users of the System.

C. Covenantor desires to become involved with Franchisee in the capacity of an owner, officer, partner, member, manager, shareholder or guarantor of the Franchised Business.

D. In connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Confidential Information, to use the Marks, and to obtain valuable knowledge and experience about the Franchised Business, including through training.

E. Franchisor and Franchisee have agreed on, and Covenantor acknowledges, the importance of restricting the use, access, and dissemination of the Confidential Information and otherwise protecting the goodwill, the Marks and other legitimate business interests of the Franchisor and Covenantor has agreed to enter into a written agreement protecting the Confidential Information and further protecting the legitimate interests of the Franchised Business and protecting the System against unfair competition.

F. Covenantor acknowledges that receipt of and the right to use the Confidential Information, the Marks, the training and goodwill constitutes independent valuable consideration for the representations, promises, and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

**AGREEMENT**

**Confidentiality/Non-Disclosure**

1. Covenantor will, at all times, maintain the confidentiality of the Confidential Information and will use and disclose such Confidential Information only in the course of his or her work with or performance of services for the Franchisee in connection with the operation of the Franchised Business under the Franchise Agreement.

2. Covenantor will not at any time make copies of the Confidential Information for any purpose that is not directly related to the Franchised Business.

3. Covenantor will return and surrender any material containing any Confidential Information to Franchisee or Franchisor, upon request, or upon termination of Covenantor's business relationship with the Franchised Business.

4. Without limiting the foregoing in any way, Covenantor acknowledges that the Administration Manual is Confidential Information and Franchisor grants Franchisee, and therefore Covenantor, access to the Administration Manual for limited purposes only and that the Administration

Manual remains the property of Franchisor. Covenantor agrees that no Administration Manual may be reproduced, in whole or in part, without Franchisor's written consent.

**Covenants Not to Compete**

1. In order to protect the Confidential Information, the Marks, the goodwill of the System and the legitimate business interests of the Franchised Business, Covenantor agrees that, during the term of his or her business relationship with the Franchisee or the Franchised Business, and for a period of two years following the earlier of **(i)** the termination of Covenantor's business relationship with Franchisee (regardless of the reason for such termination), or **(ii)** the termination, expiration, or transfer of Franchisee's interest in the Franchise Agreement (regardless of the reason for termination, expiration, or transfer), Covenantor will not, without Franchisor's prior written consent or as permitted under valid franchise agreements with Franchisor:

i. own, operate, or manage any Competitive Business, or

ii. engage in, or assist others in engaging in or providing Competitive Services which the Covenantor engaged in or obtained Confidential Information about; or

iii. perform any activities for or relating to a Competitive Business, the performance of which is reasonably likely to involve the use or disclosure of, and/or reference to Confidential Information.

2. During the term of his or her business relationship with the Franchisee or the Franchised Business, and for a period of two years following the earlier of **(i)** the termination of Covenantor's business relationship with Franchisee or the Franchised Business (regardless of the reason for such termination), or **(ii)** the termination, expiration, or transfer of Franchisee's interest in the Franchise Agreement (regardless of the reason for termination, expiration, or transfer), Covenantor will not, without Franchisor's prior written consent or as permitted under valid franchise agreements for the Franchised Business solicit or attempt to solicit, using any form of oral, written, or electronic communications, Franchisor's or Franchisee's current or prospective business advertisers with whom Covenantor interacted for the purpose of soliciting, offering or accepting goods or services that are competitive with those offered by Franchisor.

3. Provided, however, that nothing herein shall prohibit Covenantor from owning, solely as an investment, securities of any Person traded on any national securities exchange if neither Franchisee nor any Principal controls, or is a member of a group which controls, such Person and does not, directly or indirectly, own 5% or more of any class of securities of such Person.

4. Definitions.

A. Restricted Territory. The term "**Restricted Territory**" means the following divisible and severable territorial divisions:

i. the territories of and a 15-mile radius around the perimeter of the territory of any publication business owned by Franchisor, its affiliates, or its franchisees (including the territory of the Franchised Business); or

ii. the territories of any publication business owned by Franchisor, its affiliates, or its franchisees (including the territory of the Franchised Business); or

iii. the territories of any of Franchisor's franchisees (including the territory of the Franchised Business); or

iv. a 15-mile radius around the perimeter of the territory of the Franchised Business and the territory of the Franchised Business; or

v. the territory of the Franchised Business.

B. Competitive Business. The term "**Competitive Business**" includes the following divisible and severable business lines or services ("**Competitive Services**") which the Franchisee's Franchised Business of which Covenantor is a part provided at any time within the twelve-month period prior to the termination of the Covenantor's business relationship with the Franchised Business or the termination, expiration, or transfer of the Franchisee's Franchise Agreement:

i. selling digital and/or print advertising to businesses for publication in or related to publications that compete with N2 publications, including BELOCAL® publications;

ii. publishing and/or facilitating the publishing of publications that compete with N2 publications, including BELOCAL® publications;

iii. developing relationships among members of Communities and members of Industry Groups within the territory of the Franchised Business for the purpose of selling or marketing publications that compete with N2 publications, including BELOCAL® publications;

iv. offering or selling digital marketing services which are offered or sold by Franchisor or its affiliates or are or were offered and sold by Franchisee.

C. Confidential Information. The term "**Confidential Information**" means information and know-how, oral or written, and documents relating to Franchisor, its affiliate, or the Franchised Business furnished by Franchisor, or representatives of Franchisor, to Covenantor. Franchisor's Confidential Information includes, without limitation, all trademarks, trade names, service marks, emblems, and indicia of origin used by Franchisor in connection with the operation of the Franchised Business, and all trade secrets or know-how, including, but not limited to, research, plans, products, services, customer lists, advertisers, business plans, marketing data, software, forms, processes, methods of operation, and other business information disclosed to Covenantor by Franchisor or its representatives. The term Confidential Information does not include information with Covenantor can establish (**a**) is or becomes generally available to the public other than as a result of disclosure by Franchisor, or (**b**) becomes available to Covenantor from a source other than Franchisor, Franchisee, or the representatives of Franchisor, provided that such source is not and was not bound by a non-disclosure or confidentiality agreement with Franchisor.

**Miscellaneous**

1. Covenantor agrees that:

a. Each of the covenants herein contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor.

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

c. In the event of a breach of this Agreement, Franchisor would be irreparably injured and without an adequate remedy at law and, therefore, upon any such breach or attempted breach of any provision hereof, Franchisor will be entitled, in addition to any other remedies which it may have at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms

of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security. The time periods relating to the obligations described in this Agreement will be tolled during any period of noncompliance.

2. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees and costs) incurred by Franchisor in enforcing this Agreement.

3. Any failure by Franchisor to object to or take action with respect to any breach of any provision of this Agreement by Covenantor will not operate or be construed as a waiver of or consent to that breach of any subsequent breach by Covenantor.

4. **THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NORTH CAROLINA, WITHOUT REFERENCE TO NORTH CAROLINA CONFLICT OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE AND FEDERAL DISTRICT COURTS LOCATED IN THE STATE, COUNTY, OR JUDICIAL DISTRICT IN WHICH FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY NORTH CAROLINA OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT WILL BE THE COUNTY OR JUDICIAL DISTRICT IN WHICH THE FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.**

5. **FRANCHISOR AND COVENANTOR HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT.**

6. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

7. Any and all notices required or permitted under this Agreement will be in writing and will be personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first-class postage prepaid, or sent by facsimile or electronic mail to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice will be addressed to:

N2 Franchising, Inc.
2093 Philadelphia Drive, #3202
Claymont, DE 19703
Attention: President

If directed to Covenantor, the notice will be addressed to:

_____
_____
_____

Attention: _____
Facsimile: _____

Any notice will be deemed to have been given at the time of personal delivery or, in the case of expedited delivery service on the next Business Day, or, in the case of or registered or certified mail, three Business Days after the date and time of mailing, or, in the case of facsimile or electronic mail, upon transmission (provided confirmation is sent by expedited delivery service or registered or certified mail).

8. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and will insure to the benefit of its respective affiliates, successors and assigns. The respective obligations of Covenantor hereunder may not be assigned by Covenantor without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

**FRANCHISOR:**
N2 Franchising, Inc.

By:_____
Duane Hixon, CEO

Date:_____

**COVENANTOR:**

By: _____
Name:_____
Title:_____
Date: _____

**ATTACHMENT E**

**STATEMENT OF OWNERSHIP INTERESTS AND MANAGEMENT INFORMATION**

1. The following is a list of all shareholders, partners, members, or other investors owning a direct or indirect interest in Franchisee and a description of the nature of their interest:

| Name | Ownership Interest in Franchisee | Nature of Interest |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

2. The following is a list of all of Franchisee's Principals who are signing the Principals' Undertaking.

_____

_____

_____

3. The following named Principal or Operations Manager is the person responsible for the day-to-day operations and management of the Franchised Business.

_____

**ATTACHMENT F**

**ELECTRONIC FUNDS TRANSFER AUTHORIZATION**

# DIRECT DEPOSIT ENROLLMENT

I hereby authorize N2 Franchising, Inc. ("Company") to initiate credit and, if necessary, debit entries, and adjustments for any credit entries in error to the account indicated below, at the depository financial institution (Bank Name) named below, and to credit or debit the same from such account. I acknowledge that this authorization will remain in effect until I cancel or supersede the account information in writing and that the origination of ACH transactions to my account must comply with the provisions of U.S. law. This authorization will remain in effect until Company has received advanced written notice of cancellation from me in such time and in such manner as to afford Company a reasonable opportunity to act on it, and in no event will not be less than 30 days.

Bank Name: _____ Branch: _____

City: _____ State: _____ Zip: _____

Account Number: _____ Routing Number: _____

Select one: ☐ Checking ☐ Savings

Name on Account (Entity or Individual): _____

_____

Signature Date Print Name

_____

Title if Signing for Entity

5051 New Centre Drive | Wilmington, NC 28403 | p: 910.202.0917 | f: 910.202.1876 | n2pub.com

## STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT

**AMENDMENT TO N2 FRANCHISING, INC. FRANCHISE AGREEMENT FOR THE STATE OF CALIFORNIA**

The N2 Franchising, Inc. Franchise Agreement between _____ ("**Franchisee**," "**you**," or "**your**") and N2 Franchising, Inc. ("**Franchisor**") of even date herewith ("**Agreement**"), is hereby amended by the addition of the following language, which will be considered an integral part of the Agreement ("**Amendment**"):

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 *et seq*., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq*. To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

b. The Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq*.).

c. The Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

d. The Agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law.

IN WITNESS WHEREOF, Franchisee, on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. This Amendment is effective on the date Franchisor signs below.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| N2 Franchising, Inc.<br>a Delaware corporation | _____ |
| By:_____ | By: _____ |
| Name:_____ | Name: _____ |
| Title:_____ | Title: _____ |
| Date:_____ | Date:_____ |

**AMENDMENT TO N2 FRANCHISING, INC. FRANCHISE AGREEMENT FOR THE STATE OF HAWAII**

The N2 Franchising, Inc. Franchise Agreement between _____ ("**Franchisee**," "**you**," or "**your**") and N2 Franchising, Inc. ("**Franchisor**") of even date herewith ("**Agreement**"), is hereby amended by the addition of the following language, which will be considered an integral part of the Agreement ("**Amendment**"):

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1– 482E-12 applies, the terms of this Addendum apply:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

IN WITNESS WHEREOF, Franchisee, on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. This Amendment is effective on the date Franchisor signs below.

| FRANCHISOR: | FRANCHISEE: |
|---|---|
| N2 Franchising, Inc.<br>a Delaware corporation | _____ |
| By:_____ | By: _____ |
| Name:_____ | Name: _____ |
| Title:_____ | Title: _____ |
| Date:_____ | Date:_____ |

**AMENDMENT TO N2 FRANCHISING, INC. FRANCHISE AGREEMENT FOR THE STATE OF ILLINOIS**

The N2 Franchising, Inc. Franchise Agreement between _____ ("**Franchisee**," "**you**," or "**your**") and N2 Franchising, Inc. ("**Franchisor**") of even date herewith ("**Agreement**"), is hereby amended by the addition of the following language, which will be considered an integral part of the Agreement ("**Amendment**"):

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1 *et seq* ("**Act**"). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Paragraphs 705/19 and 705/20 of the Act provide rights to you concerning nonrenewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. Any release of claims or acknowledgments of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation, or action that would violate the Act, or a rule or order under the Act, will be void and are hereby deleted with respect to claims under the Act.

c. In conformance with Section 4. of the Act, any provision in the Agreement that designates jurisdiction and venue in a forum outside of the state of Illinois is void; except that arbitration may take place outside of Illinois.

d. If this Agreement requires that it be governed by a state's law, other than the state of Illinois, to the extent that such law conflicts with the Act (including judicial decisions interpreting the Act), Illinois law will govern.

2. Section 14., "Applicable Law/Dispute Resolution," is hereby be amended by the addition of the following as the last sentence of the section:

However, in conformance with Section 41 of the Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

3. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Act, with respect to each such provision, are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee, on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. This Amendment is effective on the date Franchisor signs below.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| N2 Franchising, Inc.<br>a Delaware corporation | _____ |
| By:_____ | By: _____ |
| Name:_____ | Name: _____ |
| Title:_____ | Title: _____ |
| Date:_____ | Date:_____ |

**AMENDMENT TO N2 FRANCHISING, INC. FRANCHISE AGREEMENT FOR THE STATE OF MARYLAND**

The N2 Franchising, Inc. Franchise Agreement between _____ ("**Franchisee**," "**you**," or "**your**") and N2 Franchising, Inc. ("**Franchisor**") of even date herewith ("**Agreement**"), is hereby amended by the addition of the following language, which will be considered an integral part of the Agreement ("**Amendment**"):

1. The Maryland Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. § 14-201 *et seq*. (2015 Repl. Vol.) ("**Law**"). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The general release required as a condition of renewal, sale, assignment/transfer, refund of the initial fee, and/or a reduction in the size of the Territory will not apply to any liability under the Law.

b. Any acknowledgments or representations of Franchisee made in the Agreement which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Law are not intended to, nor will they, act as a release, estoppel, or waiver of any liability incurred under the Law.

c. A Franchisee may bring a lawsuit in Maryland for claims arising under the Law.

d. The limitation on the period of time when mediation and/or arbitration claims must be brought will not act to reduce the three-year statute of limitations afforded Franchisee for bringing a claim arising under the Law. Any claims arising under the Law must be brought within three years after the grant of the franchise.

2. Section 3.A. of the Agreement is hereby supplemented with the following:

Even though Franchisor has waived payment of the initial franchise fee, the Maryland Securities Division has required Franchisor to defer Franchisee's obligation to pay the initial franchise fee until Franchisor has performed its pre-opening obligations and Franchisee begins operating the Franchised Business. Notwithstanding the foregoing, Franchisor's waiver of the initial franchise fee remains in full force and effect.

3. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the Law, with respect to each such provision, are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee, on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. This Amendment is effective on the date Franchisor signs below.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| N2 Franchising, Inc.<br>a Delaware corporation | _____ |
| By:_____ | By: _____ |
| Name:_____ | Name: _____ |
| Title:_____ | Title: _____ |
| Date:_____ | Date:_____ |

**AMENDMENT TO N2 FRANCHISING, INC.**
**FRANCHISE AGREEMENT FOR AND FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF MINNESOTA**

The N2 Franchising, Inc. Franchise Agreement between _____ ("**Franchisee**," "**you**," or "**your**") and N2 Franchising, Inc. ("**Franchisor**") on even date herewith ("**Agreement**"), is hereby amended by the addition of the following language, which will be considered an integral part of the Agreement ("**Amendment**"):

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with the Minnesota Franchise Act, Minn. Stat. Section 80C.01 *et seq*., and the rules and regulations promulgated thereunder (collectively, "**Franchise Act**"). To the extent that the Agreement/and or franchise disclosure document contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Minnesota Department of Commerce requires that franchisors indemnify Minnesota franchisees' against liability to third parties resulting from claims by third parties that the franchisees' use of the franchisor's proprietary marks infringes trademark rights of the third party.

b. Minn. Stat. Sec. 80C.14, Subds. 3, 4., and 5 require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement will be superseded by the Act's requirements and will have no force or effect.

c. If Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation, or action that would violate the Franchise Act, such release will exclude claims arising under the Franchise Act, and such acknowledgments will be void with respect to claims under the Franchise Act.

d. If the Agreement requires that it be governed by the law of a state other than the state of Minnesota or arbitration or mediation, those provisions will not in any way abrogate or reduce any rights of Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

e. Any provision that requires Franchisee to consent to a claims period that differs from the applicable statute of limitations period under Minn. Stat § 80C.17, Subd. 5. may not be enforceable under Minnesota law.

2. Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the franchise disclosure document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, including your rights to any procedure, forum, or remedies provided for in such statute.

3. The Agreement/and or franchise disclosure document is hereby amended to delete all references to liquidated damages (as defined) in violation of Minnesota law; provided, that no such deletion will excuse Franchisee from liability for actual or other damages, and the formula for liquidated damages in the Agreement/and or franchise disclosure document will be admissible as evidence of actual damages.

4. To the extent required by Minnesota law, the Agreement/and or franchise disclosure document is amended to delete all references to a waiver of jury trial.

5. All sections of the Agreement/and or franchise disclosure document referencing Franchisor's right to obtain injunctive relief are hereby amended to refer to Franchisor's right to seek to obtain injunctive relief.

6. Each provision of this Agreement will be effective only to the extent that the jurisdictional requirements of the Franchise Act or other Minnesota law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee, on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. This Amendment is effective on the date Franchisor signs below.

| | |
|---|---|
| **FRANCHISOR:**<br>N2 Franchising, Inc.<br>a Delaware corporation | **FRANCHISEE:**<br>_____ |
| By:_____ | By: _____ |
| Name:_____ | Name: _____ |
| Title:_____ | Title: _____ |
| Date:_____ | Date:_____ |

**AMENDMENT TO N2 FRANCHISING, INC. FRANCHISE AGREEMENT FOR THE STATE OF NEW YORK**

The N2 Franchising, Inc. Franchise Agreement between _____ ("**Franchisee**," "**you**," or "**your**") and N2 Franchising, Inc. ("**Franchisor**") of even date herewith ("**Agreement**"), is hereby amended by the addition of the following language, which will be considered an integral part of the Agreement ("**Amendment**"):

1. The New York Department of Law requires that certain provisions contained in franchise documents be amended to be consistent with New York law, including the General Business Law, Article 33, Sections 680 through 695 (1989). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. If Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation, or action that would violate the General Business Law, regulation, rule, or order under New York law, such release will exclude claims arising under the New York General Business Law, Article 33, Section 680 through 695 and the regulations promulgated thereunder, and such acknowledgments will be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.

b. If the Agreement requires that it be governed by the law of a state, other than the state of New York, the choice of law provision will not be considered to waive any rights conferred upon Franchisee under the New York General Business Law, Article 33, Sections 680 through 695.

2. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of the New York General Business Law, with respect to each such provision, are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee, on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. This Amendment is effective on the date Franchisor signs below.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| N2 Franchising, Inc.<br>a Delaware corporation | _____ |
| By:_____ | By: _____ |
| Name:_____ | Name: _____ |
| Title:_____ | Title: _____ |
| Date:_____ | Date:_____ |

**AMENDMENT TO N2 FRANCHISING, INC. FRANCHISE AGREEMENT FOR THE STATE OF NORTH DAKOTA**

The N2 Franchising, Inc. Franchise Agreement between _____ ("**Franchisee**," "**you**," or "**your**") and N2 Franchising, Inc. ("**Franchisor**") of even date herewith ("**Agreement**"), is hereby amended by the addition of the following language, which will be considered an integral part of the Agreement ("**Amendment**"):

1. The State of North Dakota has determined that the following types of provisions are deemed to be contrary to North Dakota Law:

a. A provision requiring a North Dakota franchisee to sign a general release upon renewal of the Franchise Agreement;

b. A provision requiring a North Dakota franchisee to consent to termination penalties or liquidated damages;

c. A provision requiring a North Dakota franchisee to consent to the jurisdiction of courts outside the state of North Dakota;

d. A provision restricting the time in which a North Dakota franchisee may make a claim to less than the applicable North Dakota statute of limitations;

e. A provision calling for the waiver by a North Dakota franchisee of the right to trial by jury;

f. A provision requiring a North Dakota franchisee to consent to a waiver of exemplary and punitive damages.

Any and all provisions in the Franchise Agreement that are in violation of Section 1.(a-f) above are hereby deleted.

2. The following is hereby added to Section 7. of the Franchise Agreement:

North Dakota Century Code Section 9-08-06 subjects covenants not to compete to the provisions of that statute. The covenants not to compete contained within the Franchise Agreement are subject to Section 9-08-06 and may be unenforceable under North Dakota law.

3. In Section 14.A., "North Carolina" is hereby replaced with "North Dakota."

4. The following is hereby added to Section 14. of the Franchise Agreement.

The site of any mediation or arbitration of the parties' disputes will be at a site mutually agreeable to all parties. If all parties cannot agree upon a location, the arbitration or mediation will be in Fargo, North Dakota.

5. In the event of any conflict between the terms of this Amendment and the terms of the Agreement, the terms of this Amendment will prevail.

6. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of North Dakota Law are met independently without reference to this Amendment.

IN WITNESS WHEREOF, Franchisee, on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel,

and that it intends to comply with this Amendment and be bound thereby. This Amendment is effective on the date Franchisor signs below.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| N2 Franchising, Inc.<br>a Delaware corporation | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**AMENDMENT TO N2 FRANCHISING, INC. FRANCHISE AGREEMENT FOR THE STATE OF RHODE ISLAND**

The N2 Franchising, Inc. Franchise Agreement between _____ ("**Franchisee**," "**you**," or "**your**") and N2 Franchising, Inc. ("**Franchisor**") of even date herewith ("**Agreement**"), is hereby amended by the addition of the following language, which will be considered an integral part of the Agreement ("**Amendment**"):

1. The following are hereby added to Section 14.D.(1). of the Agreement:

Rhode Island Law provides that a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under Rhode Island Law.

2. In the event of any conflict between the terms of this Amendment and the terms of the Agreement, the terms of this Amendment will prevail.

3. Each provision of this Amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Rhode Island Law are met independently without reference to this Amendment.

IN WITNESS WHEREOF, Franchisee, on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. This Amendment is effective on the date Franchisor signs below.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| N2 Franchising, Inc.<br>a Delaware corporation | _____ |
| By:_____ | By: _____ |
| Name:_____ | Name: _____ |
| Title:_____ | Title: _____ |
| Date:_____ | Date:_____ |

**AMENDMENT TO N2 FRANCHISING, INC. FRANCHISE AGREEMENT FOR THE STATE OF SOUTH DAKOTA**

The N2 Franchising, Inc. Franchise Agreement between _____ ("**Franchisee**," "**you**," or "**your**") and N2 Franchising, Inc. ("**Franchisor**") of even date herewith ("**Agreement**"), is hereby amended by the addition of the following language, which will be considered an integral part of the Agreement ("**Amendment**"):

1. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of South Dakota law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee, on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. This Amendment is effective on the date Franchisor signs below.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| N2 Franchising, Inc.<br>a Delaware corporation | _____ |
| By:_____ | By: _____ |
| Name:_____ | Name: _____ |
| Title:_____ | Title: _____ |
| Date:_____ | Date:_____ |

**AMENDMENT TO N2 FRANCHISING, INC. FRANCHISE AGREEMENT FOR THE STATE OF VIRGINIA**

The N2 Franchising, Inc. Franchise Agreement between _____ ("**Franchisee**," "**you**," or "**your**") and N2 Franchising, Inc. ("**Franchisor**") of even date herewith ("**Agreement**"), is hereby amended by the addition of the following language, which will be considered an integral part of the Agreement ("**Amendment**"):

1. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of Virginia law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee, on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. This Amendment is effective on the date Franchisor signs below.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| N2 Franchising, Inc.<br>a Delaware corporation | _____ |
| By:_____ | By: _____ |
| Name:_____ | Name: _____ |
| Title:_____ | Title: _____ |
| Date:_____ | Date:_____ |

**AMENDMENT TO N2 FRANCHISING, INC. FRANCHISE AGREEMENT FOR THE STATE OF WASHINGTON**

The N2 Franchising, Inc. Franchise Agreement between _____ ("**Franchisee**," "**you**," or "**your**") and N2 Franchising, Inc. ("**Franchisor**") of even date herewith ("**Agreement**"), is hereby amended by the addition of the following language, which will be considered an integral part of the Agreement ("**Amendment**"):

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, WA Rev. Code §§ 19.100.010 to 19.100.940 (1994) ("**Act**"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

b. 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.

c. 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.

d. 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.

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

f. 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.

g. 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.

h. Each provision of this Amendment will be effective only to the extent that the jurisdictional requirements of Washington law applicable to the provision are met independent of this Amendment. This Amendment will have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, Franchisee, on behalf of itself and its owners, acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound thereby. This Amendment is effective on the date Franchisor signs below.

| | |
|---|---|
| **FRANCHISOR:**<br>N2 Franchising, Inc.<br>a Delaware corporation | **FRANCHISEE:**<br>_____ |
| By:_____ | By: _____ |
| Name:_____ | Name: _____ |
| Title:_____ | Title: _____ |
| Date:_____ | Date:_____ |

# EXHIBIT C

## LIST OF FRANCHISED OUTLETS AS OF JUNE 30, 2022

| Name | Address | City | State | Zip | Phone |
|---|---|---|---|---|---|
| Justine Nicole Liburd-Leffler | 6941 Hwy 72 Apt 3201 | Huntsville | AL | 35806 | 256-924-5733 |
| Timothy Harold Metcalf | 270 Lake Hamilton Dr Unit B10 | Hot Springs National Park | AR | 71913-7442 | 501-860-0032 |
| Kristin Joy Altieri | 2387 E. Galileo Dr. | Gilbert | AZ | 85298 | 260-437-7570 |
| Richard Dominic Jewett | 6427 South Blake Ct. | Gilbert | AZ | 85298 | 480-862-0288 |
| Heather Harrison Heimsoth | 7534 E Odessa Circle | Mesa | AZ | 85207 | 206-992-2500 |
| Amanda Leah Holmes | 3016 E. Herrera Dr. | Phoenix | AZ | 85050 | 602-326-1317 |
| Stephen Vincent Petruzzella | 15636 S. 16th St. | Phoenix | AZ | 85050 | 602-315-7888 |
| Stephen Vincent Petruzzella | 15636 S. 16th St. | Phoenix | AZ | 85050 | 602-315-7888 |
| Britt Weston Bennett | 39415 North Tom Morris Road | Scottsdale | AZ | 85262 | 602-448-0090 |
| Cary Evan Frumes | 14456 N. 110th Pl. | Scottsdale | AZ | 85255 | 602-291-3637 |
| Ryan Tyson Green | 2123 C Street | Bakersfield | CA | 93301 | 661-900-6249 |
| Kaylene Suzanne MacDiarmid | 6007 Morgan Pl | Loomis | CA | 95650 | 916-402-5662 |
| Christine Elise Raymond | 1535D Ashwood Dr. | Martinez | CA | 94553 | 831-295-7676 |
| Catherine Maria Sine | 26595 Weston Hills Dr | Murrieta | CA | 92563 | 951-294-2992 |
| Carrie Jane Sweet | 1776 Mary Jo Ct | Ripon | CA | 95366 | 209-969-4296 |
| Mark Menezes | 231 E Alessandro Blvd. | Riverside | CA | 92508 | 951-233-3096 |
| Alison Rachel Scovie | 3504 J St. Apt. 12 | Sacramento | CA | 95816 | 619-203-1720 |
| Alison Rachel Scovie | 3504 J St. Apt. 12 | Sacramento | CA | 95816 | 619-203-1720 |
| Adam Kyle Brous | 4010 South Jason Street | Englewood | CO | 80110 | 908-358-2324 |
| Elaine Robertson | 301 E Boardwalk Dr # 271952 | Fort Collins | CO | 80527 | 970-924-0530 |
| Karen Grannan Ryan | 11244 W Asbury Ave. | Lakewood | CO | 80227 | 720-951-0991 |
| Shelly Rene' Montoya | 7278 S. Sundown Circle | Littleton | CO | 80120 | 720-373-6704 |
| Monica Sue Yates | 4185 Rocky Ford Dr. | Loveland | CO | 80538 | 970-690-6128 |
| Jeremy David Roentz | 13787 Box Turtle Loop | Parker | CO | 80134 | 303-905-0410 |
| Jeremy David Roentz | 13787 Box Turtle Loop | Parker | CO | 80134 | 303-905-0410 |
| Jeremy David Roentz | 13787 Box Turtle Loop | Parker | CO | 80134 | 303-905-0410 |
| Jeremy David Roentz[1] | 13787 Box Turtle Loop | Parker | CO | 80134 | 303-905-0410 |
| Kevin Fitzgerald Hayes | 18 Brookfield Drive | Ellington | CT | 06029 | 860-614-5866 |

[1] This franchisee lives in Colorado. The publication is distributed in Montana.

| | | | | | |
|---|---|---|---|---|---|
| Kevin Fitzgerald Hayes | 18 Brookfield Drive | Ellington | CT | 06029 | 860-614-5866 |
| Jill Pollack Lewis | 36 Lostbrook Rd. | West Hartford | CT | 06117 | 323-573-5677 |
| George Peter Latos | 5564 Summit Glen | Bradenton | FL | 34023 | 949-526-0094 |
| Brenda Lynn Slavich | 1804 Bayshore Way | Clearwater | FL | 33670 | 727-422-9328 |
| Diane Marie Arends | 14040 Eagle Ridge Lakes Drive #202 | Fort Myers | FL | 33912 | 239-247-3111 |
| Shannon Marie Silva | 667 Lakeworth Circle | Heathrow | FL | 32746 | 407-923-4715 |
| Tamara Lynn Slattery | 3701 Danforth Dr. West Apt. 1518 | Jacksonville | FL | 32224 | 904-626-4822 |
| Bianca Lynn McKinney | 6903 Marlyn Drive | Lakeland | FL | 33809 | 863-698-4668 |
| Debra B. Pappas | 204 Live Oak Lane | Largo | FL | 33770 | 727-437-8681 |
| Todd Keith Braun | 1174 SW Elm Grove Court | Palm City | FL | 34990 | 609-617-8300 |
| Marta Lizbeth Rose | 3405 Trimingham Lane | Panama City Beach | FL | 32408 | 850-814-3822 |
| Kathryn Lawrence Howell | 4224 Adelaar Dr | Sarasota | FL | 34240 | 941-993-5965 |
| David Lightfoot Permenter | 945 Registry Blvd Unit 301 | St. Augustine | FL | 32092 | 904-808-5301 |
| Tracy McKay Hutton | 4085 42nd Ave South | St. Petersburg | FL | 33711 | 319-693-9600 |
| Melissa Anne Parkhurst | 5431 Twin Creeks Drive | Valrico | FL | 33596 | 484-769-6298 |
| Tina Iva Coffin | 324 Ruby Lake Lane | Winter Haven | FL | 33884 | 863-514-7517 |
| Leigh Ann Paugh | 5707 Mountain Oak Drive | Braselton | GA | 30517 | 205-381-6659 |
| Angela Ilene Williams | 100 Cottage Walk NW | Cartersville | GA | 30121 | 919-244-7354 |
| Angela Ilene Williams | 100 Cottage Walk NW | Cartersville | GA | 30121 | 919-244-7354 |
| Thomas William Hanscom | 1110 Liberty Bluff Rd. | Greensboro | GA | 30642 | 770-331-4498 |
| Thomas William Hanscom | 1110 Liberty Bluff Rd. | Greensboro | GA | 30642 | 770-331-4498 |
| John A. Winters | 17 Inland Ct. | Newnan | GA | 30263 | 678-231-8523 |
| Melvin Brian Gilbert[2] | 115 Darby Dr | Savannah | GA | 31405 | 904-495-6642 |
| Joseph Steven Hennager | 312 Ronalds St | Iowa City | IA | 52245 | 319-594-6767 |
| Matthew Laughlin | 7651 W Happy Hill Rd | Coeur d' Alene | ID | 83814 | 208-392-8935 |
| Brandi M. Wolf | 1084 Pebblebeach Way | Eagle | ID | 83616 | 208-631-0709 |
| Jerry Porebski | 117 S. Cook St #112 | Barrington | IL | 60010 | 847-345-6611 |
| Amanda Catherine Koziel | 205 S. Peoria St. Apt. 618 | Chicago | IL | 60607 | 512-638-3766 |
| Ryan Christopher Johnson | 1580 Kirkwood Dr | Geneva | IL | 60134 | 630-363-1988 |
| Joann Lauzon-Heniff | 1990 Stanford Drive | Naperville | IL | 60565 | 708-642-6255 |
| Dolores R. Caravette McCarthy | 101 North Delphia Ave | Park Ridge | IL | 60068 | 630-272-7582 |
| Dolores R. Caravette McCarthy | 101 North Delphia Ave | Park Ridge | IL | 60068 | 630-272-7582 |

[2] This franchisee lives in Georgia. The publication is distributed in Florida.

| | | | | | |
|---|---|---|---|---|---|
| Dolores R. Caravette McCarthy | 101 North Delphia Ave | Park Ridge | IL | 60068 | 630-272-7582 |
| Candice Dawn Ellensohn | 4N346 Samuel Clemens Course | St Charles | IL | 60175 | 847-650-0261 |
| Candice Dawn Ellensohn | 4N346 Samuel Clemens Course | St Charles | IL | 60175 | 847-650-0261 |
| Allison Jean Kile | 1321 Avery Ave. | Wheaton | IL | 60187 | 312-952-8963 |
| Mary Elizabeth L. Hoss | 15099 Blue Ribbon Blvd | Fishers | IN | 46040 | 317-430-1542 |
| Deena Jean Nystrom | 2000 Dockside Drive | Greenwood | IN | 46143 | 317-513-4981 |
| David Wayne Cooke[3] | 15575 Declaration Dr. | Westfield | IN | 46074 | 636-744-6377 |
| Kelli Marie Heppner | 17211 State Ave | Basehor | KS | 66086 | 913-626-4421 |
| Samantha Michelle Lucciarini | 1408 N Davin Lane | Wichita | KS | 67206 | 316-258-4855 |
| John Brooks Robinson[4] | 375 Wesley Road | Somerset | KY | 42503 | 704-870-7318 |
| Michelle Brill Lorms | 11287 Ross Court | Union | KY | 41091 | 859-462-7760 |
| Danielle Marie Harbour | 48 Logans Run | Atteboro | MA | 02703 | 781-752-9802 |
| Katriena Pless Devlin | 683 Franklin St | Duxbury | MA | 02332 | 203-273-5976 |
| Shirly Ellison | 3 Roy Street | Westborough | MA | 01581 | 508-571-8571 |
| Shirly Ellison | 3 Roy Street | Westborough | MA | 01581 | 508-571-8571 |
| Caressa Lyn Flannery | 1194 Players Circle | Frederick | MD | 21701 | 301-606-8935 |
| Robert Owen Clarke | 16 Wildon Ct. | Kingsville | MD | 21087 | 443-552-9919 |
| Janalee A. Grainer | 6682 Weston Ct. | Clarkston | MI | 48348 | 248-459-1713 |
| Geneva Lynn Eilertson | 2653 New Century Blvd. S. | Maplewood | MN | 55119 | 612-940-4257 |
| Gail Denise Horman | 805 SE 14th Street | Lee's Summit | MO | 64081 | 816-510-1904 |
| Macy Butler Knoble | 3721 Stormy Gale Pl. | Hayne | NC | 28429 | 910-363-6919 |
| Jennifer Dawn Hewitt | 1047 12th Ave NW | Hickory | NC | 28601 | 828-781-6517 |
| Kathleen Joan Thurston | 155 Hawks Nest Trail | Lake Lure | NC | 28746 | 704-425-7657 |
| Jodie LaRae Frankl | 510 Central Ave W | Velva | ND | 58790 | 701-818-4110 |
| Sierra Rose Peters | 23700 S 68th St | Firth | NE | 68538 | 402-560-4555 |
| Andrew Christian Schindler | 519 Trail Ridge Circle | Lincoln | NE | 68505 | 402 525-1277 |
| Kristin Sue Holmes | 8211 S. 16 Street | Lincoln | NE | 68512 | 402-617-6350 |
| Stacey Lynn Penrod | 3563 Woolworth Ave. | Omaha | NE | 68105 | 402-677-7744 |
| Aaron David Klein | 940 Garrison Ave | Teaneck | NJ | 07666 | 201-638-2218 |
| Aaron David Klein[5] | 940 Garrison Ave | Teaneck | NJ | 07666 | 201-638-2218 |
| Robert Steven Walraven[6] | 2139 Stone Pine Dr. | Las Cruces | NM | 88012 | 575-642-4744 |
| Tamera L. Ahner | 331 West Las Cruces Avenue | Las Cruces | NM | 88005 | 575-654-5622 |
| Jason Bradley Pattee | 35223 Queen Ann's Way | Avon | OH | 44011 | 440-655-4870 |

[3] This franchisee lives in Indiana. The publication is distributed in Illinois.
[4] This franchisee lives in Kentucky. The publication is distributed in North Carolina.
[5] This franchisee lives in New Jersey. The publication is distributed in New York.
[6] This franchisee lives in New Mexico. The publication is distributed in Texas.

| | | | | | |
|---|---|---|---|---|---|
| Amanda Kathleen Kirkpatrick | 855 Bluff Ridge Dr | Columbus | OH | 43235 | 202-308-0307 |
| Trent Allen Soles | 3885 Barley Circle | Columbus | OH | 43207 | 614-216-8102 |
| Rhonda Lynn Meeker | 7500 Roselake Drive | Dayton | OH | 45414 | 937-367-7757 |
| Christopher Lent | 13972 Maple Circle | Strongsville | OH | 44136 | 440-785-5984 |
| Brian Christopher Schuller | 4073 April Dr | Uniontown | OH | 44685 | 330-904-4371 |
| Richard L. Miller | 4043 April Dr | Uniontown | OH | 44685 | 330-283-8462 |
| Kelly Garcia Kilmer | 3809 W Broadway | Broken Arrow | OK | 74012 | 918-808-6621 |
| Corinne Nichole Walker | 4730 S. 168th East Avenue | Tulsa | OK | 74134 | 918- 850-0215 |
| Ryan JonPaul Derfler | 807 Baltimore Pike | Chadd's Ford | PA | 19317 | 717-222-9547 |
| Sheldon Glen Esch | 2314 Wicklyn Road | Lancaster | PA | 17601 | 717-693-6584 |
| Dina Russo | 2520 Elcor Drive | New Kensington | PA | 15068 | 412-576-5657 |
| Jordan Valdez | 160 E Station Square Dr Apt 348 | Pittsburgh | PA | 15219 | 724-420-1962 |
| Linda Jo Roman | 386 McCombs Rd | Venetia | PA | 15367 | 724-624-1852 |
| John C. Bieber | 132 Leisure Court | Wyomissing | PA | 19610 | 484-269-9824 |
| Jennifer Margaret Ladd | 402 Milner Ct | Daniel Island | SC | 29492 | 843-343-3938 |
| Mark Kevin Van Natta | 231 E Park Ave Unit F | Greenville | SC | 29601 | 843-224-1190 |
| Karen Clements | 44 Sowell Street | Mt Pleasant | SC | 29464 | 843-806-6425 |
| Jennie Chester Moran | 162 Highwood Circle | Murrells Inlet | SC | 29576 | 818-968-2298 |
| Robert Rashad Smith | 307 S. River Bluff | Piedmont | SC | 29673 | 843-560-6278 |
| Grant Edward Crook | 589 Bonanza Dr | Spartanburg | SC | 29307 | 864-909-0993 |
| Lauren Ophelia Drury | 801 Del Rio Pike D6 | Franklin | TN | 37064 | 615-604-0507 |
| Lauren Ophelia Drury | 801 Del Rio Pike D6 | Franklin | TN | 37064 | 615-604-0507 |
| Alan Keith Flippin | 1604 E. Oakland Avenue | Johnson City | TN | 37601 | 423-430-7300 |
| James Blake Goldston | 6713 Chalet Court | Amarillo | TX | 79124 | 806-358-1894 |
| Joel Alexander McDow | 12160 W. Parmer Lane, Suite 130-333 | Cedar Park | TX | 78613 | 979-777-4803 |
| Jada Jeanette England | 2103 Grovewood Park | Conroe | TX | 77385 | 281-245-8100 |
| Anne Barbara Bendalin | 7035 Helsem Way | Dallas | TX | 75230 | 214-354-1403 |
| Marget Cashman Brown | 127 Arbor Bay Dr. | Dripping Springs | TX | 78620 | 512-585-5302 |
| Dana Harris Venable | 3509 Grants Lndg | Fort Worth | TX | 76179 | 817-614-9105 |
| Jessica Reckert Nelson O'Neal[7] | 4160 Gridiron Rd Apt 332 | Frisco | TX | 75034 | 919-645-8960 |
| Laura Capes Terry | 107 River Chase Blvd. | Georgetown | TX | 78628 | 512-658-5991 |
| Laura Capes Terry | 107 River Chase Blvd. | Georgetown | TX | 78628 | 512-658-5991 |
| Therese M. Preas | 1820 Morrish Lane | Heath | TX | 75032 | 214-675-7215 |
| William Stephen Gibbons, Jr. | 20311 Monkswood Dr. | Katy | TX | 77450 | 770-530-3141 |
| Bobby Wayne Blair | 5007 101st St | Lubbock | TX | 79424 | 806-407-2440 |

[7] This franchisee lives in Texas. The publication is distributed in North Carolina.

| | | | | | |
|---|---|---|---|---|---|
| Elizabeth Mary Oakes Hamm | 9711 S Mason Rd , Suite 125 | Richmond | TX | 77407 | 310-488-7927 |
| Elizabeth Mary Oakes Hamm | 9711 S Mason Rd , Suite 125 | Richmond | TX | 77407 | 310-488-7927 |
| Sabrina Medyanikov | 15962 Brazos Drive | Temple | TX | 76502 | 503-580-3343 |
| Janet C. Mackey-Amador | 16 E Wandering Oak Dr | The Woodlands | TX | 77381 | 281-748-1800 |
| Nicolle Ann Nascimento | P.O. Box 49 | Millville | UT | 84326 | 503-330-1004 |
| Michael Emerson Terry | 15417 NE 119th St. | Brush Prairie | WA | 98606 | 360-521-3614 |
| Michael Emerson Terry | 15417 NE 119th St. | Brush Prairie | WA | 98606 | 360-521-3614 |
| Anne L. Hess | 109 2nd St S #222 | Kirkland | WA | 98033 | 206-549-4500 |
| Michelle Louia Cahill | 4221 51st Ave. NE | Seattle | WA | 98105 | 206-617-1785 |
| Lindsay Kay Rucker | 6726 124th Place SE | Snohomish | WA | 98296 | 425-319-3983 |
| Valerie Bovey Hooks | 515 W 28th St | Vancouver | WA | 98660 | 360-907-0748 |

## EXHIBIT D

## LIST OF FORMER FRANCHISEES AS OF JUNE 30, 2022

Franchisees whose franchise agreement was terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under their franchise agreement as of June 30, 2022, or who have not communicated with us within the last 10 weeks.

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

| Name | City | State | Zip | Phone Number |
|---|---|---|---|---|
| Justine Nicole Liburd-Leffler | Huntsville | AL | 35806 | 256-924-5733 |
| Kristin Joy Altieri | Gilbert | AZ | 85298 | 260-437-7570 |
| Heather Harrison Heimsoth | Mesa | AZ | 85207 | 206-992-2500 |
| Cary Evan Frumes | Scottsdale | AZ | 85255 | 602-291-3637 |
| Laurie Beth Horn | Corona del Mar | CA | 92625 | 949-706-2822 |
| Mark Menezes | Riverside | CA | 92508 | 951-233-3096 |
| Alison Rachel Scovie | Sacramento | CA | 92019 | 619-203-1720 |
| Bradley Dale Martin | Salinas | CA | 93901 | 831-272-4761 |
| Adam Kyle Brous | Denver | CO | 80222 | 908-358-2324 |
| Mary Hillberg Burrell | Fort Collins | CO | 80524 | 970-732-0469 |
| Jennifer Michelle Roentz | Parker | CO | 80134 | 720-231-9049 |
| Jeremy David Roentz | Parker | CO | 80134 | 303-905-0410 |
| Jeremy David Roentz | Parker | CO | 80134 | 303-905-0410 |
| Jeremy David Roentz | Parker | CO | 80134 | 303-905-0410 |
| Marcia Erickson | Windsor | CO | 80550 | 970-631-3248 |
| Kevin Fitzgerald Hayes | Ellington | CT | 06029 | 860-614-5866 |
| Angela Dawn Wall | Fernandina Beach | FL | 32034 | 904-553-9737 |
| Tamara Lynn Slattery | Jacksonville | FL | 32224 | 904-626-4822 |
| Michael Travin | Miami | FL | 33137 | 212-933-0700 |
| Andrew Taylor Regenhard | Naples | FL | 34110 | 239-290-0692 |
| Mike De La Rosa Fisher | Pensacola | FL | 32526 | 912-323-9490 |
| Corey Flynn | Santa Rosa Beach | FL | 32459 | 860-248-9760 |
| Corey Flynn | Santa Rosa Beach | FL | 32459 | 860-248-9760 |
| Corey Flynn | Santa Rosa Beach | FL | 32459 | 860-248-9760 |
| Corey Flynn | Santa Rosa Beach | FL | 32459 | 860-248-9760 |
| Corey Flynn | Santa Rosa Beach | FL | 32459 | 860-248-9760 |
| Corey Flynn | Santa Rosa Beach | FL | 32459 | 860-248-9760 |
| Kathryn Lawrence Howell | Sarasota | FL | 34243 | 941-993-5965 |

| | | | | |
|---|---|---|---|---|
| David Lightfoot Permenter | St. Augustine | FL | 32092 | 904-808-5301 |
| Tracy McKay Hutton | St. Petersburg | FL | 33711 | 319-693-9600 |
| Tina Iva Coffin | Winter Haven | FL | 33884 | 863-514-7517 |
| Leigh Ann Paugh | Braselton | GA | 30517 | 205-381-6659 |
| Angela Ilene Williams | Cartersville | GA | 30121 | 919-244-7354 |
| Angela Ilene Williams | Cartersville | GA | 30121 | 919-244-7354 |
| Angela Ilene Williams | Cartersville | GA | 30121 | 919-244-7354 |
| Thomas William Hanscom | Greensboro | GA | 30642 | 770-331-4498 |
| Thomas John Griffin | Peachtree City | GA | 30269 | 770-597-2654 |
| Thomas John Griffin | Peachtree City | GA | 30269 | 770-597-2654 |
| Matthew Laughlin | Coeur d' Alene | ID | 83814 | 208-392-8935 |
| Jason Cousineau[8] | Coal Valley | IL | 61240 | 563-343-2324 |
| Ryan Christopher Johnson | Geneva | IL | 60134 | 630-363-1988 |
| Dolores R. Caravette McCarthy | Park Ridge | IL | 60068 | 630-272-7582 |
| Dolores R. Caravette McCarthy | Park Ridge | IL | 60068 | 630-272-7582 |
| Shelby Kathleen Elias | South Barrington | IL | 60010 | 847-372-0351 |
| Tammy Petersen | South Elgin | IL | 60177 | 321-961-3280 |
| Candice Dawn Ellensohn | St Charles | IL | 60175 | 847-650-0261 |
| Elizabeth Anne Zeaton | Carmel | IN | 46033 | 317-903-9041 |
| James Nicki McGowan | Fishers | IN | 46038 | 317-345-7978 |
| Samantha Michelle Lucciarini | Wichita | KS | 67206 | 316-258-4855 |
| John Brooks Robinson[9] | Somerset | KY | 42503 | 704-870-7318 |
| Danielle Marie Harbour | Atteboro | MA | 02703 | 781-752-9802 |
| Shirly Ellison | Westborough | MA | 01581 | 508-571-8571 |
| Geneva Lynn Eilertson | Maplewood | MN | 55119 | 612-940-4257 |
| Aaron Marc Golchert | Bridgeton | MO | 63044 | 314-596-6481 |
| Aaron Marc Golchert | Bridgeton | MO | 63044 | 314-596-6481 |
| Gail Denise Horman | Lee's Summit | MO | 64081 | 816-510-1904 |
| Suzanne Elizabeth Chafin | Madison | MS | 39110 | 601-988-4101 |
| Ashlyn Taylor Baird | Bozeman | MT | 59715 | 720-626-4948 |
| Ashlyn Taylor Baird | Bozeman | MT | 59718 | 720-626-4948 |
| Zane Ashley Odom | Davidson | NC | 28036 | 704-641-8288 |
| Eliana Sutherland | Fairview | NC | 28730 | 407-222-5015 |
| Jessica Reckert Nelson O'Neal | Swansboro | NC | 28584 | 919-645-8960 |
| Sierra Rose Nelson | Firth | NE | 68538 | 402-560-4555 |
| Lynn Faherty | Bedford | NH | 03110 | 917-482-6503 |
| Christine Louise Carpenter | Manchester | NH | 03104 | 603-867-0422 |
| Alberto John Cassola | Oyster Bay | NY | 11771 | 516-815-7670 |
| Amanda Kathleen Kirkpatrick | Columbus | OH | 43235 | 202-308-0307 |
| Amanda Kathleen Kirkpatrick | Columbus | OH | 43235 | 202-308-0307 |
| Amanda Kathleen Kirkpatrick | Columbus | OH | 43235 | 202-308-0307 |

[8] This former franchisee lives in Illinois. The publication was distributed in Iowa.
[9] This former franchisee lives in Kentucky. The publication was distributed in North Carolina.

| | | | | |
|---|---|---|---|---|
| Trent Allen Soles | Columbus | OH | 43207 | 614-216-8102 |
| Gerald Emil Emich Jr. | Copley | OH | 44321 | 330-608-1541 |
| Rhonda Lynn Meeker | Dayton | OH | 45414 | 937-367-7757 |
| Miranda K. Lytle | Ostrander | OH | 43061 | 614-394-3376 |
| Christopher Lent | Strongsville | OH | 44136 | 440-785-5984 |
| Richard L. Miller | Uniontown | OH | 44685 | 330-283-8462 |
| Julie Shipley | West Chester | OH | 45069 | 513-290-7124 |
| Aaron Michael Hutchison | Westerville | OH | 43082 | 614-348-9787 |
| Kelly Garcia Kilmer | Broken Arrow | OK | 74012 | 918-808-6621 |
| Albert Anthony Luciani | Edmond | OK | 73034 | 405-429-0026 |
| Michael Robert Manchester | Oklahoma City | OK | 73134 | 405-818-2029 |
| Lindsay Resendez | Bend | OR | 97702 | 541-219-1670 |
| Dina Russo | Pittsburgh | PA | 15239 | 412-576-5657 |
| Karen Elizabeth Clements | Mt. Pleasant | SC | 29464 | 843-806-6425 |
| Lauren Ophelia Meeusen | Nashville | TN | 37205 | 616-916-2192 |
| Matthew Eric Poliseno | Nashville | TN | 37203 | 615-853-3038 |
| James Blake Goldston | Amarillo | TX | 79124 | 806-358-1894 |
| Jason Lee Smith | Fair Oaks Ranch | TX | 78015 | 210-501-3161 |
| Laura Capes Terry | Georgetown | TX | 78628 | 512-658-5991 |
| Laura Capes Terry | Georgetown | TX | 78628 | 512-658-5991 |
| Jason Dean Stern | Livingston | TX | 77399 | 651-210-6576 |
| Agnes Martin | Manvel | TX | 77578 | 281-727-8898 |
| Agnes Martin | Manvel | TX | 77578 | 281-727-8898 |
| Robert Craig Smith | Plano | TX | 75093 | 870-867-7671 |
| Elizabeth Mary Oakes Hamm | Richmond | TX | 77407 | 310-488-7927 |
| Elizabeth Mary Oakes Hamm | Richmond | TX | 77407 | 310-488-7927 |
| Janet C. Mackey-Amador | The Woodlands | TX | 77381 | 281-748-1800 |
| Janet C. Mackey-Amador | The Woodlands | TX | 77381 | 281-748-1800 |
| Heather Blades Sowers | Williamsburg | VA | 23185 | 757-871-2125 |
| Michael James Skiff | Fircrest | WA | 98466 | 253-720-4651 |
| Michael James Skiff | Fircrest | WA | 98466 | 253-720-4651 |
| Anne L. Hess | Kirkland | WA | 98033 | 206-549-4500 |
| Anne L. Hess | Kirkland | WA | 98033 | 206-549-4500 |
| June Ellen Ladd | Medical Lake | WA | 99022 | 509-209-1556 |
| Lindsay Kay Rucker | Snohomish | WA | 98296 | 425-319-3983 |
| Michael Emerson Terry | Vancouver | WA | 98662 | 360-521-3614 |
| Valerie Bovey Hooks | Vancouver | WA | 98660 | 360-907-0748 |

**EXHIBIT E**

**ADMINISTRATION MANUAL TABLE OF CONTENTS**

# Table of Contents

Introduction ..... 2
N2 Home Office ..... 2
Field Support ..... 2
Other Contact Information ..... 2
Product Description ..... 2
Branding ..... 3
Systems ..... 4
Training ..... 6
Sales and Finance ..... 8
Sales Reporting and Tracking ..... 12
Client and Ad Management ..... 15

Administration Manual Table of Contents – Solo Page

**EXHIBIT F**

# AD SERVICES AGREEMENT

## AD SERVICES AGREEMENT

This AD Services Agreement (this "**Agreement**") dated as of [INSERT DATE] (the "Effective Date"), is entered into by and between The N2 Company, a Delaware corporation, with its principal place of business located in Wilmington, North Carolina ("**N2**"), and [FRANCHISEE NAME] (the "**AD**").

1. Services. In accordance with the terms and subject to the conditions set forth in this Agreement, N2 will provide to the AD the services (the "**Services**") set out in **Exhibit A**. The Services will be provided, and fees will be charged (see Section 2), on a per-publication basis for each publication the AD, as an N2 publication Franchisee, is responsible for during the term of the Agreement.

2. Fees and Expenses. For the Services to be performed hereunder, the AD will pay to N2 the fees (the "**Fees**") set out in **Exhibit B**. The Fees will be deducted from the Commissions (as defined under ADs applicable Franchise Agreement) owed to the AD by N2's affiliate, N2 Franchising, Inc. AD will be responsible for all sales, use, and excise taxes, and any other similar taxes, duties, and charges of any kind imposed by any federal, state, or local governmental entity on any amounts payable by AD hereunder; provided, that, in no event will AD pay or be responsible for any taxes imposed on, or regarding, N2's income, revenues, gross receipts, personnel, or real or personal property or other assets. All late payments shall bear interest at the lesser of the rate of 1.5% per month or the highest rate permissible under applicable law, calculated daily and compounded monthly. AD shall also reimburse N2 for all reasonable costs incurred in collecting any late payments, including, without limitation, attorneys' fees. In addition to all other remedies available under this Agreement or at law (which N2 does not waive by the exercise of any rights hereunder), N2 shall be entitled to suspend the provision of any Services if the AD fails to pay any amounts when due hereunder and such failure continues for 7 days following written notice thereof. N2 has the right to modify (including increasing) the Fees upon 45 days' written notice to AD.

3. Intellectual Property. All intellectual property rights, including copyrights, patents, patent disclosures and inventions (whether patentable or not), trademarks, service marks, trade secrets, know-how, and other confidential information, trade dress, trade names, logos, corporate names, and domain names, together with all the goodwill associated therewith, derivative works and all other rights (collectively, "**Intellectual Property Rights**") in and to all documents, work product and other materials that are delivered to the AD under this Agreement or prepared by or on behalf of N2 in the course of performing the Services (collectively, the "**Deliverables**") shall be owned exclusively by N2. N2 hereby grants the AD a license to use all Intellectual Property Rights in the Deliverables free of additional charge and on a non-exclusive, worldwide, non-transferable, non-sublicensable, fully paid-up, royalty-free and perpetual basis, solely to the extent necessary to enable the AD to make reasonable use of the Deliverables and the Services.

4. Term. This Agreement shall commence as of the Effective Date and shall continue thereafter until the completion of the Services unless sooner terminated pursuant to Section 5 (the "**Term**").

5. Termination. Either party may terminate this Agreement, effective upon written notice to the other party (the "**Defaulting Party**"), if the Defaulting Party: (a) materially breaches this Agreement, and such breach is incapable of cure, or with respect to a material breach capable of cure, the Defaulting Party does not cure such breach within 30 days after receipt of written notice of such breach; (b) becomes insolvent or admits its inability to pay its debts generally as they become due; (c) becomes subject, voluntarily or involuntarily, to any proceeding under any domestic or foreign bankruptcy or insolvency law, which is not fully stayed within seven business days or is not dismissed or vacated within 45 days after filing; (d) is dissolved or liquidated or takes any corporate action for such purpose; (e) makes a general assignment for

the benefit of creditors; or (f) has a receiver, trustee, custodian, or similar agent appointed by order of any court of competent jurisdiction to take charge of or sell any material portion of its property or business. Notwithstanding anything to the contrary in this section, N2 may terminate this Agreement before the expiration date of the Term on written notice if the AD fails to pay any amount when due hereunder: (a) and such failure continues for 7 days after N2's written notice to the AD of nonpayment; or (b) more than 2 times in any 2-month period. N2 may additionally terminate this Agreement for convenience at any time upon notice. AD may additionally terminate this Agreement for convenience at any time upon 30 days written notice.

6. Independent Contractor. N2 will control the details of the method and manner for performance of the Services, the AD being interested only in the results thereof. N2 will be solely responsible for supervising, controlling, and directing the details and manner of the completion of the Services. Nothing in this Agreement shall give the AD the right to instruct, supervise, control, or direct the details and manner of the completion of the Services. N2 is for all purposes hereunder an independent contractor, and in no event will N2 be considered an agent or employee of the AD or any of its subsidiaries or affiliates for any purpose.

7. Limited Warranty. N2 will provide the Services in a professional manner. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, N2 MAKES NO OTHER WARRANTY OF ANY KIND WHATSOEVER, EXPRESS, OR IMPLIED, IN CONNECTION WITH THIS AGREEMENT OR THE SERVICES, ALL OF WHICH ARE HEREBY DISCLAIMED BY N2 AND EXCLUDED FROM THIS AGREEMENT. N2's sole and exclusive liability and AD's sole and exclusive remedy for breach of the limited warranty set out in this Section shall be reperformance of the affected services. If N2 cannot reperform the services in compliance with the warranty set forth above within a reasonable time (but no more than 30 days) after AD's written notice of such breach, the AD may, at its option, terminate the Agreement by serving written notice of termination in accordance with Section 5. Within 30 days after the effective date of such termination, N2 will credit to the AD an amount equal to the portion of the fees previously paid by the AD as of the date of termination corresponding to the defective Services.

8. Limitation of Liability. IN NO EVENT SHALL N2 BE LIABLE TO THE AD OR TO ANY THIRD PARTY FOR ANY LOSS OF USE, REVENUE, OR PROFIT OR LOSS OF DATA OR DIMINUTION IN VALUE, OR FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, EXEMPLARY, SPECIAL, OR PUNITIVE DAMAGES WHETHER ARISING OUT OF BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHERWISE, REGARDLESS OF WHETHER SUCH DAMAGE WAS FORESEEABLE AND WHETHER N2 HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND NOTWITHSTANDING THE FAILURE OF ANY AGREED OR OTHER REMEDY OF ITS ESSENTIAL PURPOSE. IN NO EVENT SHALL N2'S AGGREGATE LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT, WHETHER ARISING OUT OF OR RELATED TO BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, EXCEED THE AGGREGATE AMOUNTS PAID TO N2 DURING THE PRECEDING 12-MONTH PERIOD PURSUANT TO THIS AGREEMENT.

9. General. Each of the parties hereto shall use reasonable efforts to, from time to time at the request and sole expense of the other party, furnish the other party such further information or assurances, execute and deliver such additional documents, instruments, and conveyances, and take such other actions and do such other things, as may be reasonably necessary. Each party shall deliver all communications in writing via email. This Agreement and all matters arising out of or relating to this Agreement, including tort and statutory claims are governed by, and construed in accordance with the laws of North Carolina, (including its statutes of limitations and choice of law statute ), without giving effect to any conflict of laws provisions thereof that would result in the application of the laws of a different jurisdiction. Either party shall exclusively institute any legal suit, action, or proceeding arising out of or relating to this Agreement in the

federal or state courts in each case located in Wilmington, North Carolina. EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY: (A) CONSENTS AND SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE AFOREMENTIONED COURTS; (B) WAIVES ANY OBJECTION TO THAT CHOICE OF FORUM BASED ON VENUE OR TO THE EFFECT THAT THE FORUM IS NOT CONVENIENT; (C) WAIVES ANY RIGHT TO TRIAL BY JURY; AND (D) WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT, OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY NORTH CAROLINA LAW. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous written or oral understandings, agreements, representations, and warranties with respect to such subject matter. The invalidity, illegality, or unenforceability of any provision herein does not affect any other provision herein or the validity, legality, or enforceability of such provision in any other jurisdiction. The parties may not amend this Agreement except by a written instrument signed by the parties. No waiver of any right, remedy, power, or privilege under this Agreement ("**Right(s)**") is effective unless contained in a writing signed by the party charged with such waiver. No failure to exercise, or delay in exercising, any Right operates as a waiver thereof. No single or partial exercise of any Right precludes any other or further exercise thereof or the exercise of any other Right. The Rights under this Agreement are cumulative and are in addition to any other rights and remedies available at law or in equity or otherwise; provided that, the parties intend that the remedy set out in Section 7 (Limited Warranty) is the AD's exclusive remedy for the N2's breach of the limited warranty set out in Section 9. Neither party may directly or indirectly assign, transfer, or delegate any of or all of its rights or obligations under this Agreement, voluntarily or involuntarily, including by change of control, merger (whether or not such party is the surviving entity), operation of law, or any other manner, without the prior written consent of the other party. Any purported assignment or delegation in violation of this Section shall be null and void. N2, however, may subcontract the Services. This Agreement is binding upon and inures to the benefit of the parties and their respective successors and permitted assigns. Except for the parties, their successors, and permitted assigns, there are no third-party beneficiaries under this Agreement. Sections 3, 6, 7, and 8 of this Agreement, as well as any other provision that, in order to give proper effect to its intent, should survive the expiration or termination of this Agreement, will survive such expiration or termination for the period specified therein, or if nothing is specified for a period of thirty-six months after such expiration or termination. This Agreement may be executed in counterparts and/or using electronic signatures. To add, delete, or modify the Services and to adjust the Fees accordingly, Exhibit A and Exhibit B may be amended by mutual agreement through a writing signed by both parties; provided, the foregoing does not modify or reduce N2's unilateral right to change the Fees upon 45 days' notice as set forth in Section 2 above.

| | |
|---|---|
| **N2:**<br>The N2 Company<br>a Delaware corporation | **AD:**<br>_____ |
| By:_____<br>Name:_____<br>Title:_____ | By: _____<br>Name: _____<br>Title: _____ |

**Exhibit A to AD Services Agreement**
**DESCRIPTION OF SERVICES**

[Insert Description of Franchisee's Selected Services]

**Exhibit B To AD Services Agreement**
**COMPENSATION**

[Insert Fees for Franchisee's Selected Services]

**EXHIBIT G**
**FORM OF GENERAL RELEASE**

**[Current Form for Transfers and Renewals]**

1. **Release of Claims**. Franchisee and its Owners and their respective assigns, heirs, representatives, agents, family members, and all other persons acting on their behalf or claiming under them (collectively referred to as the "Franchisee Related Parties") irrevocably and unconditionally release and forever discharge Franchisor, its predecessors, subsidiaries, affiliates and their respective owners, officers, directors, agents, independent contractors, servants, employees, representatives, attorneys, successors and assigns and all persons acting by, through, under or in concert with any of them (collectively "Releasees"), from all actions, causes of action, suits, debts, liens, contracts, agreements, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, fixed or contingent ("Claim" or "Claims"), which they now have or claim to have or at any time heretofore have had or claimed to have against each or any of the Releasees, including, without limitation, any and all such Claims arising from, based upon or related to the Franchise Agreement.

**[For California franchisees, add:** Each of the Releasing Parties expressly waives and relinquishes all rights and benefits which either may now have or in the future have under and by virtue of California Civil Code Section 1542. The Releasing Parties do so understanding the significance and consequence of such specific waiver. Section 1542 provides that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." For the purpose of implementing a general release and discharge as described in Section 1. above, the Releasing Parties expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all claims described in Section 1. above which the Releasing Parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.**]**

2. **Unknown Claims**.

(a) Franchisee acknowledges for itself and the Franchisee Related Parties that there is a risk that subsequent to the execution of this Agreement, it will discover, incur or suffer Claims which are unknown or unanticipated at the time this Agreement is executed, including, without limitation, unknown or unanticipated Claims which arose from, are based upon or are related to the Franchise Agreement or some part or aspect thereof, which if known by Franchisee on the date this Agreement is being executed may have materially affected its decision to execute this Agreement.

(b) Franchisee acknowledges and agrees for itself and the Franchisee Related Parties that by reason of the release contained in Section 1 above, it is assuming the risk of such unknown and unanticipated Claims and agrees that its release of the Releasees contained in this Agreement applies thereto.

3. **Covenant Not to Sue**. Franchisee covenants and agrees for itself and for the Franchisee Related Parties not to bring or allow to be brought on behalf of itself or any Franchisee Related Party, any action, cause of action, suit or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against Franchisor and the Releasees arising out of, resulting from, or in any manner related to the matters referenced in Section 1.

4. **No Assignment of Claims**. Franchisee represents and warrants for itself and the Franchisee Related Parties that it has not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claims released under Section 1. of this Agreement and agrees to indemnify, defend and hold the Releasees harmless from and against any and all Claims, based on or arising out of any such assignment or transfer, or purported assignment or transfer, of any Claims, or any portion thereof or

interest therein. Franchisee represents and warrants that since the date of the Franchise Agreement, there has been no assignment or transfer, and no purported assignment or transfer, to any person or entity of the Franchise, the Franchise Agreement, or any rights or interests therein or in the Franchisee.

5. **Full and Independent Knowledge**. Franchisee represents that it has been represented by an attorney in connection with the preparation and review of this Agreement, that it has specifically discussed with its attorney the meaning and effect of this Agreement and that it has carefully read and understands the scope and effect of each provision contained herein. Franchisee further represents that it does not rely and has not relied upon any representation or statement made by the Franchisor or, any of the Releasees or any of their representatives with regard to the subject matter, basis or effect of this Agreement.

6. **Compromise**. Franchisee agrees for itself and the Franchisee Related Parties that the releases contained herein are the result of a compromise and shall never at any time for any purpose be considered as an admission of liability or responsibility on the part of Franchisor or the Releasees regarding any matter.

7. **General Provisions**.

(a) Entire Agreement. This Agreement, when fully executed, supersedes all previous negotiations, representations, and discussions by the parties hereto concerning the subject matter hereof and integrates the whole of all of their agreements and understandings concerning the subject matter hereof. No oral representations or undertakings concerning the subject matter hereof shall operate to amend, supersede, or replace any of the terms or conditions set forth herein.

(b) Authority. By their signatures below, the parties hereto represent and warrant to each other that they have all necessary authority to enter into this Agreement. Each party hereto represents and warrants that the party is entering into this Agreement solely for the purposes and consideration set forth herein.

(c) Counterpart Execution. This Agreement may be executed in multiple counterparts, each of which shall be fully effective as an original.

(d) Survival. All covenants, representations, warranties, and agreements of the parties shall survive execution and delivery of this Agreement and shall continue until such time as all the obligations of the parties hereto shall have lapsed in accordance with their respective terms or shall have been discharged in full.

(e) Further Assurance. The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.

(f) Complete Defense. Franchisee acknowledges that this Agreement shall be a complete defense to any claim released under the terms of Section 1. of this Agreement and hereby consents to the entry of a temporary or permanent injunction to end the assertion of any such claim.

(g) Attorneys' Fees. In the event that Franchisor institutes legal proceedings of any kind to enforce this Agreement, Franchisee agrees to pay all costs and expenses associated therewith, including, but not limited to, all attorneys' fees.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

| **FRANCHISOR:** | **FRANCHISEE:** |
|---|---|
| N2 Franchising, Inc.<br>a Delaware corporation | _____ |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |

**[Add signature blocks for any additional parties identified pursuant to Section 1.]**

**EXHIBIT H**
**SAMPLE FORM OF TRANSFER AGREEMENT**
[Subject to change]

## TRANSFER AGREEMENT AND CONSENT

THIS TRANSFER AGREEMENT AND CONSENT ("**Transfer Agreement**") is made and entered into by and between N2 Franchising, Inc., a Delaware Corporation ("**Franchisor**"), [name of entity], a[n] [state] [type of entity] ("**Transferor**"), [name(s) of individual(s) who are named as Principals], [an] adult individual[s] ("**Transferor Principals**"), [name of entity], a[n] [state] [type of entity] ("**Transferee**"), and [names of individual(s) who are named as Principals in the new franchise agreement], [an] adult individual[s] ("**Transferee Principals**"). This Transfer Agreement will be effective upon execution by Franchisor ("**Effective Date**").

## RECITALS

A. Transferor is the Franchisee under that certain N2 Franchising, Inc. Franchise Agreement dated _____, 20__ between Franchisor and Transferor ("**Franchise Agreement**") for the Territory listed in Attachment B to the Franchise Agreement, and Transferor Principals are personally bound by certain covenants set forth in the Franchise Agreement.

B. Transferor operates its N2 publications business ("**Franchisee's Business**"), pursuant to the terms and conditions of the Franchise Agreement.

C. Transferor desires to transfer, convey, and assign to Transferee all of its interest in and to the Franchise Agreement as provided for in this Transfer Agreement and to sell certain assets used in the operation of Franchisee's Business, as defined in that certain purchase agreement dated _____, 20__ between Transferor as seller and Transferee as buyer ("**Purchase Agreement**"), such transaction to be effective as of the date specified in the Purchase Agreement or otherwise mutually agreed to by the parties ("**Closing**").

D. Transferee desires to assume the duties and obligations of Transferor under a New Franchise Agreement (defined below), subject to the terms, conditions, and covenants contained herein.

E. Franchisor desires to consent to the transfer contemplated by this Transfer Agreement, subject to the terms, conditions, and covenants set forth below.

NOW THEREFORE, FOR AND IN CONSIDERATION of the premises, the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt, sufficiency, and adequacy of which are expressly acknowledged, the parties, each intending to be legally bound, do hereby agree as follows:

## AGREEMENT

1. Consent to Transfer. Franchisor hereby consents to the transfer contemplated by this Transfer Agreement, provided that all of the terms and conditions set forth herein are met. All future transfers subject to the terms of the New Franchise Agreement remain subject to Franchisor's further consent.

2. Payment of Fees. Upon execution of this Transfer Agreement by Franchisor, Transferor must have paid Franchisor all sums owed to Franchisor by Transferor, including but not limited to the required transfer fee and all Returnable Commissions.

3. Termination of Franchise Agreement; Survival of Certain Covenants and Obligations. Except as provided for in Section 9. of this Transfer Agreement, upon execution of this Transfer Agreement by Franchisor, the Franchise Agreement will terminate automatically; however, Transferor and Transferor Principals, and each of them, remain bound by, and must comply with, those provisions of the Franchise Agreement, which by their nature survive termination and include, but are not limited to, confidentiality

and noncompetition; payment of debts and taxes; indemnification; and the post-term obligations set forth in Section 11. **Further, Transferor and Transferor Principals will remain bound by the dispute resolution provisions set forth in Section 14. of the Franchise Agreement**.

4. New Franchise Agreement. Transferee and Transferee's Principals have read and understand Franchisor's current form of franchise agreement with related attachments, if any (collectively, "**New Franchise Agreement**"), and agree that on or before Closing, Transferee will enter into the New Franchise Agreement with Franchisor and execute or cause to be executed all attachments thereto, and Transferee Principals will each execute the Principals' Undertaking (Attachment C to the New Franchise Agreement).

5. Releases

a. By Franchisor. Except for the obligations set forth in this Transfer Agreement, Franchisor irrevocably and unconditionally releases, acquits, and forever discharges Transferor and each Transferor Principal ("**Transferor Parties**") from all actions, causes of action, suits, debts, liens, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys' fees and costs actually incurred), known or unknown, suspected or unsuspected, fixed or contingent, which Franchisor now has, owns, holds, claims to have, claims to own, or claims to hold, or at any time heretofore had owned, held, claimed to have, claimed to own, or claimed to hold against any Transferor Party arising out of or relating to the Franchise Agreement.

b. By Transferor. Transferor and each Transferor Principal, for themselves and on behalf of all other persons or entities acting on any of their behalves or claiming under any of them ("**Releasing Parties**"), hereby irrevocably and unconditionally release, acquit, and forever discharge Franchisor and its owners, stockholders, predecessors, assigns, agents, directors, officers, employees, representatives, attorneys, subsidiaries, and affiliates, past and present, and all persons acting by, through, under or in concert with any of them ("**Franchisor Releasees**") or any of them, from all actions, causes of action, suits, debts, liens, obligations, promises, liabilities, claims, rights, demands, damages, controversies, losses, costs, and expenses (including attorneys' fees and costs actually incurred), known or unknown, suspected or unsuspected, fixed or contingent, which any of them now has, owns, holds, claims to have, claims to own, or claims to hold, or at any time heretofore had, owned, held, claimed to have, claimed to own, or claimed to hold (collectively, "**claims**") against each or any of the Franchisor Releasees, including but not limited to those arising out of or relating to the Franchise Agreement and the relationships created thereby, any other agreement between any Franchisor Releasee on the one hand and any Releasing Party on the other hand, and the offer or sale of the N2 publications franchise opportunity.

**INCLUDE THE FOLLOWING PARAGRAPH FOR TRANSFERS IN CALIFORNIA ONLY:[c.** The parties to this Transfer Agreement expressly waive and relinquish all rights and benefits which any of them may now have or in the future have under and by virtue of California Civil Code Section 1542. Each party does so understanding the significance and consequence of such specific waiver. Section 1542 provides that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which is known by him must have materially affected his settlement with the debtor." For the purpose of implementing a general release and discharge as described in Sections 5.a. and 5.b., above, each party hereto expressly acknowledges that this Transfer Agreement is intended to include in its effect, without limitation, all claims described in Sections 5.a. and 5.b. above, which the parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Transfer Agreement contemplates the extinguishment of any such claims.]

6. Covenant Not to Sue. Each of the parties hereto covenant and agree for themselves and for their assigns, heirs, representatives, agents, family members, and all other persons acting on their behalf or claiming under them (collectively, "**Covenantors**") not to participate in, bring, or allow to be brought on behalf of any Covenantor, any action, cause of action, suit, or other proceeding of any kind, which has accrued or which may ever accrue, whether based in the Constitution, common law, or statute, contract, tort, or in equity, for actual or punitive damages or other relief, against one another arising out of, resulting

from, or in any manner related to the matters released in Sections 5.a. and 5.b

7. Acknowledgments Regarding Releases. By affixing their signatures to this Transfer Agreement, the parties acknowledge that they have carefully read and fully understand the provisions of this Agreement, including, specifically, the release of claims set forth in Sections 5.a. and 5.b. of this Agreement, and that their release of such claims is knowing and voluntary. Transferor and each Transferor Principal acknowledges that it has had a reasonable opportunity to consult with an attorney prior to executing this Transfer Agreement and that the execution of this Transfer Agreement is voluntary. Transferor and each Transferor Principal further acknowledge that Franchisor has advised them to consult with an attorney before executing this Transfer Agreement. Each party represents that it does not rely, and has not relied upon, any representation or statement made by any of the Franchisor Releasees or any of the Transferor Parties, as the case may be, or any of their representatives, with regard to the subject matter, basis, or effect of this Agreement.

8. Indemnity. The parties acknowledge and agree that except for those matters relative to its consent, Franchisor has exercised no influence over and has taken no part in the transfer of the Franchise Agreement or Franchisee's Business. Accordingly, Transferor, each Transferor Principal, Transferee, and each Transferee Principal hereby agree to, and will at all times, indemnify and hold each of the Franchisor Releasees harmless, to the fullest extent permitted by law, from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted), which arises out of or is based upon the transactions contemplated by this Transfer Agreement. "**Losses and expenses**" includes, without limitation, all losses, compensatory, exemplary, or punitive damages, fines, charges, costs, expenses, lost profits, reasonable attorneys' fees, investigative fees, court costs, settlement amounts, judgments, compensation for damages to Franchisor's reputation and goodwill, and other such amounts incurred in connection with such matters.

9. Failure to Close. If Closing does not take place as provided herein, then Franchisor's approval of the transfer contemplated by this Transfer Agreement will be deemed withdrawn, unapproved, and without any force or effect, and Transferor and Transferor Principals will remain bound by the terms of the Franchise Agreement, which will remain in full force and effect.

10. Notices. Any and all notices required or permitted under this Transfer Agreement must be in writing and personally delivered or mailed by expedited delivery service or certified or registered mail, return receipt requested, first class postage prepaid, or sent by prepaid facsimile (provided that the sender confirms the facsimile by sending an original confirmation copy by certified or registered mail or expedited delivery service within three business days after transmission) to the parties at the following addresses until a different address is designated by written notice to the other party:

Notices to Franchisor:

N2 Franchising, Inc.
2093 Philadelphia #3202
Claymont, Delaware 19703
Attention: President
Facsimile: 910-202-1876

Notices to Transferor
and Transferor Principals:

_____
_____
_____
Attention: _____
Facsimile: _____
Telephone: _____

Notices to Transferee
and Transferee Principals: _____

_____

_____

Attention: _____
Facsimile: _____
Telephone: _____

11. Governing Law. This Transfer Agreement will be interpreted and construed under the laws of the state of North Carolina, without regard to the application of North Carolina conflict of law rules.

12. Severability. Except as expressly provided to the contrary herein, each portion, section, part, term, and provision of this Transfer Agreement will be considered severable; and if, for any reason, any portion, section, part, term, or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such determination will not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms, or provisions of this Transfer Agreement that may remain otherwise intelligible, and the latter will continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms, or provisions will be deemed not to be part of this Transfer Agreement; and such portion, section, part, term, or provision as similar as possible to that which was severed will automatically be added, which addition will be valid and not contrary to or in conflict with any law or regulation.

13. Dispute Resolution; Venue. The parties hereto hereby irrevocably submit themselves to the jurisdiction of the state and federal district courts located in the state, county, or judicial district in which Franchisor's principal place of business is located, and the parties each waive all questions of personal jurisdiction for the purpose of carrying out this provision. The parties further agree that the venue for any proceeding relating to or arising out of this Transfer Agreement will be the state and federal district courts located in the county or judicial district in which Franchisor's principal place of business is located; provided however, that Franchisor may bring any action for injunctive or other extraordinary relief in any state or federal district court that has jurisdiction.

14. Counterpart Execution; Facsimile Signatures. This Transfer Agreement may be executed in multiple counterparts, each of which when so executed will be an original, and all of which will constitute one and the same instrument. Facsimile signatures will be considered effective for execution purposes.

15. Further Assurances. Transferor, Transferor Principals, Transferee, and Transferee Principals hereby irrevocably agree to execute, deliver, or cause to be executed and delivered any and all other documents that may now or hereafter be necessary to consummate the transactions contemplated hereby, as reasonably requested by Franchisor.

16. Capitalized Terms. Initially capitalized terms used in this Transfer Agreement have the meanings given to them in the Franchise Agreement, unless otherwise defined herein.

IN WITNESS WHEREOF, the parties hereto have executed this Transfer Agreement on the dates set forth below.

(Signature page is the next page.)

**TRANSFEROR:**
[entity name]
a[n] [state] [type of entity]

By: _____
[Name, Title]

Date: _____

**TRANSFEREE:**
[entity name]
a[n] [state] [type of entity]

By: _____
[Name, Title]

Date: _____

**TRANSFEROR PRINCIPALS:**

By: _____
[Name], an Individual

Date: _____

**TRANSFEREE PRINCIPALS:**

By: _____
[Name], an Individual

Date: _____

Franchisor hereby consents to the foregoing transfer on the term described in this Transfer Agreement.

**FRANCHISOR:**
N2 Franchising, Inc.
a Delaware Corporation

By: _____
[Name, Title]

Date: _____

**EXHIBIT I**

**LIST OF STATE ADMINISTRATORS**

We intend to register this disclosure document as a "franchise" in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

**CALIFORNIA**
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
866-275-2677

**CONNECTICUT**
Cynthia Antanaitis Assistant Director
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103-1800
(860) 240-8230

**FLORIDA**
Florida Department of
Agriculture & Consumer Services
***Attn: Finance & Accounting***
407 South Calhoun Street
Tallahassee, Florida 32399-0800

**HAWAII**
Business Registration Division Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

**ILLINOIS**
Chief, Franchise Bureau
Attorney General's Office
500 South Second Street
Springfield, Illinois 62706

**INDIANA**
Securities Commissioner
Indiana Securities Division
302 West Washington Street Room E-111
Indianapolis, Indiana 46204

**MARYLAND**
Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

**MICHIGAN**
Michigan Attorney General's Office
Consumer Protection Division
Attn.: Franchise Section
525 West Ottawa Street
Lansing, Michigan 48909

**MINNESOTA**
Franchise Examiner
Minnesota Department of Commerce
Securities and Franchise Registration
85 75th Place East, Suite 280
Saint Paul, Minnesota 55101-2198

**NEBRASKA**
Nebraska Department of Banking and Finance
1526 K Street, Suite 300
Lincoln, Nebraska 68508

**NEW YORK**
NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
212-416-8222

**NORTH CAROLINA**
Secretary of State of North Carolina
2 South Salisbury Street
Raleigh, North Carolina 27601

**NORTH DAKOTA**
Franchise Examiner
North Dakota Securities Department
600 East Boulevard
State Capitol 5th Floor, Dept. 414
Bismarck, North Dakota 58505-0510

**OREGON**
Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97301

**RHODE ISLAND**
Securities Division
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex - Building 69-1
Cranston, Rhode Island 02920

**SOUTH DAKOTA**
Division of Insurance
Securities Regulations
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

**TEXAS**
Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711-2697

**UTAH**
Director, Department of Commerce
Division of Consumer Protection
160 East Three Hundred South
SM Box 146704
Salt Lake City, Utah 84111-6704

**VIRGINIA**
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

**WASHINGTON**
Administrator
Department of Financial Institutions
Securities Division
150 Israel Rd. S.W.
Tumwater, Washington 98501

**WISCONSIN**
Franchise Office
Wisconsin Securities Commission
P.O. Box 1768
Madison, Wisconsin 53701

**EXHIBIT J**

**AGENTS FOR SERVICE OF PROCESS**

We intend to register this disclosure document as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

**CALIFORNIA**
Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

**CONNECTICUT**
Banking Commissioner of State of Connecticut
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103-1800

**HAWAII**
Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

**ILLINOIS**
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

**INDIANA**
Secretary of State
Room E-111, 302 W. Washington St.
Indianapolis, Indiana 46204

**MARYLAND**
Maryland Securities Commissioner
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

**MICHIGAN**
Securities Director
Office of Financial and Insurance Regulation
W. Allegan
1st Floor, Constitution Hall
Lansing, MI 48909

**MINNESOTA**
Commissioner of Commerce
85 75th Place East, Suite 280
Saint Paul, Minnesota 55101

**NEW YORK**
Secretary of State
99 Washington Avenue
Albany, New York 12231

**NORTH CAROLINA**
Secretary of State of North Carolina
2 South Salisbury Street
Raleigh, North Carolina 27601

**NORTH DAKOTA**
Securities Commissioner
North Dakota Securities Department
600 East Boulevard
State Capitol, 5th Floor, Dept. 414
Bismarck, North Dakota 58505-0510

**OREGON**
Director
Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97301

**RHODE ISLAND**
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex - Building 69-1
Cranston, Rhode Island 02920

**SOUTH DAKOTA**
Director
Division of Insurance
Securities Regulations
124 S. Euclid, Suite 104
Pierre, South Dakota 57501

**VIRGINIA**
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

**WASHINGTON**
Director of Financial Institutions
Securities Division
150 Israel Rd. S.W.
Tumwater, Washington 98501

**WISCONSIN**
Commissioner of Securities
Wisconsin Securities Commission
201 West Washington Avenue, Suite 300
Madison, Wisconsin 53703

**EXHIBIT K**

**STATE-SPECIFIC ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT**

**ADDENDUM TO N2 FRANCHISING, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**
**FOR THE STATE OF CALIFORNIA**

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 *et seq*., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 *et seq*. To the extent that the franchise disclosure document/and or Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

A. Item 3 of the disclosure document is supplemented by the following language:

Neither we nor any person or franchise broker in Item 2 of the franchise disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A.78a *et seq*., suspending or expelling such persons from membership in such association or exchange.

B. Item 17 of the franchise disclosure document is supplemented by the following language:

a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

b. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq*.).

c. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

d. The Franchise Agreement requires application of the laws of North Carolina. This provision may not be enforceable under California law.

2. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

3. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT.

4. You must sign a general release if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

5. Corporations Code 31512 provides that: "Any conditions, stipulation, or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of this law or any rule or order hereunder is void." The Franchise Agreement requires a shortened statute of limitations period. Pursuant to Corporations Code Section 31512, this provision is void, to the extent that it is inconsistent with the provisions of Corporations Code Sections 31303 and 31304.

6. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A FRANCHISE DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF

FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

8. A contract which restrains a franchise from engaging in a lawful trade or business is to that extent void under California Business & Professions Code section 16600.

9. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act.

**ADDENDUM TO N2 FRANCHISING, INC.**
**FRANCHISE DISCLOSURE DOCUMENT FOR**
**THE STATE OF HAWAII**

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND FRANCHISEE.

**ADDENDUM TO N2 FRANCHISING, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**
**FOR THE STATE OF ILLINOIS**

1. Item 17 is supplemented by the following:

   a. If the franchise agreement requires that it be governed by a state's law, other than the state of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act (including judicial decisions interpreting the Act), Illinois law will govern.

   b. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

   c. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law or Illinois is void.

   d. Your rights upon termination and non-renewal of a Franchise Agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. THIS FRANCHISED BUSINESS IS COMMISSION-BASED. WE WILL PAY YOU A COMMISSION, MINUS THE ROYALTY, EXPENSES INCURRED FOR PUBLISHING, PRODUCING AD SAMPLES, LAYOUT CHANGES, YOUR ABILITY TO MEET DEADLINES, CROSS- SELLING FEES, AND NEGATIVE ACCRUED COMMISSIONS.

3. WE AND OTHER OF OUR FRANCHISEES MAY ESTABLISH NATIONAL AND REGIONAL ACCOUNTS WITH ADVERTISERS IN YOUR TERRITORY, INCLUDING THOSE TO WHOM YOU HAVE ALREADY SOLD ADVERTISING. THESE ACCOUNTS WILL BE DESIGNATED AS "STRATEGIC PARTNERS." IF A STRATEGIC PARTNER(S) IS ESTABLISHED, YOU MAY BE PERMITTED TO CALL ON THE STRATEGIC PARTNER(S), BUT YOU MUST DO SO IN STRICT COMPLIANCE WITH OUR REQUIREMENTS.

**ADDENDUM TO N2 FRANCHISING, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**
**FOR THE STATE OF MARYLAND**

1. Item 5 of the disclosure document is supplemented with the following:

Even though we have waived payment of the initial franchise fee, the Maryland Securities Division has required us to defer your obligation to pay all initial franchise fees, including payments for goods and services received from us, until we have performed our pre- opening obligations and you begin operating the Franchised Business. Notwithstanding the foregoing required disclosure, our waiver of the initial franchise fee remains in full force and effect.

2. The Summary column for Items 17.v., "Choice of Forum" (Franchise chart) are amended as follows:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Except for any rights a franchisee has under the Maryland Franchise Registration and Disclosure Law to bring suit in Maryland for claims arising under the Law, arbitration of disputes which are subject to arbitration will be held at an office of the AAA located nearest to our principal place of business. Except as otherwise required by the Maryland Franchise Registration and Disclosure Law, venue for all proceedings arising under the Franchise Agreement is the state, county, or judicial district where our principal place of business is located, unless otherwise brought by us.

3. Item 17.c., "Requirements for you to renew or extend" (Franchise Agreement chart) and Item 17.m. "Conditions for our approval of transfer" (Franchise Agreement chart) are amended by the addition of the following:

The Code of Maryland Regulations, COMAR 02.02.08.16L., states that a general release required as a condition of renewal, sale, and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law. This may affect the enforceability of certain provisions in the Franchise Agreement relating to renewal, sale, assignment, or transfer of the Franchise Agreement.

4. Item 17 is amended by adding the following to the end of Item 17:

Any claims that you may have under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

5. The following is added as the last paragraph of Item 17:

A provision in the Franchise Agreement which terminates the agreement upon your bankruptcy may not be enforceable under Title 11, United States Code Section 101.

**ADDENDUM TO N2 FRANCHISING, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**
**FOR THE STATE OF MINNESOTA**

1. The following is added to Item 13 of the disclosure document:

We will protect your right to use the trademarks, service marks, trade names, logos, or other commercial symbols or will indemnify you from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the marks to the extent required by Minnesota law.

2. The following is added to Item 17 of the disclosure document:

Under Minnesota law, and except in certain specified cases, we must give you 90 days' notice of termination with 60 days to cure. We also must give you at least 180 days' notice of our intention not to renew a franchise and sufficient opportunity to recover the fair market value of the franchise as a going concern. To the extent that the Franchise Agreement is inconsistent with Minnesota law, Minnesota law will control.

3. To the extent that any condition, stipulation, or provision contained in the Franchise Agreement (including any choice of law provision) purports to bind any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance with the Minnesota Franchise Law, such condition, stipulation, or provision may be void and unenforceable under the non-waiver provision of the Minnesota Franchise Law.

4. Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing the disclosure document or agreement can abrogate or reduce any of franchisee's right as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

**ADDENDUM TO N2 FRANCHISING, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**
**FOR THE STATE OF NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

> **INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

> A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
>
> B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
>
> C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective Rev. March 17, 2021 2 injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**": The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York

**ADDENDUM TO N2 FRANCHISING, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**
**FOR THE STATE OF NORTH DAKOTA**

1. Item 17.w. is amended by adding the following to the "Summary" column opposite category w. "Choice of law":

If you bring any claims relating to the Franchise Agreement and/or the relationship between you and us, if you independently meet the jurisdictional requirements of North Dakota, then North Dakota will apply to such claims.

**ADDENDUM TO N2 FRANCHISING, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**
**FOR THE STATE OF VIRGINIA**

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17.h. of the franchise disclosure document for N2 Franchising, Inc. is supplemented by the following:

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 ground for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**ADDENDUM TO N2 FRANCHISING, INC.**
**FRANCHISE DISCLOSURE DOCUMENT**
**FOR THE STATE OF WASHINGTON**

1. The state of Washington has a statute, RCW 19.100.180 which 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. Therefore, the following is added to the Summary column in Item 17o.: "Upon expiration or termination of the franchise agreement, we may be required to purchase certain of your assets related to your operation of the Franchised Business, if RCW 19.100.180 applies."

2. 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.

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

4. 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.

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

6. 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.

7. 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.

8. The following is added to Item 1 of the disclosure document:

Franchisees who receive financial incentives to refer franchise prospects to franchisors may be required to register as franchise brokers under the laws of the state of Washington.

9. The Franchise Referral Program described in Item 1 of the disclosure document is not available to referrals made in connection with franchises offered or sold in the state of Washington.

## State Effective Dates

The following states have franchise laws that 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 |
| Hawaii | Pending |
| Illinois | Pending |
| Indiana | Pending |
| Maryland | Pending |
| Michigan | Pending |
| Minnesota | Pending |
| New York | Pending |
| North Dakota | Pending |
| Rhode Island | Pending |
| South Dakota | Pending |
| Virginia | Pending |
| Washington | Pending |
| Wisconsin | Pending |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## ITEM 23
## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If N2 Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state laws in (a) Michigan requires us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, (b) New York requires us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, and (c) Iowa requires us to provide you the disclosure document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If N2 Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and any applicable state agency (as listed in Exhibit I to this disclosure document).

The name, principal business address, and telephone number of the franchise seller offering the franchise is provided in the attached Franchise Sellers' Information document.

Issuance Date: October 14, 2022.

I received a disclosure document dated October 14, 2022. The disclosure document included the following Exhibits:

Exhibit A – Financial Statements
Exhibit B – Franchise Agreement (with Attachments and State Specific Amendments)
Exhibit C – List of Franchised Outlets
Exhibit D – List of Franchisees Who Have Left the System
Exhibit E – Administration Manual Table of Contents
Exhibit F – AD Services Agreement
Exhibit G – Form of General Release
Exhibit H – Form of Transfer Agreement and Consent
Exhibit I – List of State Administrators
Exhibit J – Agents for Service of Process
Exhibit K – State Specific Addenda to Franchise Disclosure Document

Dated:_____ _____

Individually and as an Officer of the company designated below or of a company to be formed and designated below on formation

_____
Printed Name
of_____

(a_____Corporation)

(a_____Limited Liability Company)

**(Keep this page for your records.)**

**Franchise Sellers' Information**

Check the applicable box for the name, principal business address, and telephone number of the franchise seller offering the franchise.

| | Name | Principal Business Address | Telephone Number |
|---|---|---|---|
| | Bernadette Gabaree | 11725 Darbyshire Ct<br>Loveland, OH 45150 | 513-846-4606 |
| | Cathy Sine | 26595 Weston Hills Dr<br>Murrieta, CA 92563 | 951-294-2992 |
| | Denise Castellano (Thompson) | 3357 W. Thoreau Ln.<br>Anthem, AZ 85086 | 480-316-3369 |
| | Dennis Jankowski | 727 Lake Avenue<br>Lyndhurst, NJ 07071 | 201-446-6564 |
| | Doug Couillard | 241 Hampstead Way<br>Marshfield, MA 02050 | 508-934-6904 |
| | Duane Hixon | 2093 Philadelphia Pike<br>Claymont, DE 19703-2424 | 910-202-0917 |
| | Earl Seals | 2093 Philadelphia Pike<br>Claymont, DE 19703-2424 | 910-202-0917 |
| | Janine Goodin | 2093 Philadelphia Pike<br>Claymont, DE 19703 | 803-203-9973 |
| | Jason Pattee | 35223 Queen Ann's Way<br>Avon, OH 44011 | 440-655-4870 |
| | John Freshwater | 2093 Philadelphia Pike<br>Claymont, DE 19703 | 919-322-3977 |
| | Kaylie Oppedisano | 433 Woodford Dr<br>Debary, FL 32713 | 407-687-3224 |
| | Kevin Baggs | 2093 Philadelphia Pike<br>Claymont, DE 19703-2424 | 919-322-3978 |
| | Kevin Jones | 315 Kelby Street,<br>Travelers Rest, SC 29690 | 864-704-4200 |
| | Lisa Masquelier | 4337 Liam Drive,<br>Frisco, TX 75034 | 972-838-3811 |
| | Natalie Jostes | 1107 Jefferson Dr.<br>Bolingbrook, IL 60490 | 630-673-7616 |
| | Nicole Geraghty | 887 Attitude Ave<br>Daytona Beach, FL 32124 | 407-970-4335 |
| | Scott Wade | 317 Hollandale Ct<br>Wilmington, NC, 29412 | 910-859-8675 |
| | Sharon Yung | 2093 Philadelphia Pike<br>Claymont, DE 19703 | 844-343-5387 |
| | Tristan Manning | 5719 80th ST E,<br>Puyallup, WA 98371 | 360-626-3163 |
| | | | |
| | | | |
| | | | |
| | | | |

**ITEM 23**
**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If N2 Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Applicable state laws in (a) Michigan requires us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, (b) New York requires us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, and (c) Iowa requires us to provide you the disclosure document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If N2 Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and any applicable state agency (as listed in Exhibit I to this disclosure document).

The name, principal business address, and telephone number of the franchise seller offering the franchise is provided in the attached Franchise Sellers' Information document.

Issuance Date: October 14, 2022

I received a disclosure document dated October 14, 2022. The disclosure document included the following Exhibits:

Exhibit A – Financial Statements
Exhibit B – Franchise Agreement (with Attachments and State Specific Amendments)
Exhibit C – List of Franchised Outlets
Exhibit D – List of Franchisees Who Have Left the System
Exhibit E – Administration Manual Table of Contents
Exhibit F – AD Services Agreement
Exhibit G – Form of General Release
Exhibit H – Form of Transfer Agreement and Consent
Exhibit I – List of State Administrators
Exhibit J – Agents for Service of Process
Exhibit K – State Specific Addenda to Franchise Disclosure Document

Dated:_____ _____
Individually and as an Officer of the company designated below or of a company to be formed and designated below on formation

_____
Printed Name
of_____

(a_____Corporation)

(a_____Limited Liability Company)

**(Sign and return this page to N2 Franchising, Inc.)**

**Franchise Sellers' Information**

Check the applicable box for the name, principal business address, and telephone number of the franchise seller offering the franchise.

| | Name | Principal Business Address | Telephone Number |
|---|---|---|---|
| | Bernadette Gabaree | 11725 Darbyshire Ct<br>Loveland, OH 45150 | 513-846-4606 |
| | Cathy Sine | 26595 Weston Hills Dr<br>Murrieta, CA 92563 | 951-294-2992 |
| | Denise Castellano (Thompson) | 3357 W. Thoreau Ln.<br>Anthem, AZ 85086 | 480-316-3369 |
| | Dennis Jankowski | 727 Lake Avenue<br>Lyndhurst, NJ 07071 | 201-446-6564 |
| | Doug Couillard | 241 Hampstead Way<br>Marshfield, MA 02050 | 508-934-6904 |
| | Duane Hixon | 2093 Philadelphia Pike<br>Claymont, DE 19703-2424 | 910-202-0917 |
| | Earl Seals | 2093 Philadelphia Pike<br>Claymont, DE 19703-2424 | 910-202-0917 |
| | Janine Goodin | 2093 Philadelphia Pike<br>Claymont, DE 19703 | 803-203-9973 |
| | Jason Pattee | 35223 Queen Ann's Way<br>Avon, OH 44011 | 440-655-4870 |
| | John Freshwater | 2093 Philadelphia Pike<br>Claymont, DE 19703 | 919-322-3977 |
| | Kaylie Oppedisano | 433 Woodford Dr<br>Debary, FL 32713 | 407-687-3224 |
| | Kevin Baggs | 2093 Philadelphia Pike<br>Claymont, DE 19703-2424 | 919-322-3978 |
| | Kevin Jones | 315 Kelby Street,<br>Travelers Rest, SC 29690 | 864-704-4200 |
| | Lisa Masquelier | 4337 Liam Drive,<br>Frisco, TX 75034 | 972-838-3811 |
| | Natalie Jostes | 1107 Jefferson Dr.<br>Bolingbrook, IL 60490 | 630-673-7616 |
| | Nicole Geraghty | 887 Attitude Ave<br>Daytona Beach, FL 32124 | 407-970-4335 |
| | Scott Wade | 317 Hollandale Ct<br>Wilmington, NC, 29412 | 910-859-8675 |
| | Sharon Yung | 2093 Philadelphia Pike<br>Claymont, DE 19703 | 844-343-5387 |
| | Tristan Manning | 5719 80th ST E,<br>Puyallup, WA 98371 | 360-626-3163 |
| | | | |
| | | | |
| | | | |
| | | | |