Blue Nose Franchising, LLC

A Colorado limited liability company
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Website: www.bluenoseaerial.com

Blue Nose Franchising, LLC sells franchises in which the franchisee will operate a service business offering aerial drone photography services.

The estimated total investment necessary to begin operation of a Franchised Business ranges from $9,090 - $18,650. This includes the initial franchise fee which ranges between $8,950 and $13,350, depending on the Tier chosen by Franchisee. Please see Items 5 and 7 for additional details.

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, franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different formats, contact Tanner Harris at tanner@bluenoseaerial.com; 2548 Akron Street, Denver, Colorado, 80238; (703) 615-7196.

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

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

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

Issuance Date: March 16, 2023

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 in Exhibits 3 and 4.
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 5 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 Blue Nose business be the only 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 will tell you whether the franchisor or its management have been involved in any material litigation or bankruptcy proceedings.
What's it like to be a Blue Nose franchisee?	Item 20 or Exhibits 3 and 4 lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the Table of Contents.

What You Need to Know About Franchising *Generally*

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

Business models 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 operating 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 1.

Your state may also 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, or litigation only in Colorado. 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 franchisor in Colorado than in your own state.

2. **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.

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

4. **Minimum Sales**. 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.

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.

NOTICE REQUIRED BY

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.

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

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

(b) A requirement that the 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 terms 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 Section 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 six (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 or 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 there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

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ITEM 1

THE FRANCHISOR, AND ANY PARENT, PREDECESSORS, AND AFFILIATES

The Franchisor

The Franchisor is Blue Nose Franchising, LLC. To simplify the language in this Disclosure Document we refer to the Franchisor as "Blue Nose," "we," and "our." We refer to the person interested in buying the franchise as "you" or "your" and, if such person is a partnership, corporation, limited liability company, or other entity, it includes persons that own equity interests in such entity. The franchise will be referred to as a "Franchised Business" or the "Franchised Business" throughout this document. The term "Blue Nose" is the most common reference to our franchise system.

We are a franchising company which promotes and sells franchises for the operation of Franchised Businesses. We do not own or operate a business of the type being franchised, although we have an affiliate that does, as described below. We are not engaged in any business other than selling franchises for Franchised Businesses. We began offering franchises on August 10, 2020. We were formed on July 16, 2020.

The principal address of the franchisor is 2548 Akron Street, Denver, Colorado 80238. Our agent for service of process is Tanner Harris. His principal business address 2548 Akron Street, Denver, Colorado, 80238. If we have an agent for service of process in your state, we disclose that agent in Exhibit 1.

Our Parents, Affiliates, and Predecessors

We have no parents or predecessors.

We have one affiliate, Blue Nose, LLC and was formed on October 29, 2019. This affiliate owns and operates the original Blue Nose at 2548 Akron Street, Denver, Colorado, 80238 which opened in October 2019. This affiliate is the owner of the Proprietary Marks. Our affiliate is not offering, and has never offered, franchises in any line of business. We have no other affiliates.

Our Business and the Franchises Offered

We are offering franchises for the operation of a service business which provides aerial drone photography services and products under the name and mark "Blue Nose," (each a "**Franchised Business**"). Each Franchised Business is established and operated using the format and system we developed (the "**System**"), and features and operates under the Proprietary Marks (as defined in Item 13). Franchised Businesses offer services such as aerial drone photography, videography, and other related services. Franchised Businesses sell products such as aerial drone photography, image editing, and other related services. If you purchase a franchise you will be the owner of the Franchised Business. You may employ staff to assist in the operations of the business. You must operate the Franchised Business according to our standards and specifications and sign our standard Franchise Agreement ("**Franchise Agreement**").

Franchised Businesses are characterized by our System. Some of the features of our System include: (i) standards and specifications for products, equipment, materials, and supplies; (ii) uniform standards, specifications, and procedures for operations; (iii) training and operational assistance; and (iv) marketing and promotional programs. We may periodically change and improve the System.

You must operate your Franchised Business in accordance with our standards and procedures, as set out in our confidential operations manuals and other manuals, instructional materials, and written policies (collectively, the "**Manuals**"). We will lend you a copy of the Manuals for the duration of the Franchise Agreement (or, at our option, we may make these and other updates available to you electronically).

In addition, we will grant you the right to use our marks, including the mark "Blue Nose" and any other trade names and marks that we designate in writing for use with the System (the "**Proprietary Marks**"). We may modify the Proprietary Marks or substitute new proprietary marks. See Items 13 and 14 for additional information regarding the Proprietary Marks and the Manuals.

We have not engaged in any other line of business and have not offered franchises in any other line of business. We began offering franchises on August 10, 2020.

Franchise Agreement

We offer to enter into Franchise Agreements (included as Exhibit 2 to this Disclosure Document) with qualified legal entities and persons that wish to establish and operate Franchised Businesses ("**Franchisees**").

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a Franchised Business within an agreed-upon specified territory (the "**Operating Territory**"). In this Disclosure Document, the term "**Franchised Business**" means the Franchised Business franchised to you under a Franchise Agreement.

If you are not an individual, then you must designate one of your owners, who must be an individual person with at least a 51% ownership interest in the franchisee legal entity, and who must be reasonably acceptable to us to assume the responsibilities of general oversight and management of your Franchised Business (the "**Designated Principal**").

Market and Competition

The market for the services you will sell is developing and moderately competitive. Our services and related products are sold to individuals and to businesses. Selling is not seasonal in most markets; however, some markets do have seasonal aspects. You will compete with local businesses offering similar services or with regional and national businesses.

Industry Specific Regulations

You should consider that certain aspects of any business are regulated by federal, state, and local laws, rules, and ordinances in addition to the laws, regulations, and ordinances applicable to business generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws, and the Occupation, Health, and Safety Act. Various federal, state, and local laws, rules, and regulations may impact the operation of your Franchised Business. In addition to laws that apply to businesses generally, there may be laws or regulations specific to the services offered by this type of business in the state or local area in which you will operate your Franchised Business, such as permitting or contractor licenses. These may also be laws and regulations concerning pollution, safety, and noise. It is your responsibility to investigate and to comply with any laws or regulations in your state or local area, and to obtain all required licenses and permits required to operate the Franchised Business. In order to operate a Franchised Business, you must obtain a Remote Pilot Certificate from the FAA (an FAA PART 107 Certification) in order to pilot drones.

ITEM 2

BUSINESS EXPERIENCE

The following is a list of our directors, officers, and other executives who have responsibility for the franchise program.

Mr. Tanner Harris, Founder and Managing Member.

Blue Nose, LLC | President | October 2019 – Present | 2548 Akron St, Denver, Colorado 80238

United Airlines | First Officer | August 2018 – Present | 233 South Wacker Dr, Chicago, Illinois 60606

US Navy – USS George Washington | Assistant Strike Operations Officer | March 2017 – July 2018 | FPO AE 09550, Norfolk, Virginia

ITEM 3

LITIGATION

There is no litigation required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

There is no bankruptcy information required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Initial Franchise Fee

You must pay us a lump sum initial franchise fee when you sign the Franchise Agreement ("**Initial Fee**"). The Initial Fee will range from $8,950 to $13,350 depending on the tier selected for a territory consisting of a population of 250,000 people. All fees and payments, or commitments to pay, for services or goods received from the franchisor or any affiliate are due before the franchisee's business opens. The Initial Fee tiers are as follows:

Tier One - $8,950: Tier one includes the Mavic 3 Pro, or its current equivalent, model drone. The DJI Mavic 3 Pro excels at aerial photography and videography and is ideal for content creation and marketing purposes. The drone is equipped with a Hasselblad camera that captures stunning 4K video and 20-megapixel still images. Additionally, it is equipped with a Tele Camera capable of up to 28x digital zoom. It also has an advanced obstacle avoidance system and a range of features such as Active Track and Flight Autonomy. The Mavic 3 Pro enables users to capture professional-grade footage with an easy-to-use drone.

Tier Two - $10,750: Tier Two includes the Mavic 3 Enterprise, or its current equivalent, model drone. The DJI Mavic 3 Enterprise drone is a tool for commercial applications such as mapping and inspections. The drone is capable of capturing 4K video and has an advanced obstacle avoidance system for added safety. It also comes from an array of features such as waypoint navigation, object tracking, flight planning, and more.

Tier Three - $11,850: Tier Three includes the Mavic 3 Multispectral, or its current equivalent, model drone. The DJI Mavic 3 Multispectral drone can be used for precision agriculture applications such as crop monitoring, soil analysis, pest detection, and more. The drone is equipped with a multispectral imaging system that captures data in the Red, Green, Blue, Red Edge (RE) and near Infrared (NIR) bands, allowing users to analyze the data for a variety of purposes.

Tier Four - $13,350: Tier Four includes the Mavic 3 Thermal Option, or its current equivalent, model drone. The DJI Mavic 3 Thermal drone is a tool for monitoring and surveying applications such as infrastructure and building inspections, search and rescue, firefighting, and more. The drone is equipped with a thermal imaging camera that captures data in the long-waved infrared (LWIR) Spectrum, allowing users to detect heat sources and measure temperatures.

The Initial Fee must be paid in full upon the execution of the Franchise Agreement. In the alternative, in our sole discretion, we may finance up to $5,000 the Initial Fee provided you sign a promissory note for the financed portion of the Initial Fee in favor of Franchisor in the form attached as Exhibit D to Franchise Agreement contained in Exhibit 2 of this Disclosure Document.

The Initial Fee, or any portion of the Initial Fee, or any interest paid to us as a result of the Promissory Note will be fully earned when paid and non-refundable in consideration of administrative and other expenses we incur in entering into the Franchise Agreement and for our lost or deferred opportunities to enter into the Franchise Agreement with others. You must pay the Initial Fee in full at the time you sign the Franchise Agreement.

ITEM 6

OTHER FEES

Unless otherwise stated, all fees are imposed by, payable to, and collected by us. We mandate several fees for third party services, and it is your duty to pay such fees. All fees payable to us are non-refundable. Whether fees paid to third parties are refundable would depend on their policies.

Name of Fee	Amount	Date Due	Remarks
Royalty Fee	4% of Gross Sales.	Due on the last day of every month for the month prior.	Paid to us for use of our Proprietary Marks, proprietary systems, and our on-going support. See Note 3 for definition of Gross Sales.
Advertising Contribution	2% of Gross Sales.	Same as Royalty Fee.	This fee goes towards the Advertising Contribution. See Item 11 under the heading "Advertising." See Note 3 for definition of Gross Sales.
Local Advertising	Recommended amount of $150.00 or other amount best suited for the Franchised Business.	As incurred.	Paid to third party vendors.
Technology Fee	$295.00 per month.	Same as Royalty Fee.	This fee covers the cost of adding a webpage advertising your Franchised Business on our website, an email address, and access to our online franchisee support platform.

Name of Fee	Amount	Date Due	Remarks
Marketing Services	If collected, our then-current fee to participate in our marketing services. Currently, $25-75 per month.	Same as Royalty Fee.	Participation in the Marketing Services is optional. If you choose to participate, we reserve the right to collect a Marketing Services Fee in connection with any costs we incur in establishing and maintaining marketing services such as search engine optimization services, networking resources, client generation assistance, and other marketing and advertising programs.
Advanced Services	If collected, our then-current fee to participate in our advanced services. Currently, $135-$350 per month	Same as Royalty Fee.	Participation in the Advanced Services is optional. If you choose to participate, we reserve the right to collect an Advanced Services Fee in connection with additional services provided to you, such as resources and training for industry-specific aerial photography.
Required Software	QuickBooks Online: $25.00 per month Microsoft Office Suite: $5.00 per month Adobe Lightroom Classic: $9.99 per month DropBox Professional: $19.99 per month	As incurred	You must utilize third-party software programs to operate your Franchised Business. We currently require you to install and purchase a subscription for QuickBooks Online, Microsoft Office Suite, Adobe Lightroom Classic, and DropBox Professional. See Item 11 for more information.
Termination Fee	$2,500	Upon demand, if incurred.	See Section 12.5 of the Franchise Agreement.

Name of Fee	Amount	Date Due	Remarks
Transfer Fee	An amount equal to 25% of the then-current initial franchise fee.	At time of transfer.	Payable only if you make a transfer (as defined in the Franchise Agreement), which includes any sale or assignment of your franchise or your company. We do not impose a fee for a transfer to a corporation you form for the convenience of ownership. See Note 5, or Section 14.3 of the Franchise Agreement.
Successor Agreement Fee	25% of the then-current initial franchise fee	Before successor term.	The Franchise Agreement may be entered into a successor agreement after your initial term expires. You will only need to pay this fee if you renew the Franchise Agreement. The successor agreement fee is for one five-year successor period. See Section 1.3 of the Franchise Agreement.
Late Fee and Interest on Overdue Payments	A late fee equal to $100.00 immediately plus interest equal to 1.67% per day after the due date (but not more than any maximum rate set by law).	At time the overdue payments are paid.	Only due if you do not pay us the amounts you owe on time. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due. See Section 8.11 of the Franchise Agreement.

Name of Fee	Amount	Date Due	Remarks
Audit Expenses	All costs and expenses associated with the audit, reasonable accounting, and legal costs.	Upon Demand.	Payable only if we conduct an audit and the audit discloses an understatement in any statement or report of 3% or more. (You will also have to pay the monies owed and interest on the underpayment, see "Interest" above. See Section 15.2 of the Franchise Agreement.
Additional Training	$500 per day	As incurred.	We provide initial training for up to two people prior to the opening of your Franchised Business. We may charge you for training additional persons, newly-hired personnel, or special assistance you need or request. This fee will not be charged in connection with minor, day-to-day assistance that we provide over the phone or via email. Please see Item 11 of this Franchise Disclosure Document for additional information.
Insurance Procurement	Our cost to obtain insurance coverage if you fail to do so.	Upon Demand.	We have the right (but not obligation) to buy insurance coverage if you do not do so. See Section 8.7 of the Franchise Agreement.

Name of Fee	Amount	Date Due	Remarks
Costs and Attorney's Fees	Will vary under circumstances.	Upon Demand.	Due only if you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorney's fees) as a result of your default and to enforce and terminate the Franchise Agreement.
Indemnification	Will vary under circumstances.	Upon Demand.	You must reimburse us if we are sued or held liable for claims arising from your operation of the Franchised Business, as well as your use of the Proprietary Marks in a manner inconsistent with our instructions, and any transfers or securities offerings that you propose.

Explanatory Notes to Item 6 Table:

1. We may require that all fees payable to us be paid through an Electronic Depository Transfer Account ("**EDTA**"). Even if we do not require payment through an EDTA, we reserve the right to charge you an additional fee for the use of any other payment instrument. This additional fee will cover our additional expenses from processing a non-EDTA payment to us or any third party. See Section 2 of the Franchise Agreement.

2. Except as otherwise noted in this Item 6, we impose and collect all of the fees described above. None of these fees are refundable. All of the fees described above in this Item 6 are uniform for all franchisees. See Section 6 of the Franchise Agreement.

3. As the term is used in the Franchise Agreement, "Gross Sales" means the gross receipts of every kind and nature for sales of all products and services made in, upon, from, or through operation of the Franchised Business, and income of every other kind and nature related to the Franchised Business, whether for products, services, exchange, credit, cash, or check regardless of whether such sale is conducted in compliance with or in violation of the terms of this Agreement. Gross Sales shall not include the amount of refunds, tax collections, or allowances or discounts to customers, including discounts attributable to coupon sales. See Section 6.1 of the Franchise Agreement.

4. The Initial Franchise Fee covers your Initial Training; however you are responsible for any travel and living expenses for any additional in-person training sessions. See Section 5.1 of the Franchise Agreement.

5. The transfer fee that is due to us upon your transfer or sale of the franchised business is equal to 25% of the then-current initial franchise fee. See Section 14.3(d) of the Franchise Agreement.

ITEM 7

ESTIMATED INITIAL INVESTMENT

The following table describes the estimated initial investment for a single Franchised Business, subject to potential increases over time and other changes in circumstances.

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount (Low-High Range)	Method of Payment	When Due	To Whom Paid
Initial Franchise Fee (Note 2)	$8,950 - $13,350	Lump sum	Upon signing your Franchise Agreement	To us
Licenses, Permits, and Certifications (Note 3)	$75 - $200	As arranged	As incurred	To 3rd party vendors
Computer System (Note 4)	$0 - $1,000	As arranged	As incurred	To 3rd party vendors
Accountant and Attorney Fees (Note 5)	$0 - $1,500	As arranged	As incurred	To 3rd party vendors
Insurance (Note 6)	$65-$100	As arranged	As incurred	To 3rd party vendors
Additional Funds (3 months) (Note 7)	$0 - $2,500	As arranged	As incurred	To 3rd party vendors
Total Estimated Initial Investment	**$9,090 - $18,650**			

Explanatory Notes to Item 7 Table:

1. **General.** We do not impose or collect the fees or costs described in this Item, except for the items noted with "Us" in the column labeled "To Whom Paid." Except as described below,

all fees and amounts that you must pay to us are non-refundable. For any amounts paid to third parties, the availability and conditions under which you may obtain refunds will depend on the terms offered by those third-party suppliers. We do offer certain franchisees financing for a portion of the initial investment (see Item 10 for additional information). Our estimates in this Item 7 are based on our experience in developing and operating our affiliate-owned Blue Nose Business, and our knowledge of business practices and conditions in the general marketplace. We urge you to carefully review these figures and the figures you obtain from your own inquiries with an experienced business advisor, such as an accountant or consultant, or a legal advisor, such as a lawyer, before making any decision to purchase a Blue Nose franchise or any other franchised business.

2. **Initial Franchise Fee.** The Franchise Fee shown in the chart above is uniform for all franchisees and the same for each Franchised Business opened, except in the case where certain discounts and promotions are offered. We may elect to occasionally offer a discounted franchise fee to qualified franchise owners. Basis for discounts include, but are not limited to, territory location, industry experience, and other factors which we may determine. The amount of your initial franchise fee ranges from $8,950 - $13,350 for a territory consisting of a population of 250,000 people. We provide certain financing for the Franchise Fee. Please see Item 10 for additional details. The estimate assumes you will pay the entire Franchise Fee upon execution of the Franchise Agreement. Your Initial Franchise Fee includes the aforementioned territory, the equipment and apparel in the Franchise Package (see Section 2 of the Franchise Agreement for details), a webpage on www.bluenoseaerial.com, and an email address. The Initial Franchise Fee is non-refundable.

3. **Licenses, Permits, and Certifications.** These are general estimates for permits and licensing that may be required by local and state governments. Local, municipal, county, and state regulations vary on the licenses and permits you will need to operate a Franchised Business. You may be required to obtain a contractor's license. You will pay these fees to governmental authorities before starting business. You are solely responsible for obtaining all appropriate licenses and permits, most importantly the FAA Part 107 Certification (Section 5.2 of the Franchise Agreement). In addition, you will also form a corporation or other entity to operate the business.

4. **Computer System.** As described in Item 11 under the heading "Computer System" you are required to use a computer system installed with the required software. If you do not have a computer, you will be required to purchase one.

5. **Accountant and Attorney Fees.** The estimate range includes optional consulting fees to help you evaluate our franchise offering and your establishment of a new business.

6. **Insurance.** The estimate represents an initial deposit for the coverage necessary to operate the business. Insurance costs will vary depending upon factors such as the location of the Franchised Business and number of independent contractors or employees. Your obligations with respect to insurance are more fully described in Item 8.

7. **Additional Funds.** You may need additional capital to support on-going expenses to the extent that these costs are not covered by sales revenue. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS

To ensure that the highest degree of quality and service is maintained, you must operate the Franchised Business in strict conformity with the methods, standards, and specifications as we may from time to time prescribe in the Manuals or otherwise in writing.

Products and Other Purchases

General

All products and services sold or offered for sale at the Franchised Business must meet our then-current standards and specifications and be approved by us. You must purchase, install, and use all equipment, supplies, computers, and communications hardware and software and materials as we may reasonably require in the Manuals or other written materials (collectively, "**Business Items**"). You must purchase all additional products and other Business Items solely from manufacturers, distributors, and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manuals or otherwise in writing. You may not purchase, offer, or sell any products or services, or use at your Franchised Business any Business Items, that we have not previously approved as meeting our standards and specifications. If we have previously approved a supplier, and their standards fall below our designated standards, we will revoke our approval. We will notify you in writing of us revoking our approval. We have the right to be an approved supplier of some items, as does our affiliate. We may disapprove of products and suppliers based on our desire to consolidate System purchases through fewer suppliers. We may designate a single supplier, which may be us or one of our affiliates, for any products, equipment, supplies, or services, in which event you must purchase such items exclusively from the designated supplier. We ourselves are approved suppliers, as is our affiliate, however we are not the only approved supplier for goods and services. Alternative suppliers are assessed on a case-by-case basis. Granting and revocation of approval will largely depend on their ability to provide products and services in a timely manner, commitment to quality, scalability, and mission synergies. Criteria for approval is not available to franchisees. Franchisees may contract with alternative suppliers. There are no fees to secure approval to purchase from alternative suppliers, but written notification is requested. The time period for notification of approval or disapproval shall not exceed 5 business days. The franchisor, nor any of their officers, does not own an interest in any supplier. There are no required computer hardware purchases. Required software programs are Adobe Lightroom Classic, DropBox Professional, QuickBooks Online, and Microsoft Office. The franchisor provides no material benefits to a franchisee if particular products and services are purchased through certain suppliers.

Our specifications either: (i) are contained in the Manuals; or (ii) will be provided to you upon request. We, however, have no obligation to make available to prospective suppliers the standards and specifications that we deem confidential. When approving suppliers, we consider whether they demonstrate the ability to meet our standards and specifications and whether they possess adequate quality controls and capacity to supply your needs promptly and reliably. However, our approval may be withheld for any reason. We estimate that your purchases from approved suppliers will represent approximately 60% to 70% of your total purchases in establishing the Franchised Business, and approximately 60% to 70% in the continuing operation of the Franchised Business. We also estimate that your purchases that must conform to our specifications will represent approximately 60% to 70% of your total purchases in establishing the Franchised Business, and approximately 60% to 70% of your total purchases in the continuing operation of the Franchised Business.

We may establish strategic alliances, preferred vendor programs, supply contracts, or purchase arrangements with suppliers that are willing to supply some products, equipment, services, or other items to some or all of the Businesses in our System that will benefit us and our franchisees. If we do establish those types of alliances, programs, or arrangements, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would not be in the best interests of the System or the franchised network of Businesses. There are currently no purchasing or distribution cooperatives in our System. There are currently no suppliers in which any officer of Blue Nose Franchising, LLC owns any interest.

We and/or our affiliates may receive payments, such as rebates, or other compensation from suppliers on account of the suppliers' dealings with us, you, or other Franchised Businesses in the System. If we do receive such payments from suppliers, we may use the amounts that we receive for any purpose that we deem appropriate.

Insurance

You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, our affiliates, and our respective officers, directors, partners, and employees. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Franchised Business. Required insurance will include, but not be limited to, comprehensive general liability coverage, worker's compensation coverage, invasion of privacy claims, and aerial drone insurance. All policies must be written by a responsible carrier or carriers whom we determine to be acceptable, must name us and our affiliates as additional insureds, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manuals. Additionally, we may designate one or more insurance companies as the insurance carrier(s) for Franchised Businesses. If we do so, we may require that you obtain your insurance

through the designated carrier(s). We currently recommend Skywatch Insurance as they provide coverage options particularly for drone pilots.

Presently, we require you to maintain the following minimum insurance amounts:

Skywatch Drone-Specific Policy		
Single limit bodily injury and property damage	$1,000,000	Per Occurrence
Medical expense	$500	Each Person
Personal Injury	$25,000	Each offense and in the aggregate
General Liability Insurance	$1,000,000/ $2,000,000	Occurrence/ Aggregate
Business Property	As needed	TBD

We do not derive revenue as a result of our franchisees purchasing insurance coverage from designated carriers. We provide no material benefits to franchisees (for example, renewal or granting additional franchises) based on their use of an approved insurance carrier.

Computer System

Currently you are required to purchase, license, and utilize the following information (i) a computer; (ii) a reliable internet connection; (iii) a cellphone with the ability to accept calls and text messages; (iv) an Adobe Lightroom Classic subscription; (v) a DropBox Professional subscription; (vi) a QuickBooks Online subscription; and (vii) Microsoft office suite. In general, you will be required to obtain a computer system that will consist of certain hardware, software, and peripheral devices such as printers. You will be required to meet our requirements involving back office and point of sale systems, security systems, printers, back-up systems, and high-speed internet access.

Advertising

As noted in Item 11 below, we will have the right to review and approve all marketing plans and promotional materials that you propose to use. You may not implement any marketing plan or use any promotional material without our prior written consent.

Purchase Agreements

We reserve the right to implement exclusive provider arrangements. We may negotiate group rates, including price terms, for the purchase of equipment and supplies necessary for the establishment and/or operation of the Franchised Business. Presently there are no purchase or supply agreements in effect for source restricted products or services and there are no purchasing or distribution

cooperatives that you must join. You will not receive any material benefits for using designated or approved suppliers.

Purchase Agreements and Cooperatives

We may, in our discretion, negotiate purchase agreements, including price terms, with designated suppliers for source restricted goods and services on behalf of the System. We may establish preferred vendor programs with suppliers on behalf of some or all of the Blue Nose Businesses under the System and, in doing so, we may limit the number of approved vendors and/or suppliers that you may purchase from, and we may designate 1 vendor as your sole supplier. Presently there are no purchase or supply agreements in effect for source restricted products or services and there are no purchasing or distribution cooperatives that you must join. You will not receive any material benefits for using our designated or approved suppliers.

Our Right to Receive Compensation and Our Revenue from Source Restricted Purchases

We and/or our affiliates may receive rebates, payments and other material benefits from suppliers based on franchisee purchases and we reserve the right to institute and expand rebate programs in the future. As of the Issuance Date of this Disclosure Document we have not received revenue from suppliers of franchisee purchases of source restricted products or services. In 2022 we did not receive and our affiliates did not receive revenue from suppliers of source restricted purchases.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section or Article in Franchise Agreement	Item in Franchise Disclosure Document
a. Site Selection and Acquisition/Lease	Not applicable	Not Applicable
b. Pre-Opening Purchase/Leases	Not Applicable	Not Applicable
c. Site Development & other Pre-Opening Requirements	Not Applicable	Not Applicable

Obligation	Section or Article in Franchise Agreement	Item in Franchise Disclosure Document
d. Initial and Ongoing Training	5	7 and 11
e. Opening	5.1, 5.2, 8.1	11
f. Fees	1.3, 2.3, 6, 8.11, 12.5, 14.3(d), 14.4, 15.2, 18.6, 19.3, 19.7	5 and 6
g. Compliance with Standards and Policies/Operating Manual	7, 8.10, 9.1, 9.2, 12.2(f), 15.1	11
h. Trademarks and Proprietary Information	7.3, 10.1, 10.2, 11.1, 17	13 and 14
i. Restrictions on Products/Services Offered	8.3, 9.2	16
j. Warranty and Customer Service Requirements	9.2	11
k. Territorial Development and Sales Quotas	1.5, 1.6	9
l. Ongoing Product/Service Purchases	8.3	Not Applicable
m. Maintenance, Appearance and Remodeling Requirements	Not Applicable	Not Applicable
n. Insurance	8.7	7 and 8
o. Advertising	6.2, 6.3, 8.2	6 and 11

Obligation	Section or Article in Franchise Agreement	Item in Franchise Disclosure Document
p. Indemnification	18.6	6
q. Owner's Participation, Management, Staffing	11.1, 23.2	11 and 15
r. Records /Reports	9.1, 15.1	6
s. Inspections and Audits	15.2	6 and 11
t. Transfer	14	17
u. Renewal	1.3	17
v. Post-Termination Obligations	13	17
w. Non-Competition Covenants	11.2	17
x. Dispute Resolution	19	17

ITEM 10

FINANCING

Except as described in this Item 10, we do not offer direct or indirect financing.

We may provide financing to qualified franchisees. Financing is negotiated on a case-by-case basis with franchisees based on their credit history, ability to pay, and other factors. Financing is limited to a portion of the Initial Fee.

If we do provide financing to you, and unless other factors determine otherwise, we will finance up to $5,000 of the Initial Fee. You must pay the balance of the Initial Fee upon signing the Franchise Agreement. We will finance up to $5,000 of the Initial Fee as follows: you will pay us the Initial Fee for the corresponding Tier, less the $5,000 being financed, upon signing the Franchise Agreement be paid in sixty (60) equal monthly principal installments of $83.33 with the first installment due and payable on the 5th day of the month immediately following Borrower's Opening Date. See Exhibit D to the Franchise Agreement attached as Exhibit 2 to this Disclosure Document. You or, in

the case of an entity, your principals must personally guarantee the debt. You may prepay the financing without penalty. You waive the homestead and any other available exemption, presentment, demand, protest, notice of dishonor and any other notice. If you default on amounts owed, we can accelerate the obligation to pay the entire amount due, seek our collection costs including attorney's fees from you, and terminate your franchise agreement. If we provide financing to you, you must submit monthly financial information to us, such as an income statement, balance sheet, and supporting documents as we periodically specify and in the formats we specify.

Except as described above, we do not offer financing that requires you to confess judgment or waive a defense. We do not arrange for financing from other sources. We do not sell, assign, or discount to a third party all or part of the financing arrangement. We do not guarantee any of your notes or obligations. There is no security interest required by the lender.

ITEM 11

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

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

Before you open your Franchised Business:

1. We will provide you with our standard initial training program for up to two persons. (Training is also discussed below in this Item 11 under the subheading "Training.") We will be responsible for the cost of instruction and materials, subject to the terms stated in the Franchise Agreement. (Franchise Agreement Sections 5.1, 5.3, and 5.4)

2. We will provide you with the materials necessary to operate your Franchised Business, including the drone set forth for your Tier as set forth in Item 5, business cards, and logoed apparel. (Franchise Agreement Sections 2 and 8.6)

3. We will provide you with a separate webpage on www.bluenoseaerial.com, and an email address containing the @bluenoseaerial.com domain, all of which is to be used exclusively for your Franchised Business. (Franchise Agreement Section 6.6, 8.9, and 8.10)

4. We will review all advertising and promotional materials that you propose to use. (Franchise Agreement Section 8.2)

5. We will lend you, for the duration of the Franchise Agreement, copies of the Manual (which is more fully described in Item 14 below). (Franchise Agreement, Section 7.1)

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Franchised Business. We do not select or approve, nor require, the use of an office site. In your discretion, you may find it beneficial to utilize a home office. We provide no assistance in conforming the premises to local ordinances, building codes, obtaining any required

permits, and/or constructing, remodeling, or decorating premises, and/or hiring and training employees. Further, we do not own, nor lease said premises to you.

Continuing Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Franchised Business:

1. We may provide evaluations of the services rendered at the Franchised Business. (Franchise Agreement, Sections 5.3)

2. We will make available additional training programs as we deem appropriate. (Franchise Agreement, Section 5.4)

3. We will give you periodic and continuing advisory assistance as to the operation and promotion of the Franchised Business, as we deem advisable. We are generally available during regular business hours to render advice, discuss problems, and offer general guidance by telephone, email, or video conference with respect to planning and operating the Franchise Business. We will provide guidance in establishing pricing based upon services provided and your local area. (Franchise Agreement, Section 5.3)

4. We will have the right, in our sole discretion, to establish and administer the Advertising Contribution as stated in the Franchise Agreement and as described below in this Item 11. There is not an advertising council. (Franchise Agreement, Section 6.2)

5. Except as to national, regional and corporate accounts that we may negotiate, you will exclusively determine the prices that you charge for the Approved Services and Products served and sold by your Blue Nose. Business. However, we may suggest pricing levels that we recommend.

The Franchise Agreement does not require us to provide any other assistance or services to you during the operation of the Franchised Business.

Site Selection and Permits

You will operate the Franchised Business out of your own home office. You are not required to lease or purchase office space to operate your Franchised Business. If you choose to lease or purchase office space to operate your Franchised Business, it must be located within the Territory. We do not typically own the premises of your office nor do we typically lease offices to franchisees. State and local regulations for a home office may require you to obtain a license or permit. You will be responsible for obtaining any required permits or licenses to operate a home business. We do not offer assistance in obtaining any required permits or licenses to operate a home business. We do not offer assistance in hiring and training your employees.

Opening of Franchised Business

We estimate that the time period between the signing of the Franchise Agreement and the start of operations will be approximately one to six months. Factors that may affect the time period between signing the Franchise Agreement or payment of consideration for the Franchise and opening of the business include: availability of equipment and supplies, your ability to acquire applicable certifications and business filings, the time required to complete initial training, and your own skill and proficiency operating the DJI Mavic 3 Pro drone. Unless we agree in writing otherwise, you must complete the necessary training and conduct the opening of your Franchised Business within six months of signing the Franchise Agreement or we have the right to terminate the Franchise Agreement and provide you with no refund of the Franchise Fee.

Your initial franchise fee will cover the majority of your operating expenses, including all opening inventory and supplies as stated in Exhibit B to the Franchise Agreement, which we will provide to you. Because you will operate the Franchised Business from your home office, no additional signs, posters, fixtures, building leases, or construction are required.

Computer System

You will need to use the technology that we specify in the Manuals (the "**Computer System**"). You will need to acquire, if you do not already possess, the following: (i) a computer; (ii) a reliable internet connection; (iii) a cellphone with the ability to accept calls and text messages; (iv) an Adobe Lightroom Classic subscription; (v) a DropBox Professional subscription; (vi) a QuickBooks Online subscription; and (vii) Microsoft office suite. Currently, you may use either a laptop or desktop computer with either the Windows or MacOS operating system. Our requirements may fluctuate as does the price and availability of new computer technology. Depending on your location and the services you provide as a franchisee, your computer must be able to handle a number of software subscriptions. The cost of purchasing the Computer System will vary considerably based upon your own preferences, new technology available, and operational requirements that you may deem necessary. If you do not already possess a computer, we estimate the cost of purchasing a computer system will not exceed $1,000. There is no physical point-of-sale system required. All transactions will be conducted digitally. There are no annual costs for maintenance, upgrades, or support contracts for the computer system or digital point-of-sale system.

We may require you to purchase additional equipment depending on the size and configuration of your Franchised Business. You may be required to use other software applications on your Computer System as stated in the Manuals. You will be required to maintain a high-speed internet connection at all times. Other than the Computer System, we have not approved any hardware or software in place of these systems and programs, although we reserve the right to do so in the future.

The hardware and software that we currently use is not proprietary to us, but is proprietary property to the vendors described above. We reserve the right to require you to maintain

contracts for hardware and software maintenance, support, and upgrade services for the Computer System; however, currently we do not require such coverage. We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the System to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, and communications systems into conformity with our then-current standards for new Franchised Businesses. In connection with a proprietary program, we or our approved vendors may require you to sign a license or maintenance agreement in order to obtain and use the proprietary program. Other than providing you with information regarding our specifications and requirements for the Computer System, we are not required to assist you in obtaining hardware, software, or related services. We will endeavor to keep these changes infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or cost of such changes to the Computer System.

You must provide us with access to your Computer System in the form and manner that we may request from time to time. We reserve the right to download sales, other data, and communications from your Computer System. There is no contractual limitation on our right to receive this information. We will exclusively own all data provided by you, downloaded from your Computer System, and otherwise collected from your Computer System. We will have the right to use such data in any manner that we deem appropriate without compensation to you.

Franchise Package

We will provide you with the following equipment and apparel as part of the Initial Franchise Fee ("Franchise Package"): the DJI Mavic 3 drone as described in your selected Tier, or its equivalent, business cards, logoed apparel, and other supplies as stated in Exhibit B of the Franchise Agreement.

We will also have the right to establish a website, webpage(s), or other electronic system providing private and secure communications between us, our franchisees, and other persons and entities that we determine appropriate, which requires you to have high speed internet access at all times. If we require, you must establish and maintain access to the internet in the manner we designate.

We will also have the right, but not the obligation, to establish one or more webpage(s) to describe your Franchised Business, with such webpage(s) to be located within our website or on a separate website and domain for your Franchised Business. You must comply with our policies with respect to the creation, maintenance, and content of any such webpages. We have the right to refuse to post and/or discontinue posting any content and/or the operation of any webpage.

We will also have the right, but not the obligation, to provide you with one email account using the "bluenoseaerial.com" domain. The use of this email account is limited strictly to correspondence related to your Franchised Business and may not be utilized for personal use. We reserve the right to monitor, collect, and control the correspondence contained within your email account. We will

provide you with instructions on setting up your email account as well as guidance on using the web-based email interface. We reserve the right to restrict access to your email account in the event of misuse of the account.

Phone

We require you to have a telephone that can be accessible to correspond with Franchisor and clients of Franchised Business. As of the date of this Disclosure Document, we do not require Franchisees to utilize a specific cellular phone or operating system, although we reserve the right to do so.

Advertising and Promotion

Recognizing the value of advertising and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, you are required to contribute 2% of your Gross Sales to our advertising fund on a monthly basis (the "**Advertising Contribution**"). You must pay the Advertising Contribution by the same method as your Royalty Fee. You may obtain an accounting of the advertising fund, and review financial statements, by written request submitted to us. The advertising fund is not audited.

Our affiliate-owned Blue Nose will not contribute to the Advertising Contribution on the same basis as Franchisees in the System are generally required to contribute.

As of the date of this Disclosure Document, we have not yet established the Advertising Contribution. When the Advertising Contribution is implemented, we expect that we will typically disseminate advertising in print or online formats including search engine optimization services, print brochures and flyers, online directories, and other forms of local media advertising. There is not an advertising council. Franchisees are not required to participate in any local or regional advertising cooperatives. You may obtain an accounting of the advertising fund, and review financial statements, by written request submitted to us. The advertising fund is not audited. We are not obligated to provide you, or any other franchisee, direct advertising support equivalent or proportionate to your contribution. Media coverage will be national, regional, and local.

We will maintain and administer the Advertising Contribution as follows:

(a) We (or our designee) will direct all advertising programs with the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs. The Advertising Contribution is intended to maximize general public recognition, acceptance, and use of the System. Neither we nor our designee will be obligated to make expenditures for you or on your behalf, in your area or territory, that are equivalent or proportionate to your contribution, or to ensure that

any particular franchisee benefits directly or pro rata from expenditures by the Advertising Contribution.

(b) The Advertising Contribution, and all contributions to and earnings from the Advertising Contribution, will be used exclusively to meet the costs of marketing and any other activities that we believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System. This includes, among other things, the costs of preparing and conducting media advertising campaigns; direct mail advertising; marketing surveys and other public relations activities; developing and maintaining our website (except for the portion, if any, specifically relating to soliciting franchisees); employing advertising or public relations agencies; purchasing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; and providing promotional and other marketing materials and services to the Franchised Businesses operated under the System.

(c) You must contribute to the Advertising Contribution by the method we designate, such as credit card, bank account transfer, or other electronic fund transfer at the same time as the Royalty Fee is due. All sums you pay to the Advertising Contribution will be maintained in an account separate from our other monies. The Advertising Contribution is not and will not be our asset, and we or our designee will maintain separate bookkeeping accounts for the Advertising Contribution. We will have the right to charge the Advertising Contribution for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the Advertising Contribution and advertising programs for you and the System (for example, salaries, costs of our personnel for creating and implementing advertising materials, associated overhead, advertising, merchandising, and promotional and marketing programs). The Advertising Contribution and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises.

(d) We may make available to franchisees, from time to time, marketing plans and promotional materials, including newspaper ads, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, and similar marketing and promotional materials produced from contributions to the Advertising Contribution. Additionally, we may sell such items to franchisees in the System at a reasonable price, and any proceeds from any of those sales will be contributed to the Advertising Contribution.

(e) If all of the money in the Advertising Contribution is not used in the year in which it is received, these amounts will be used in the next fiscal year. Although the Advertising Contribution is intended to be of perpetual duration, we maintain the right to terminate the Advertising Contribution. The Advertising Contribution will not be terminated,

however, until all monies in the Advertising Contribution have been spent for advertising or promotional purposes.

Local Advertising and Promotion

We recommend that you spend a minimum of $150 per month on local advertising. See Item 6 for a summary of the total amount we can require you to expend on advertising and promotion.

Certain criteria will apply to any local advertising and promotion that you conduct. All of your local advertising and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any advertising or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans and materials. We must give our approval within 10 business days. If we do not give our approval within 10 business days, we will have been deemed not to have approved the plans or materials.

All copyrights in and to advertising and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem necessary to implement this provision.

As used in the Franchise Agreement, the term "local advertising and promotion" refers to only the costs of purchasing and producing advertising materials (such as camera-ready advertising), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of advertising and sales promotion in your local market or area. Local advertising and promotion also includes associated advertising agency fees and expenses, postage, shipping, telephone, and photocopying costs. "Advertising and sales promotion" does not, however, include any of the following: salaries and expenses of your employees; charitable, political, or other contributions or donations; and the value of discounts given to customers.

Marketing Services

As an optional service, we provide additional marketing support and services for franchisees. The services and support provided include search engine optimization, conversion rate optimization, targeted social media and online advertising, and participation in industry events and networking opportunities.

Websites

Websites are considered "advertising" under the Franchise Agreement and are subject to our review and prior written approval before they may be made publicly available. In connection with any website, the Franchise Agreement provides that you may not establish a website—nor may you offer, promote, or sell any products or services or make any use of the Proprietary Marks—through the internet without our prior written approval. As a condition to granting any such consent, we will have the right to establish any requirement that we deem appropriate including, among other

things, a requirement that your only presence on the internet will be through one or more webpages that we establish on our website.

Training

Before your Franchised Business opens, you must complete all of our initial training requirements. Your Designated Principal must attend and successfully complete, to our satisfaction, the initial training program that we offer in-person or virtually. See Item 15 for details regarding our requirements for the management and operation of the Franchised Business. Additionally, we may also require that other persons, up to a total of two individuals including the Designated Principal, attend and successfully complete the initial training program. We will bear the cost of all training including instruction and required materials for the initial training program; however if any further training is required after the initial training, you may be required to pay us an additional training fee of $500 per day. Initial training programs will be held virtually.

Though we require our franchisees to be owner-operators of the Franchised Businesses, you may hire a manager to assist in running your Franchised Business. Your manager must successfully complete the training before he or she can begin working in the Franchised Business. You may conduct this training yourself. If your manager ceases active employment in the Franchised Business, then you must enroll a qualified replacement. The replacement manager shall complete the training program as soon as is practicable, but in no event later than any time periods we specify from time to time in the Manuals and otherwise in writing. We have the right to review any personnel you trained and to require that such persons attend and complete, to our satisfaction, our initial training program.

We provide you all training programs that cover material aspects of the operation of the Franchised Business. The topics covered are listed in the chart below. The instructional material may consist of our Manuals, lectures, videotapes, checklists, demonstrations, practice, and quizzes.

Our founder currently oversees the trainings. His experience includes two decades of flying manned aircraft, both commercially and in the military, and 5 years of military flight instruction. Prior to joining the US Navy, he owned and managed a small business from 2004 to 2008. He is a graduate of the US Navy Instructor Training Course, which focused primarily on adult learning techniques and instructional methods. In addition to his FAA Airline Transport Pilot certificate, he holds a Remote Pilot Certificate. Other Blue Nose managers may participate in the training. Also, we may periodically name additional or substituted trainers. Any instructor will have at least two years of instruction and training experience.

In addition to the training provided by our Founder, all franchisees, managers, and any employees who are expected to operate a drone must obtain an FAA Part 107 certification, which will allow you to act as a drone pilot. Training for the FAA Part 107 certification will be self-directed and does not require travel. There are no travel or living expenses to achieve this certification. The Part 107 written exam must be taken in-person at an FAA authorized testing center. The FAA currently charges $175 to take the test. This certification is required before operating any Franchised Business

and will be obtained on the Franchisee's own expense as discussed in Section 5.2 of the Franchise Agreement.

TRAINING PROGRAM

Subject	Hours of Online Training	Location
Introduction to Drones	1-2	Virtually
Commercial Operations and Pricing	4-5	Virtually
Helpful Apps	0.5-1	Virtually
Health & Safety	0.5-1	Virtually
Photography	1-2	Virtually
Videography	1-2	Virtually
Mapping	2-3	Virtually
Totals	**10-16 Hours**	

Explanatory Notes to Item 11 Table:

1. **FAA PART 107 Certification.** The FAA PART 107 Certification must be obtained prior to initial training. This certification is required in order to operate the Franchised Business and can be found at https://www.faa.gov/uas/commercial_operators/.

The length of your in-person training will largely depend on your comprehension of the material covered during your virtual training. We will not be responsible for training or offering guidance with respect to compliance with any laws, ordinance, or other legal matters. If you request additional or supplemental training at a later time, you will be responsible for any traveling and living expenses incurred if on-site training is required. We offer unlimited phone support during normal business hours for all of our franchisees for any additional questions. Optional refresher courses are conducted on a bi-monthly and as needed basis.

Manuals

You will be required to comply with all of the specifications, procedures, and standards set out in our Manuals. Any updates to our Manual will be available free of charge to replace outdated contents. The table of contents to our Manuals is contained in Exhibit 6. The Manual contains a total of 44 pages.

Manual Subject	Pages Devoted to Subject
Welcoming Statements	3
Background of Unmanned Aerial Systems	2
FAA Requirements	5
Insurance Requirements	1
Franchise Operations	14
Advertising and Marketing	2
Basics of Photography	6
Helpful Information and Resources	5

ITEM 12

TERRITORY

You will be granted a specific territory (the "**Operating Territory**") in which to operate your franchise. Your Operating Territory will be defined as a specific geographic area defined by a map that we will mutually agree upon and will be approved by us. The area of your Operating Territory will be represented by a population of 250,000 people. The boundaries of your territory may include natural boundaries such as waterways, interstate highways, paved roads, or other points of demarcation. The population of the Operating Territory will be determined by using market analysis software.

Apart from the National Accounts Program and Reserved Rights set forth below, you will receive an exclusive territory.

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Franchised Business in the Operating Territory, except as may be permitted under the Franchise Agreement; those exceptions are described below.

You are required to meet the following minimum revenue requirements that are set forth in Attachment 4 of the Franchise Agreement:

YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5 + Successor Terms
$5,000	$7,500	$10,000	$12,500	$15,000

If you do not meet these minimum requirements, we have the right to reduce the size of your Territory or terminate your Franchise Agreement. There is no other market penetration or other contingency that will affect your right to operate in your Protected Area during the term of your Franchise Agreement, unless you are in default of your obligations to us.

If, during the term of the Franchise Agreement, you wish to relocate your Franchised Business, you must submit to us in writing the materials required in order to consider your request, including information concerning the proposed new Territory for the Franchised Business. You must also meet certain other requirements including, but not limited to, being in compliance with the Franchise Agreement, the Territory meets our then-current requirements for a Franchised Business, and you must sign our then-current form of Franchise Agreement. If we permit you to relocate, you will not pay a new initial franchise fee when you sign the new Franchise Agreement.

You may provide our services to customers who live in your Operating Territory. You may offer services outside your Operating Territory if, and only if, the area has not been assigned to another Franchised Business and you receive written permission from us. We may revoke this permission at any time at our sole discretion. Upon revocation, you must immediately cease business operations in any area outside of your Operating Territory. If you conduct business outside of your Operating Territory, you shall transfer the client lists, accounts, customers, and other business operations we designate, and to whom we designate, upon a revocation.

We and our affiliates reserve to ourselves the exclusive right on any and all terms and conditions that we deem advisable and, without any compensation or consideration to you (Franchise Agreement, Section 1.7), to engage in the following activities (our "Reserved Rights"): (a) operate and grant to others the right to develop and operate a Franchised Business using the System and Proprietary Marks outside your Operating Territory, as we deem appropriate and irrespective of the proximity to your Operating Territory; (b) acquire, merge with or otherwise affiliate with one or more businesses of any kind, including businesses that offer and sell products and services that are the same as, or similar to the Franchised Business, and after such acquisition, merger or affiliation, to own and operate and to franchise or license others to own and operate and to continue to own and operate such businesses of any kind, even if such businesses offer and sell products and services that are the same as or similar to a the Franchised Business (but not using the Proprietary Marks) within your Operating Territory; (c) be acquired by or merge with or otherwise affiliate with one or more businesses of any kind, including businesses that offer and sell products and services that are the same as or similar to the Franchised Business, even if such business or businesses presently or, in the future, own and operate and franchise or license others to own and operate businesses that offer and sell products and services that are the same as or similar to the Franchised Business

(but not using the Proprietary Marks) within your Operating Territory; (d) use the Proprietary Marks and System to distribute services and products offered and sold by the Franchised Business or similar products and services in alternative channels of distribution including the internet, catalog sales, telemarketing, or other direct marketing sales within or outside your Operating Territory; (e) use the Proprietary Marks and System to offer, sell, and provide the services and products offered and sold by the Franchised Business or similar services and products sold by the Franchised Business on behalf of customers comprising or qualifying as local, regional, and/or national corporate accounts such as rea estate agents, data collectors, crop consultants, construction companies, media companies (referred to as "National Accounts") within or outside your Operating Territory; and (f) use the Proprietary Marks and System and to license others to use the Proprietary Marks and System, to engage in all other activities not expressly prohibited by the Franchise Agreement.

National Accounts Program

We have established a National Accounts Program where we engage in a contract or service agreement with a National Account service provider, we will offer you the opportunity to participate in the program under the guidelines and rules that we develop from time to time and subject to the pricing criteria and requirements that we establish. You will have an option to refuse to participate in National Accounts Programs, but if you decline, or if Franchisor determines that you are not qualified to provide the required service, you agree that we can service the National Accounts in your territory or authorize others, including other franchisees, to perform work for the National Accounts. All pricing and fees charged in connection with National Accounts will be at rated negotiated and determined by us. We or our designee are not obligated to pay you for servicing National Account customers that you have elected not to service under our National Accounts Program.

If you are doing business outside your Operating Territory and the area in which you are doing business is sold to another Blue Nose franchisee, you must cease selling our services to clients within this area and surrender your client list related to this area to the new franchisee. In the alternative, you may purchase additional territories from us at the rate of $2,000 per 100,000 persons. We do not grant first rights of refusal to franchisees for additional territories.

You may not engage in any promotional activities, whether directly or indirectly, through or on the internet or electronic media specifically targeting persons outside of your Operating Territory unless you have obtained our consent. You may not engage in any promotional activities, whether directly or indirectly through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere outside of your Operating Territory unless you have obtained our consent. You may not place advertisements in printed media and on television and radio that are targeted to customers and prospective customers within the territory of another Franchised Business or outside of your designated Operating Territory. You have no options, rights of first refusal, or similar rights to acquire additional franchises.

Although we have not yet done so, we and our affiliate(s) may sell products under the Proprietary Marks within and outside your Operating Territory through any method of distribution other than a Franchised Business, including sales through such channels of distribution as the internet, catalog sales, telemarketing, or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Operating Territory and you will not receive any compensation for our sales through alternative distribution channels. We are under no obligation to pay the franchisee for soliciting or accepting orders from inside the franchisee's territory. We have not yet established other franchises or company-owned or affiliate-owned outlets or alternative distribution channels selling or leasing similar products or services under a different trademark, but we reserve the right to do so in the future without first obtaining your consent. Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned businesses that sell the Business Items or services under a different trade name or trademark, but we reserve the right to do so in the future without first obtaining your consent.

Restrictions on us from soliciting or accepting orders in your territory except as otherwise noted above, there are no restrictions on us from soliciting or accepting orders from customers inside your territory. We reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks or using trademarks different from the ones you will use under the Franchise Agreement. We do not pay any compensation to you for soliciting or accepting orders from inside your territory.

Soliciting by You Outside Your Territory and Territory Rules

You must operate your Blue Nose Business and provide the Approved Services and Products exclusively within your Operating Territory. The marketing of your Blue Nose Business must be targeted to your Operating Territory, and you are not permitted to directly solicit customers outside of your Operating Territory. Provided that you do not engage in any Direct Solicitation of customers outside of your Operating Territory or within the Operating Territory of another Blue Nose Business, you may provide, subject to our written approval, Approved Services and Products within an Open Area, subject to the following definitions, rules and limited circumstances:

(a) You cannot engage in any Direct Solicitations outside of your Operating Territory. The term "Direct Solicitation" refers to and means "communications and/or contacts occurring through in person contact, telephone, mail, e-mail, direct mail, distributed print media, digital media and/or other forms of marketing directed toward customers, potential customers or referral sources of a Blue Nose Business"; and

(b) You cannot provide Approved Services and Products in the operating territory of another Blue Nose Business (an "Assigned Area").

ITEM 13

TRADEMARKS

You will receive the right to operate your business under the name "Blue Nose," which is the primary Proprietary Mark used to identify our system per the limitations set forth in the Franchise Agreement. You may also use any other current or future Proprietary Marks to operate your franchised business that we designate, including the logo on the front of this Disclosure Document and the trademarks listed below. We are the owner of the Proprietary Mark "Blue Nose". Our affiliate Blue Nose, LLC is the owner of the Proprietary Mark "Blue Nose Aerial Imaging" and has granted to us a license with an initial 20 year term and with automatic renewal thereafter to use the Proprietary Marks and to license our franchisees to use the Proprietary Marks. Although the License Agreement may be terminated as a result of a breach of the License Agreement, in the event of any termination of the License Agreement, our franchisees will continue to maintain the right to use the Proprietary Marks pursuant to the terms of their Franchise Agreement. By "**Proprietary Mark(s)**," we mean any trade name, trademark, service mark, or logo used to identify your business. Our registration of the following Proprietary Marks in the U.S. Patent and Trademark Office ("USPTO") are currently pending.

Proprietary Mark	Registration Number	Registration Date	Register
"Blue Nose"	6,243,354	January 12, 2021	Principal
BLUE NOSE AERIAL IMAGING	6,355,049	May 18, 2021	Principal

We intend to file all necessary affidavits of use and renewal applications when they become due.

The federal registration for our principal trademark is currently pending. At the moment, our trademark does not have any legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by the franchisor. There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

We know of no infringing or prior superior uses that could materially affect the use of the Marks.

You do not receive any rights to the Proprietary Marks other than the right to use them in the operation of your Franchised Business. You must follow any rules we establish with relation to the

Proprietary Marks. You must use the Proprietary Marks as the sole trade identification of the franchised business. You cannot use any Proprietary Mark or portion of any Proprietary Mark as part of any business entity name. You may not use any Proprietary Mark in connection with the sale of any unauthorized services or products, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law. Any unauthorized use of the Proprietary Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Proprietary Marks. You must not contest the validity or ownership of the Proprietary Marks, including any Proprietary Marks that we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Proprietary Marks.

You must notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge in our ownership of, right to use and to license others to use, or your rights to use the Proprietary Marks. You shall not communicate with any person other than us and our counsel regarding any infringements, challenges, or claims unless you are legally required to do so. However, you may communicate with your own counsel at your own expense. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against others that may infringe the Proprietary Marks. We will defend you against any third-party claim, writ, or demand arising out of your use of the Proprietary Marks. If we determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement. If we determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement. If there is any litigation relating to your use of the Proprietary Marks, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action. Unless litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs.

We reserve the right to substitute different Proprietary Marks for use in identifying the system and the business operating under it if we, in our sole discretion, determine that substitution of different Proprietary Marks as Proprietary Marks will be beneficial to the System. You must comply with such change, revision, or substitution and bear all expenses associated with them. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Proprietary Mark.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Proprietary Marks or a trademark or service mark that is confusingly similar to any of our Proprietary Marks.

You may not advertise—or establish, create, or operate an internet site or website using any domain name containing—on the internet using the words “Blue Nose” or any variation thereof without our prior written consent.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Blue Nose does not own rights in any patents that are material to the franchise. You do not receive the right to use an item covered by a federally registered patent or copyright, but you must use the proprietary information contained in our Manuals. The Manuals and the specifics on your use of the Manuals are described in the Franchise Agreement. Although we haven't filed an application for copyright registration, we claim copyright protection for the Manuals, software, advertising materials, and other materials we give you for your use or for public dissemination, other proprietary information and publications we own or have acquired under license from a third party, and everything concerning operating procedures. All of this is our proprietary intellectual property. As long as you comply with the Franchise Agreement, you will be able to use all items claimed under copyright protection. Currently, we have no pending patent applications that are material to the franchise.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have developed certain trade secrets and other confidential information, including methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in operating a Franchised Business. We will provide our trade secrets and other confidential information to you during training, in the Manuals, and as a result of the assistance we furnish you during the term of the franchise. You may only use the trade secrets and other confidential information for the purpose of operating your Franchised Business. You may only divulge trade secrets and other confidential information to employees who must have access to it to operate the Franchised Business. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to trade secrets or other confidential information, including your shareholders (and members of their immediate families and households), officers, directors, partners, members (if you are a corporation, limited liability company, or other business entity), and your managers, executives, employees and staff may be required to sign nondisclosure and non-competition agreements in some form as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce those agreements.

All ideas, concepts, techniques, or materials concerning the franchised business and the system, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the system that we may choose to adopt or disclose to other franchisees, and you agree to assign to us all right, title, and interest in any intellectual property so developed without additional compensation to you. Likewise, we will disclose to you concepts and developments of

other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of the Manuals, trade secrets, or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement. Further information about termination of the Franchise Agreement following a default is included in Item 17.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

If the Designated Principal fails to satisfactorily complete our initial training program, you must designate a replacement designated principal as soon as is practical, who is acceptable to us and who satisfactorily completes our training program. We may require you to reimburse our training costs (see Items 6 and 11).

Under the Franchise Agreement, you (or, if you are an entity, your Designated Principal) must be involved in the general oversight and management of the operations of the Franchised Business.

The Designated Principal must have at least 51% equity interest in the franchise if the franchisee is a business entity.

Under the Franchise Agreement, if you are other than an individual, we may require that your owners personally sign a guaranty, and indemnification(in the form included as Exhibit E to the Franchise Agreement), guarantying and acknowledging the legal entity's covenants and obligations under the Franchise Agreement. The franchisee's spouse is not required to guarantee performance. Additionally, your employees with access to confidential information or who have received training may be required to sign agreements to maintain confidentiality and not compete with businesses under the System (our current form for this agreement is included in Exhibit E to the Franchise Agreement). See Items 14 and 17 for a further description of these obligations.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate your Franchised Business in accordance with our Manuals, which contain mandatory and suggested specifications, standards, operating procedures, and rules that we periodically prescribe for the operation of a Franchised Business and information relating to your other obligations under the Franchise Agreement and related agreements. The Manuals may be modified periodically by us to reflect changes in our methods of operation.

You may only offer and sell those services and products that we have approved. If you wish to offer and sell products and services we do not provide, you must submit to us a written request stating why you wish to offer and sell these goods and services as a franchisee of a Franchised Business.

You must offer all services and products that we designate as required for all franchisees. We have the right to add additional authorized services and products that you must offer through your franchise. There are no limits on our right to do so.

Subject to the general policies and procedures set forth in the Manuals or otherwise announced by us from time to time (and specifically including periodic promotions announced from time to time), you have sole discretion as to the prices to be charged to customers for the offer and sale of any products, merchandise, and services.

We do not place restrictions on you with respect to who may be a customer of your Franchised Business.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	Section 1.3	5 years.
b.	Renewal or extension of the Term	Section 1.3	Successive renewal terms of 5 years.

	Provision	Section in Franchise Agreement	Summary
c.	Requirements for franchisee to renew or extend	Sections 1.3	Notice, satisfaction of monetary obligations, compliance with Franchise Agreement, mutual release, sign new Franchise Agreement, pay renewal fee, and others. If you seek to renew your franchise at the expiration of the initial term or any renewal term, you will be asked to sign a new Franchise Agreement that contains terms and conditions materially different from those in your previous Franchise Agreement, such as different fee requirements and different territorial rights. You must also complete any new training and refresher programs as we may reasonably require at no additional cost.
d.	Termination by franchisee	Section 12.5	You may terminate this agreement provided you submit a written request with six months' notice and are in good standing and full compliance with this Agreement at the time of your request to terminate.
e.	Termination by franchisor without cause	None	We may not terminate the Franchise Agreement without cause.
f.	Termination by franchisor with cause	Section 12.1 and 12.2	Default under Franchise Agreement, bankruptcy, abandonment, and other grounds; see Section 16 of the Franchise Agreement. Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because of a bankruptcy filing.
g.	"Cause" defined – curable defaults	Section 12.2	All other defaults not specified in Section 12 of the Franchise Agreement.
h.	"Cause" defined - non-curable defaults	Section 12.1	Bankruptcy, abandonment, conviction of felony, and others. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)

	Provision	Section in Franchise Agreement	Summary
i.	Franchisee's obligations on termination/ non-renewal	Section 13	Cease operating the Franchised Business, payment of amounts due, and others.
j.	Assignment of contract by franchisor	Section 14.2	There are no limits on our right to assign the Franchise Agreement.
k.	"Transfer" by franchisee defined	Section 14.1	Includes transfer of any interest.
l.	Franchisor approval of transfer by franchisee	Section 14.3	We have the right to approve transfers and can apply standards to determine (for example) whether the proposed transferee meets our requirements for a new franchisee. We also have the right of first refusal to purchase the franchise from you.
m.	Conditions for franchisor approval of a transfer	Section 14.3	Release, signature of new Franchise Agreement, payment of transfer fee, and others.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 14.3(f)	We can match any *bona fide* offer.
o.	Franchisor's option to purchase franchisee's business	None	We do not reserve any rights to purchase the Franchised Business.
p.	Death or disability of franchisee	Sections 16	Your estate must transfer your interest in the Franchised Business to a third party we have approved, within 180 days of your incapacity or death.
q.	Non-competition covenants during the term of the franchise	Section 11.2	Includes prohibition on engaging in any other business offering similar products, and soliciting or diverting customers to other businesses, and others.
r.	Non-competition covenants after the franchise is terminated or expires	Section 11.2	Includes prohibition on engaging in any other business offering similar products, and soliciting or diverting customers to other businesses, and others.
s.	Modification of the agreement	Sections 23.8	Must be in writing signed by both parties.

	Provision	Section in Franchise Agreement	Summary
t.	Integration/merger clause	Section 20.6	Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Sections 19.2 and 19.4	Except for certain claims, we and you must first mediate, and then arbitrate, all disputes in a city closest to where our headquarters are located at the time of the dispute. (These provisions are subject to state law.)
v.	Choice of forum	Section 20.2	All mediation, arbitration and litigation proceedings must be conducted in the city of our then-current headquarters (currently in Denver, Colorado). (These provisions are subject to state law.)
w.	Choice of law	Section 20.1	Applicable law is that of the State of Colorado, unless superseded by state laws.

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

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

income, you should report it to the franchisor's management by contacting Mr. Tanner Harris at 2548 Akron Street, Denver, Colorado, 80238 or (703) 615-7196, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
Systemwide Outlet Summary
For years 2020, 2021, and 2022

Outlet Type	Year	Outlets at the State of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	11	+11
	2021	11	33	+22
	2022	33	25	-8
Company Owned	2020	1	1	0
	2021	1	1	0
	2022	1	1	0
Total Outlets	2020	1	12	+11
	2021	12	34	+22
	2022	34	26	-8

TABLE 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020, 2021, and 2022

State	Year	Number of Transfers
None	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

TABLE 3
Status of Franchised Outlets
For years 2020, 2021, 2022

State	Year	Outlets at State of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations for Other Reasons	Outlets at End of the Year
CA	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
CO	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	1	0	0	0	2	1
CT	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
FL	2020	0	1	0	0	0	0	1
	2021	1	3	0	0	0	0	4
	2022	4	0	0	0	0	2	2
GA	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	1	1
IL	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	1	0
IN	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	1	0	0	0	1
KS	2020	0	2	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
NC	2020	0	2	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
NJ	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NV	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	1	0
NY	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
OH	2020	0	1	0	0	0	0	1

	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
SC	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TN	2020	0	2	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	2	0	0	0	2	2
TX	2020	0	1	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	1	0	0	0	1	3
UT	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	1	0
VA	2020	0	0	0	0	0	0	0
	2021	0	3	0	0	0	0	3
	2022	3	0	1	0	0	0	2
WA	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	1	1
Totals	2020	0	11	0	0	0	0	11
	2020	11	22	0	0	0	0	33
	2021	33	6	2	0	0	14	23

TABLE 4
Status of Company-Owned or Affiliate-Owned Outlets
For years 2020, 2021, 2022

State	Year	Outlets at State of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
CO	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Totals	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1

TABLE 5
Projected Openings as of January 1, 2023

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned or Affiliate-Owned Outlets in the Next Fiscal Year
Ohio	1	0	0
Texas	1	0	0
Total	2	0	0

All numbers are as of December 31st for each year.

A list of the names of all franchisees and the addresses and telephone numbers of their units is provided in Exhibit 3 to this Disclosure Document.

The name, city, state, and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document will be listed on Exhibit 4 of this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees that would restrict them from speaking openly with you about their experience with us.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit 5 is our audited financial statements for the years ended on December 31, 2022 and December 31, 2021. We have not been in business for three years or more and cannot include all financial statements required of this item.

Our fiscal year end is December 31.

ITEM 22

CONTRACTS

The following contracts are attached to this Disclosure Document:

Exhibit 2—Franchise Agreement, including the following agreements:

- Exhibit A—Operating Territory, Initial Franchising Fee, Royalty Fee, and Advertising Contribution
- Exhibit B—Franchise Package
- Exhibit C—Annual Minimum Revenue Requirements
- Exhibit D —Promissory Note
- Exhibit E— Personal Guaranty
- Exhibit F— Internet Advertising, Social Media, Software, and Telephone Account Agreement

Exhibit 7, Page 62 – Franchisee Acknowledgement Statement

ITEM 23

RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

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EXHIBIT 1

STATE ADMINISTRATORS /AGENTS FOR SERVICE OF PROCESS

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

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204

State	State Agency	Agent for Service of Process
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222 Phone	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fourteenth Floor Dept 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation

State	State Agency	Agent for Service of Process
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT 2

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

BLUE NOSE FRANCHISING
FRANCHISE AGREEMENT

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BLUE NOSE FRANCHISE AGREEMENT

This Franchise Agreement (including all schedules, exhibits, and amendments, this "**Agreement**") is made and entered into between:

- Blue Nose Franchising, LLC, a Colorado limited liability company (referred to in this Agreement as "**Franchisor**," "**we**," "**us**," or "**our**") and
- _____, a _____ (referred to in this Agreement as "**Franchisee**," "**you**," or "**your**").

Preamble and Acknowledgements

1. We, the Franchisor of Blue Nose, have expended considerable time and effort in developing a franchise that provides aerial drone photography and videography services using a unique proprietary service system under the name "Blue Nose" (the "**System**").

2. The System is identified by certain emblems, designs, artwork, trade names, service marks, logos, trade dress, and trademarks, including the mark "Blue Nose" and "Blue Nose Aerial Imaging" and other marks that we may use in connection with the System (the "**Marks**"). The franchises operate under our Marks and under distinctive business formats, methods, procedures, designs, layouts, standards, and specifications, all of which we may improve or further develop from time to time.

3. We grant franchises to persons who meet our qualifications and who are willing to undertake the investment and effort required to own and operate a Blue Nose business offering the services and products we authorize and approve, each called a "**Franchised Business**."

4. You understand and acknowledge the importance of our high and uniform standards of quality, operations, and service, and the necessity of operating the Franchised Business in strict conformity with our System.

5. You represent to us, as an inducement to your entry into this Agreement, that all statements you have made and all materials you have submitted to us in connection with your purchase of a Franchised Business are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise. We have approved of your purchasing a Franchised Business in reliance upon all of your representations.

6. You acknowledge that you have read this Agreement and the Franchise Disclosure Document and that you understand and accept the terms, conditions, and covenants contained in this Agreement as being reasonably necessary to maintain our high standards of quality and service at all Blue Nose franchised locations and in order to protect and preserve the goodwill of the Marks.

Accordingly, the parties agree as follows:

1. Franchise

1.1. Grant. We grant to you, subject to the terms and conditions of this Agreement, the right to: (i) operate a Blue Nose Business; (ii) use, solely in connection with your operation of the Franchised Business, the Marks and the System, as such may be changed, improved, and further developed by us from time to time; and (iii) operate the Franchised Business only within the Operating Territory (as defined in Section 1.5) in accordance with this Agreement. You shall not relocate the Franchised Business without our prior written consent as provided in Section 14.

1.2. Effective Date. This Agreement is effective on the date that the last party executes and delivers this Agreement as indicated by the date stated under that party's signature line ("**Effective Date**").

1.3. Term and Successor Option. The initial term (the "**Term**") of this Agreement shall be for a period of five years, commencing on the Effective Date of the Agreement. This Agreement is renewable for successive periods of five years as long as you have complied in all material respects with the provisions of this Agreement during the Term, including the timely payment of all fees, and you are not in default under any other agreement between you and us or any of our affiliates. To enter into a successor agreement you must sign the then-current franchise agreement used for franchisees at that time, sign a general release, and pay the successor agreement fee equal to 25% of the then-current initial franchise fee. This successor agreement fee must be paid to us prior to consummation of successor term. Also, you (or a manager of yours approved by us) must satisfactorily complete any new training and refresher programs as we may reasonably require at no additional cost.

1.4. Designated Principal. You will grant to one individual the authority to legally bind you in any dealings with us and to direct any action necessary to ensure compliance with this Agreement and any other agreements relating to the Franchised Business. This individual, the "**Designated Principal**," shall maintain management control of the Franchised Business at all time during this Agreement and shall own and control not less than 51% of the equity and voting power of all issued and outstanding capital stock of the Franchised Business.

1.5. Operating Territory. The franchise is granted for a territory as set forth in Exhibit A (the "**Operating Territory**"). We shall not, during the term of this Agreement, so long as you are not in default of this Agreement or under any other agreement between us, operate ourselves or grant to any other person a Blue Nose franchise within the Operating Territory nor shall we modify the Operating Territory without your prior written permission. You may perform services at any location that is situated outside of your Operating Territory with our written permission. Permission will not be unreasonably withheld. If we grant you permission, you must pay the Royalty Fee for services performed outside of your Operating Territory

according to Section 6.1. We may revoke this permission at any time at our sole discretion. Upon revocation, you must immediately cease business operations in any area outside of your Operating Territory. If you conduct business outside of your Operating Territory, you shall transfer the client lists, accounts, customers, and other business operations we designate, and to whom we designate, upon a revocation.

1.6. Expanding Your Operating Territory. We may grant you the right, in our sole discretion, to expand your Operating Territory by paying us $2,000 for an additional 100,000 persons. If you are granted the right to expand your territory, all of the terms in Sections 1.5 and 1.8 apply to the new Operating Territory.

1.7. Minimum Performance Standards. Franchisee acknowledges the importance of actively developing the Territory to achieve maximum revenues, and, to that end, Franchisee agrees to use best efforts to market Franchisee's Franchised Business to meet the Minimum Performance Standards. Franchisee's failure to meet the Minimum Performance Standards is a material default of this Agreement, and upon such default, Franchisor is entitled to either (i) reduce the size of the Territory or (ii) terminate this Agreement.

1.8. Rights We Retain. We may establish other Blue Nose businesses (franchised or owned by us) anywhere outside of your Territory. We retain the right, on behalf of ourselves or through affiliates, in our discretion, and without granting any rights to you, to:

(a) solicit prospective franchisees and grant franchises or other rights to operate Blue Nose businesses through national or regional advertising, trade shows, or conventions or through e-commerce or similar means (franchises will not be granted to operate within your Operating Territory);

(b) modify any one or more of the services offered by the Franchised Business or to add new goods or services to the offerings of the Franchised Business. We will give you as much notice as possible if we decide to discontinue any service. We are not required to purchase or exchange any of your inventory except in accordance with Section 8.6;

(c) sell and provide any products authorized for sale by Blue Nose businesses under the Marks or other trade names, trademarks, service marks, and commercial symbols through dissimilar channels (such as telephone, mail order, kiosk, co-branded sites, and sites located within other retail businesses, online, on web sites, wireless, email, or other forms of e-commerce) for distribution within and outside of your Operating Territory and pursuant to such terms and conditions as we consider appropriate;

(d) conduct or assign any Blue Nose business within your Operating Territory that you refuse to perform, you are unable to perform or while you are in default of your Franchise Agreement.

(e) operate and grant to others the right to develop and operate a Franchised Business using the System and Proprietary Marks outside your Operating Territory, as we deem appropriate and irrespective of the proximity to your Operating Territory;

(f) acquire, merge with or otherwise affiliate with one or more businesses of any kind, including businesses that offer and sell products and services that are the same as, or similar to the Franchised Business, and after such acquisition, merger or affiliation, to own and operate and to franchise or license others to own and operate and to continue to own and operate such businesses of any kind, even if such businesses offer and sell products and services that are the same as or similar to a the Franchised Business (but not using the Proprietary Marks) within your Operating Territory;

(g) be acquired by or merge with or otherwise affiliate with one or more businesses of any kind, including businesses that offer and sell products and services that are the same as or similar to the Franchised Business, even if such business or businesses presently or, in the future, own and operate and franchise or license others to own and operate businesses that offer and sell products and services that are the same as or similar to the Franchised Business (but not using the Proprietary Marks) within your Operating Territory;

(h) use the Proprietary Marks and System to distribute services and products offered and sold by the Franchised Business or similar products and services in alternative channels of distribution including the internet, catalog sales, telemarketing, or other direct marketing sales within or outside your Operating Territory;

(i) use the Proprietary Marks and System to offer, sell, and provide the services and products offered and sold by the Franchised Business or similar services and products sold by the Franchised Business on behalf of customers comprising or qualifying as local, regional, and/or national corporate accounts such as real estate agents, data collectors, crop consultants, construction companies, media companies. (referred to as "National Accounts") within or outside your Operating Territory. If you decline to undertake a contract under the National Account program, or if Franchisor in their sole discretion determines that Franchisee is not able to undertake such contract, Franchisor may authorize another Franchisee to complete a National Account contract in your Operating Territory; and

(j) use the Proprietary Marks and System and to license others to use the Proprietary Marks and System, to engage in all other activities not expressly prohibited by the Franchise Agreement.

2. Payment for Franchise. Upon executing this Agreement, you shall pay us an initial franchise fee (the "Initial Franchise Fee") stated in Exhibit A. You will pay the full Initial Franchise Fee by: (i) certified or cashier's check; (ii) wire transfer; or (iii) such other method of payment mutually agreed upon by both of us. Payments by check must be made payable to Blue Nose Franchising, LLC. The Initial Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you under this Agreement and for costs incurred by us—including general sales and marketing expenses, training, legal, and accounting and other professional fees—in preparation to offer the franchise to you. The Initial Franchise Fee also covers our costs in providing you with an initial allocation of supplies and inventory, including one DJI Mavic 3 drone as described in your selected tier, or its equivalent, business cards, apparel, and other supplies stated in Exhibit B, (the "Franchise Package"). The Initial Franchise Fee is not refundable.

3. Financing of Initial Fee. The Initial Franchise Fee must be paid in full upon the execution of this Agreement. In the alternative, in our sole discretion, we will finance up to $5,000 of the Initial Fee. You must pay the balance of the Initial Fee upon signing the Franchise Agreement. We will finance up to $5,000 of the Initial Fee as follows: you will pay us the Initial Fee for the corresponding Tier, less the $5,000 being financed, upon signing the Franchise Agreement and the remaining balance is due in full, with no interest, no later than 60 months after signing the Franchise Agreement.

4. Shipments. We will endeavor to deliver the Franchise Package in a timely manner, within a maximum of 30 days, from the Effective Date of this Agreement.

5. Training

5.1. Initial Training. Within 30 days of the Effective Date, we will train you and up to 2 additional people through in-person or online video conferencing. Training will be held over the course of 1-2 days and will last approximately 10 - 16 hours total. Training must be completed within 180 days of the date of this Agreement. Any person attending training is required to execute our then-current confidentiality agreement if they are not a party to this Agreement. You must attend and successfully complete the initial training program that we provide to franchisees (the **"Initial Training**"). We may extend the Initial Training for you if you fail to successfully complete the program. You may not open your business until you have completed training. Blue Nose training is included in your Franchise Fee, but you must pay travel and living expenses if additional in-person training is required.

5.2. Remote Pilot Certificate. You will need to obtain a Remote Pilot Certificate from the FAA (an FAA PART 107 Certification), which will allow you to act as a drone pilot.

This certification will be earned at your own expense on your own time and is required before you can open the Franchised Business.

5.3. Ongoing Training. We offer our franchisees unlimited phone support available during normal business hours. Each week for the 90 days after you begin operating your Franchised Business, you should telephone the corporate office so we can discuss any operational problems and offer you solutions. We will hold mandatory conference calls, either telephonically or electronically, to discuss sales techniques, bookkeeping, performance standards, advertising programs and other topics we feel may be appropriate. Franchisee, or their designee, must attend all conference calls live. These calls cover important information including but not limited to changes in system standards, which are crucial to remaining in compliance. From time to time we may host in-person conferences, and franchisees are encouraged to attend.

5.4. Additional Training. If you are unable to successfully complete our training program, or if you hire additional personnel who require training and you are unable to train those individuals to our satisfaction, then we may provide additional training to you or your personnel, as the case may be, for an additional fee of $500 per day. This fee will not be charged in connection with minor, day-to-day assistance that we provide over the phone or via email.

6. Ongoing Fees

6.1. Royalty Fee. You agree to pay us a Royalty Fee, as shown on Exhibit A, which is based on Gross Sales for the month. Gross Sales means the gross receipts of every kind and nature for sales of all products and services made in, upon, from, or through operation of the Franchised Business, and income of every other kind and nature related to the Franchised Business, whether for products, services, exchange, credit, cash, or check regardless of whether such sale is conducted in compliance with or in violation of the terms of this Agreement. Gross Sales shall not include the amount of refunds, tax collections, or allowances or discounts to customers, including discounts attributable to coupon sales. This Royalty Fee begins upon the completion of training and continues through the Term of this Agreement.

6.2. Advertising Contribution. You agree to pay to us an advertising contribution equal to 2% of your Gross Sales (the "**Advertising Contribution**"). The Advertising Contribution will go into a separate account and be used for regional or national advertising programs for the benefit of Blue Nose businesses as we see fit. Your advertising contribution begins 30 days after completion of training and continues through the Term of this Agreement.

6.3. Local Advertising. We recommend you spend a minimum of $150.00, or an amount that is best suited for the Franchised Business, every month on approved local paid advertising within your Operating Territory.

6.4. **Marketing Services Fee.** If you elect to participate in our optional marketing and advertising services ("**Marketing Services**"), you agree to pay us a Marketing Services Fee as shown on Exhibit A.

6.5. **Advanced Services Fee.** If you elect to participate in our optional additional service offerings, including expanded client service offerings, (the "**Advanced Services**"), you agree to pay us an Advanced Services Fee as shown on Exhibit A.

6.6. **Technology Fee.** You agree to pay to us $295 per month in exchange for advertising your Franchised Business on our website, an email address with the "blusenosearial.com" domain, and access to our online franchisee software platform (the "**Technology Fee**").

6.7. **Fees Due.** Royalty Fees, the Advertising Contribution, and the Technology Fee are due on or before the first business day of the calendar month, based on the preceding month's Gross Sales. If you choose to participate in the Marketing Services or Advanced Services, the Marketing Services Fee and the Advanced Services Fee, as applicable, are due on or before the first business day of the calendar month. You agree to provide authorization for your bank account, credit card, or other payment type as specified in the Manuals to be automatically charged by us for your monthly Royalty Fee, Advertising Contribution, Technology Fee, and Marketing Services Fee and Advanced Services Fees, as applicable, should you fail to submit payment by the first business day of the month.

7. Manuals

7.1. **Loan of Manuals**. We will provide you, on loan, copies of the confidential operations manuals and other manuals, instructional materials, and written policies (collectively, the "**Manuals**"). The initial copies of the Manuals will arrive in a binder with updated versions of the Manuals in a shared online cloud-based account; Franchisee agrees to update Manuals with the most recent versions of instructions and policies on a regular basis.

7.2. **The Manuals and Furnishings to Franchisee**. In order to protect the reputation and our goodwill and to maintain high standards of operation under the System, you shall operate the Franchised Business in accordance with the standards, specifications, methods, policies, and procedures specified in the Manuals or otherwise provided to you in writing (the "**System Standards**").

7.3. **The Manuals are Proprietary and Confidential**. You shall treat the Manuals, any other materials created for or approved for use in the operation of the Franchised Business, and the information they contain as confidential, and shall use all reasonable efforts to maintain such information (both in electronic and other formats) as proprietary and confidential. You shall not download, copy, duplicate,

record, or otherwise reproduce the Manuals, in whole or in part (except as stated in Section 7.5), or otherwise make the same available to any unauthorized person, except as authorized in advance by us.

7.4. **The Manuals Remain our Property**. The Manuals will remain the sole property of ours. They must be stored in a secure place at the Franchised Business location, and must be returned to us, as set forth in Section 12, upon the termination or expiration of this Agreement.

7.5. **Revisions to the Manuals**. We may from time to time revise the contents of the Manuals to improve or maintain the standards of the System and its efficient operation, to protect or maintain the goodwill associated with the "Blue Nose" name and Marks, or to meet competition, and you expressly agree to comply with each new or changed standard.

7.6. **Part of Agreement**. From the date of the opening of the Franchised Business, the mandatory specifications, standards, operating procedures, and System Standards prescribed by us and communicated to you in writing, shall constitute provisions of this Agreement as if fully incorporated in the Manuals. The provisions of this Section 7.6 shall survive any termination, transfer, or expiration of this Agreement.

8. Your Obligations

8.1. **Training Requirements.** You may not open the Franchised Business until: (i) your pre-opening training has been completed to our satisfaction; (ii) the Initial Franchise Fee and all other amounts then due to us have been paid in full; and (iii) you submit proof of insurance in the amounts stated in Section 8.7 below.

8.2. **Advertising Approvals Required.** You may advertise in such a manner as may be agreed upon by both of us, including outside of your Operating Territory according to Section 1.5. Subject to our written consent, you may use the Marks in such advertising and in all other sales literature and promotions. You agree that you will make no representations or warranties which tend to misrepresent or falsify the specifications, qualities, or uses of the services.

8.3. **Suppliers.** You may only offer and sell those services and products that we have approved. If you wish to offer and sell products and services we do not provide, you must submit to us a written request stating why you wish to offer and sell these goods and services as a franchisee of a Franchised Business.

8.4. **Compliance with Laws.** You agree that you shall comply in all respects with all laws, rules, and regulations of every governmental authority applicable to your Franchised Business.

8.5. **No Amounts Due.** You acknowledge and agree that no fees or compensation for services are required to be paid by us to you under this Agreement.

8.6. **Inspection of Materials.** Upon the execution of this Agreement, we will provide you with certain materials in order to operate your Franchised Business, including a DJI Mavic 3 drone as described in your selected Tier, or its equivalent, business cards, logoed apparel, Manuals, and other supplies as needed. You must inspect all materials immediately upon receipt and promptly notify us in writing of any evident defects. You will be deemed to accept the materials if you do not notify us of any defect 10 business days after your receipt. We will pay reasonable return transportation costs if you receive defective materials from us and timely notify us.

8.7. **Insurance Requirements.** You will, upon commencement of the Franchised Business purchase and at all times, maintain at full force and effect: general liability insurance and professional liability coverage insurance in the amounts of not less than $1,000,000 for each occurrence, naming us as an additional insured. If you do not obtain insurance, you will reimburse the cost of the insurance we purchase on your behalf. Skywatch Insurance specifically insures drones and drone piloting and offers a number of options that would satisfy these requirements.

8.8. **Non-Disparagement.** You promise that you will not, in any manner, interfere with, disparage, disturb, disrupt, or jeopardize the Blue Nose System or its services or products, your Franchised Business, our business, any officers or employees of ours, or any business of our other area directors or customers.

8.9. **Website.** We will provide you a customized Blue Nose website landing page for your Franchised Business. You shall not establish a website on the internet using any domain name, webpages containing the Marks, or any variation thereof unless you have our written permission. You shall, within 48 hours of a demand to do so by us, dismantle and/or deactivate any websites, webpages, blogs, frames, and/or links between your webpages and any other websites or violating domains or any other items appearing on the internet or elsewhere in violation of our System Standards.

8.10. **Phone Number.** You must maintain at all times an active dedicated telephone line in connection with the operation of your Franchised Business. In accordance with our Manuals or as we otherwise specify in writing, you agree to utilize a telephone service, or another live answering service of your choosing, to answer your telephone line when unattended.

8.11. **Payment of Fees.** If any payment due to us is not received by the due date, you will be subject to a late fee of $100.00 immediately plus 1.67% interest, or the maximum rate permitted by state law if less, of the amount due for each day after the due date.

9. Operation and System Standards

9.1. Reports. The Manuals specify the monthly reports (currently an income statement and balance sheet) and all payments due to us that you must submit to us by their due dates (currently the first business day of each month) in order for your Franchised Business to be in good standing. In addition, you must provide to us, in the method and form we specify, copies of your monthly bank statements from your Franchised Business's bank account as specified in the Manuals.

9.2. System Standards. You acknowledge and agree that your operation and maintenance of the Franchise Business in accordance with System Standards are essential to preserve the goodwill of the Marks and all Blue Nose businesses. Therefore, at all times during the Term, you agree to operate and maintain your Franchised Business in accordance with each and every System Standard, as we periodically modify and supplement them during the Term. System Standards may regulate any one or more of the following with respect to the Franchised Business:

(a) required or authorized products and services;

(b) designated or approved suppliers (which may be limited to or include us) of any products or services;

(c) sales, marketing, advertising, and promotional programs, materials, and media used in such programs;

(d) use and display of the Marks;

(e) communication to us of the identities of the Blue Nose Business' personnel; and qualifications, training, dress, and appearance of employees;

(f) participation in market research, testing, product, and service development programs;

(g) bookkeeping, accounting, data processing, and record keeping systems and requirements, including software, and forms; methods, formats, content, and frequency of reports to us of sales, revenue, financial performance and condition, and audits;

(h) complying with applicable laws; obtaining required licenses and permits; adhering to good business practices; observing high standards of honesty, integrity, fair dealing, and ethical business conduct in all dealings with customers, suppliers, and us; and notifying us if any action, suit, or proceeding is commenced against you or the Blue Nose Business; and

(i) regulation of such other aspects of the operation and maintenance of the Blue Nose Business that we determine from time to time to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and Blue Nose Businesses.

10. Trade Secrets and Confidential Information

10.1. Scope of Trade Secrets and Confidential Information. We possess (and will continue to develop and acquire), and may disclose to you, certain confidential and trade secret information relating to the development and operation of a Blue Nose business, which may include, without limitation:

(a) the System Standards, the Manuals, and any other proprietary materials;

(b) the sales and marketing techniques used, any guidance and knowledge of an experience in developing and operating a Blue Nose business;

(c) marketing and advertising programs for Blue Nose businesses;

(d) knowledge of specifications for and suppliers of certain ancillary goods, services, equipment, materials, and supplies; and

(e) knowledge of the operating results and financial performance of a Blue Nose businesses other than your franchise (Section 10.1(a)-(e) collectively, the "**Confidential Information**").

10.2. For Business Use Only. You acknowledge and agree that you will not acquire any interest in Confidential Information other than the right to utilize Confidential Information disclosed to you in operating the Franchised Business during the Term of this Agreement, and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. You further acknowledge and agree that Confidential Information is proprietary, includes our trade secrets and is disclosed to you solely on the condition that you agree, and you do hereby agree, that you:

(a) will not use Confidential Information in any other business capacity;

(b) will maintain the absolute confidentiality of Confidential Information during and after the Term of this Agreement;

(c) will not make unauthorized copies of any portion of Confidential Information disclosed via electronic medium or in written or other tangible form; and

(d) will adopt and implement all reasonable procedures that we prescribe from time to time to prevent unauthorized use or disclosure of Confidential

Information, including without limitation, restrictions on disclosure to business personnel and others.

You shall enforce this Section 10.2 as to your employees, agents, and representatives, and shall be liable to us for any unauthorized disclosure or use of the Confidential Information by any of them.

10.3. Ideas, Concepts, Techniques, or Materials. All ideas, concepts, techniques or materials relating to your Franchised Business, whether or not constituting protectable intellectual property, and whether created by or on behalf of you, or those who maintain management control of the Franchised Business (a "**Principal**"), will be promptly disclosed to us, deemed to be our sole and exclusive property and part of the System. You and your Principals agree to sign whatever assignment or other documents we may request from time to time to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, techniques, or materials. We shall disclose to you concepts and developments of other franchisees that are made part of the System. As we may reasonably request, you shall take all actions to assist our efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by you or not.

11. Covenants

11.1. Adherence to Agreement. You and your Designated Principal must at all times faithfully, honestly, and diligently perform your obligations under this Agreement, continuously exert your best efforts to operate your Franchised and to promote, enhance, and encourage patronage of all Blue Nose businesses and not engage in any other business or activity that conflicts with your obligations to operate the Franchised in compliance with this Agreement. You or Designated Principal are obligated to participate personally in the direct operation of the Franchised. If you hire a manager, that person cannot have an interest or business relationship with any of Blue Nose's Competitors (as defined in Section 11.2). The manager need not have an ownership interest in you. Franchisee will train the manager for a total of 20 hours (to match Initial Training); after this period of training, the manager must also earn an FAA Part 107 Certificate to begin the operation of the Franchised Business. If needed, we can also provide additional training at $500 per day at the expense of Franchisee. You must have any and all persons employed by or hired by you who will have access to Confidential Information sign our standard written agreement to maintain confidentiality of our proprietary rights and Confidential Information prior to the release of any such Confidential Information. All signed confidentiality agreements must be submitted to us within 48 hours of hire and before you release any confidential information to the signatory.

11.2. **Non-Competition.** The covenants set forth in this Section 11.2 are in effect during the term of this Agreement and during the 24 months from the termination or expiration date of this Agreement (the **"Restricted Time**"). You shall not own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a 1% interest in (as owner or otherwise) any person or entity that provides services or products that are substantially similar in nature to the Franchised Business or serve the same purpose as the services and products that you provided under this Agreement within a 25-mile radius of the Operating Territory ("**Competitor**"). Furthermore, you agree you will be in default of this Agreement and that this Agreement may be terminated by us if a person in your, or any Principal's immediate family (including spouse, domestic partner, parent or child), engages in services that are the same or substantially similar in nature or purpose to those of the Franchised Business that would violate this Section 11.2 if such person was subject to the covenants of this Section 11.2.

11.3. **Non-Solicitation of Restricted Customers**. You agree that during the Term of this Agreement and during the Restricted Time, you shall not, either directly or indirectly, for or on behalf of a Competitor, engage in the following conduct: (i) solicit or attempt to solicit any customer that you or your employees solicited, serviced, or had business contact with on behalf of the Franchised Business during the 12 months prior to the Restricted Time for the purpose of providing products or services that are in any way competitive with those provided by Franchisor or its franchised businesses; or (ii) divert, discourage, attempt to divert, or attempt to discourage any such customer from purchasing products or services from Franchisor or its franchised businesses.

11.4. **Commencement by Order**. If any person restricted by this Section 11 refuses voluntarily to comply with its obligations, the Restriction Period will commence with the entry of an order of an arbitrator, or court if necessary, enforcing this provision. You and your Principals expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section 11 will not deprive you of your personal goodwill or ability to earn a living.

12. Defaults and Termination

12.1. **Default with No Opportunity to Cure.** You will be in default and we may, at our option, terminate this Agreement immediately upon delivery of notice to you and without affording you any opportunity to cure the default if any of the following events occur:

(a) you knowingly maintain false books or records or submit any false statements or reports to us;

(b) you understate by 5% or more of your Gross Sales in any report to us;

(c) you are convicted of a felony or any crime or offense or any claim of misconduct which results in or is reasonably likely, in our sole opinion, to affect adversely the Blue Nose System or its associated goodwill;

(d) you misuse our Marks, Confidential Information, and/or System Standards in such a way that causes detrimental and irreparable harm to the System;

(e) you transfer your Franchised Business without our permission;

(f) you disparage, interfere with, or disrupt our business or the business of any other franchise owner;

(g) you abandon or cease to operate your Franchised Business for a period of 30 days without our prior written permission;

(h) you violate any covenant of confidentiality or otherwise disclose, use, or copy the Manuals, materials, or information created or used by us without our prior approval or violate any applicable non-compete;

(i) you engage in any act(s) that is so dishonest, untrustworthy, self-dealing, or fraudulent that it goes to the essence of this Agreement, frustrates one of the principal purposes of this Agreement, or irreparably damages the trust between us;

(j) you become insolvent or make a general assignment for the benefit of creditors, or, unless otherwise prohibited by law, if you file a petition in bankruptcy, or a petition is filed against and consented to by you or not dismissed within 30 days, or if a bill in equity or other proceeding for the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you, or if a receiver or other custodian (permanent or temporary) of your assets or property, or any part of your assets or property, is appointed; or you admit that you are unable to pay your obligations as they become due or if a final judgment in excess of $5,000 remains unsatisfied or of record for 60 days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of the judgment in the relevant jurisdiction); or

(k) you fail, for 30 days after notice, to comply with any applicable law or regulation applicable to your Franchised Business.

12.2. Default with 30 Day Opportunity to Cure. Except as provided in Section 12.1 above, you will have 30 days from delivery of a written notice of default to remedy the default described in the notice. If any such default is not cured within that time, or

such longer period as applicable law may require, we have the option of terminating this Agreement without any further notice to you upon the expiration of the applicable cure period. You will be in default for any failure to comply substantially with any of the requirements imposed by this Agreement or our Manuals or for any failure to carry out the terms of this Agreement in good faith. Such defaults include, but are not limited to:

(a) your failure to pay promptly any monies owing to us, our affiliates, your suppliers, or any of your lenders when due, or to submit the financial information or other reports required by us, including monies and reports due for clients serviced outside of your Operating Territory;

(b) you offer any unauthorized products or services;

(c) your failure to begin operation of your Franchised Business within the time required;

(d) you or your Designated Principal or manager fail to complete to our reasonable satisfaction any of the training required;

(e) your material breach of any representation, promise, warranty, or agreement contained in this Agreement; or

(f) your failure to comply with the Blue Nose System Standards or Manuals.

12.3. No Waiver. Our failure to exercise our right of immediate termination shall not constitute a waiver of such right or any other right that we may have to terminate this Agreement in the future.

12.4. Right to Cease Operations. Upon the occurrence of any event of default, we may, at our option, and without waiving our rights in this Agreement or any other rights available at law or in equity including our rights to damages, suspend the services and products we provide to you while you are in default. In addition, we retain the right to conduct or assign any Blue Nose business within your Operating Territory while you are in default of your Franchise Agreement.

12.5. Your Right to Terminate. You may submit a request to terminate this Agreement at any time, with six months written notice, and be relieved of any and all obligations under this Agreement except as provided under Sections 11 and 14. You must be in good standing and in full compliance with this Agreement at the time you submit your request. If you request to provide less than six months written notice, you will be required to pay an termination fee at the time you submit your request, equivalent to Two Thousand and Five Hundred Dollars ($2,500.00) prior to your termination. The termination fee only applies if you choose not to sell your business. Your request

for early termination will be granted upon your full compliance with Section 13 and your signature on our general release.

13. Transactions After Termination, Transfer, or Expiration

13.1. Termination of Rights. Upon termination, transfer, or expiration of this Agreement, all rights granted hereunder to you will terminate, and you shall immediately cease to operate the Franchised Business under this Agreement and shall not thereafter, directly or indirectly, represent yourself to the public or hold yourself as a franchisee of Blue Nose. Termination, transfer, or expiration of the Agreement shall not release you from any obligation to pay any sum which may then be owed to us, and you must comply with the following provisions:

(a) **Name Cancelation**: You must immediately cancel all fictitious, assumed names or equivalent registrations relating to your use of any of our Marks.

(b) **Manuals and Materials**: You must immediately turn over and return to us any and all originals and copies of the Manual(s), customer lists, records, files (both hard copy and electronic), instructions, correspondence, brochures, computer software, computer storage systems, and any and all Confidential Information in your possession, custody or control or relating to the operation of the Franchised Business and any and all supplies and materials containing the Marks. The only documents that you shall retain are your copy of this Agreement, any correspondence between you and us, and any other documents that you reasonably need for compliance with any provision of law.

(c) **Telephone Transfer**: You agree that upon termination, transfer, or expiration of this Agreement, you will immediately assign to us any interest that you may have in the telephone number, including the virtual telephone number provided and any other telephone listing used by you in advertising in connection with the operation of the Blue Nose Business. You shall promptly transfer all telephone calls by call forwarding to us or to such other party or entity as we shall direct and you must execute any such instruments and take such actions as we may deem necessary to affect such transfer and call-forwarding of telephone calls. You will be responsible for payment in full of all amounts due and owing in connection with your telephone numbers and listing accounts through the date of termination, expiration, or transfer of the Franchised Business. You must pay all outstanding and ongoing obligations for advertising accounts associated with telephone numbers, directory listings, internet advertising, and other such obligations for your Franchised Business. You acknowledge that this Agreement is conclusive evidence of our rights to such telephone numbers and directory listings and its authority to direct this transfer.

(d) **Remove Advertising and Notify Advertisers**: You agree that upon termination, transfer, or expiration of this Agreement, you will immediately remove all advertising that you control and notify all advertising sources that your advertising must be removed and canceled immediately. You further agree you will cooperate with us in the removal of all internet listings that may arise for up to 12 months from the date of termination or expiration of this Agreement. For advertising that cannot be immediately canceled, you are responsible for any and all costs related to such advertising until such time as it can be canceled or it expires.

(e) **Enforcement**: Should legal proceedings have to be brought by the Franchisor against you to enforce any covenant or for your failure to maintain confidentiality and protect against infringement, the period of restriction shall be deemed to begin running on the date of entry of an order granting the Franchisor injunctive relief and shall continue uninterrupted for the remainder of the period of restriction.

The provisions of this Section 13 shall survive the termination, transfer, or expiration of this Agreement.

14. Transfers

14.1. Definition of Transfer. For purposes of this Agreement, term "transfer" means the voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition of any interest in: (i) this Agreement; (ii) you; or (iii) the Franchised Business.

14.2. Transfers by Us. We have the right to transfer or assign all or any part of our rights or obligations in the System to any person or legal entity provided such person or legal entity agrees to be bound by all of the terms and conditions set forth herein and agrees to assume the same.

14.3. Transfers by You. You may not transfer or sell your franchise without our prior written consent, which shall not be unreasonably withheld provided you meet the following conditions:

(a) your proposed transferee must complete our franchisee application and meet our standards of qualification then applicable to all new applicants for franchises;

(b) your transferee shall assume all your duties, obligations, and liabilities to the Franchisor;

(c) your transferee signs our then-current franchise agreement;

(d) your transferee agrees to pay to us prior to consummation of transfer a transfer fee equal to 25% of the then-current initial franchise fee;

(e) you must sign a general release releasing us for any and all existing claims you may have against us, our affiliates, and our respective officers, directors, agents, and employees; and

(f) any attempted transfer in the Franchised Business will trigger a right of first refusal for the Franchisor to match the terms thereof of any bona fide offer, which may be exercised for a period of 30 days after receipt of notice.

14.4. Exemption of Transfer Fee to a Business Entity. You may transfer this Agreement to a business entity that is under the majority control of the Franchisee for no additional fee if the transfer is requested within one year of the Effective Date of this Agreement.

15. Accounting and Records

15.1. Requirement to Maintain Records. You shall maintain during the Term and shall preserve for the time period specified in the Manuals full, complete, and accurate books, records, and accounts in accordance with the standard accounting system prescribed by us in the Manuals or otherwise in writing. You are required to maintain a separate bank account used exclusively for your Franchised Business. We may, from time to time, request copies of your books and records to make sure you are complying with this Agreement. You agree to comply with all of our requests, including but not limited to supplying usernames and passwords to access any accounting software and/or scheduling software related to your Franchised Business. During the Term of your Agreement, we and our designated agents will examine and audit your records, accounts, books, and data at reasonable times with reasonable notice to you of an audit to insure that you are complying with the terms of this Agreement.

15.2. Audits. We or our designees will have the right at all reasonable times to review, audit, examine, and copy the financial books and records of the Franchised Business. If any required royalty or other required payments to us are delinquent, or if an audit should reveal that such payments have been understated in any report to us, then you will immediately pay to us the amount overdue or understated upon demand with interest determined in accordance with Section 8.11. If an audit discloses an understatement in any report of 3% or more, you must, in addition, reimburse us for all costs and expenses connected with the audit (including, without limitation, reasonable accounting and attorney's fees and costs). These remedies are in addition to any other remedies we may have at law or in equity.

16. Death or Incapacity of Franchisee. Upon your death or the determination of your incapacity (if an individual) or dissolution or similar event (if a partnership or corporation), your interest in this Agreement shall pass to your heirs or beneficiaries. In such event, we may terminate this Agreement upon 180 days' notice to your last business address unless such heirs or beneficiaries: (i) designate a person as being responsible for the performance of this Agreement and the Franchised Business within 180 days after death or determination; and (ii) provide adequate assurance, satisfactory to us, that such person's qualifications and abilities are sufficient for the continued operation of the Franchised Business, the observance of all duties of Franchisee under this Agreement, and the protection of Blue Nose's valuable Marks and System. The individual(s) assuming your responsibilities may be required to, at such individual's sole expense, pay the then-applicable training fee to the Franchisor.

17. Marks

17.1. Ownership and Goodwill. You may only use the Marks in connection with the operation of your Franchised Business and only in accordance with this Agreement. Any unauthorized use of the Marks by you constitutes an infringement of our rights in and to the Marks. Your usage of the Marks, and any goodwill established by your use of the Marks, inures to our exclusive benefit. You must not, at any time, contest or assist anyone else in contesting the validity or ownership of any of the Marks. All provisions of this Agreement applicable to the Marks applies to any additional trademarks, service marks, logo forms, trade dress, and commercial symbols that we authorize for use by, and license to, you in connection with this Agreement.

17.2. Limitations on Use. You must not use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form. You must not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us in writing. You must use the Marks in the manner prescribed by us on signs and forms. You must give such notices of trademark and service mark registrations and copyrights as we specify, and you must obtain such fictitious or assumed name registrations as may be required under applicable law. You will not employ the Marks in any way that we have determined may result in liability to us for any debts or obligations of yours.

17.3. Infringements and Claims. You must notify us immediately in writing if you become aware of any apparent infringement of, or challenge to, your use of any Mark, or claim by any person of any rights in any of the Marks. You must not communicate with any person other than us and our counsel in connection with any such infringement, challenge, or claim. We have sole right to take any action we deem appropriate and the right to exclusively control any litigation, administrative, or other proceeding arising out of any infringement, challenge or claim, or otherwise

relating to any Mark. You must sign any instruments and documents, provide such assistance and take any action that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or United States Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

17.4. Discontinuance of Use. If it becomes advisable at any time for us to modify or discontinue use of any Mark, or use one or more additional or substitute trademarks or service marks, you must comply within a reasonable time after our notice to you, and our sole liability and obligation to you in the event of such change will be to reimburse you for your out-of-pocket costs of compliance. We will not be obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Mark.

18. Relationship of the Parties and Indemnification

18.1. No Fiduciary Duty. Neither this Agreement nor the dealings of the parties pursuant to this Agreement creates any fiduciary relationship or any other relationship of trust or confidence between the parties. Franchisor and Franchisee, as between themselves, are and shall be independent contractors. If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that such covenant does not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law implies such covenant, the parties acknowledge and agree that: (i) this Agreement (and the relationship of the parties which arises from this Agreement) grants us the discretion to make decisions, take actions, and refrain from taking actions not inconsistent with your explicit rights and obligations in this Agreement that may affect favorably or adversely your interests and we will use our judgment in exercising such discretion based on our assessment of our own interests and balancing those interests against the interests of the Principals of Blue Nose businesses generally and specifically without considering your individual interests or the individual interests of any other particular franchisee; (ii) we will have no liability to you for the exercise of our discretion in this manner so long as such discretion is not exercised in bad faith toward you; and (iii) in the absence of such bad faith, no trier of fact in any legal action or arbitration proceeding shall substitute its judgment for our judgment so exercised.

18.2. Independently Owned and Operated. Nothing contained in this Agreement, or arising from the conduct of the parties acting under this Agreement, is intended to make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose whatsoever. You must conspicuously identify yourself in all dealings with customers, lessors, contractors, suppliers, public officials, employees, and others as the independent owner of your Franchised Business and

must place such other notices of independent ownership on such forms, business cards, stationery, advertising, and other materials as we may require from time to time. You may not make any express or implied agreements, warranties, guarantees, or representations or incur any debt in our name or on our behalf or represent that the relationship of the parties is anything other than that of independent contractors. We will not be obligated by or have any liability under any agreements made by you with any third party or for any representations made by you to any third party. We will not be obligated for any damages to any person or property arising directly or indirectly out of the operation of your business.

18.3. Sole and Exclusive Employer. You hereby irrevocably acknowledge, affirm, attest, and covenant that your employees are employed exclusively by you and in no fashion are any such employees employed, jointly employed, or co-employed by us. You further acknowledge, affirm, and attest that each of your employees is under your exclusive dominion and control and never under our direct or indirect control in any fashion whatsoever. You alone hire each of your employees; set their schedules; establish their compensation rates; and pay all salaries, benefits, and employment-related liabilities (such as workers' compensation insurance, payroll taxes, Social Security contributions, and unemployment insurance premiums). You alone have the ability to discipline or terminate your employees to the exclusion of us, and you acknowledge that we have no such authority or ability. You further acknowledge, attest, and affirm that any minimum staffing requirements established by us are solely for the purpose of ensuring that the Franchised Business is at all times staffed at those levels necessary to operate the Franchised Business in conformity with the System Standards. You also acknowledge, affirm, and attest that any recommendations you may receive from us regarding salaries, hourly wages, or other compensation for employees are recommendations only and that you are entirely free to disregard our recommendations regarding such employee compensation. You further acknowledge and agree that you are, and will continue to be at all times, solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full- or part-time. Your employees must be competent, conscientious, and properly trained. Finally, should it ever be asserted that we are the employer, joint employer, or co-employer of any of your employees in any private or government investigation, action, proceeding, arbitration, or other setting, you irrevocably agree to assist us in defending such allegations, including (if necessary) appearing at any venue requested by us to testify on our behalf (and, as may be necessary, submitting to depositions, other appearances, and/or preparing affidavits dismissive of any allegation that we are the employer, joint employer, or co-employer of any of your employees). To the extent we are the only named party in any such investigation, action, proceeding, arbitration, or other setting to the

exclusion of you, should any such appearance by you be required or requested, we will recompense you the reasonable costs associated with Franchisee appearing at any such venue.

18.4. **No Liability for Acts of Other Party**. Neither Franchisor nor Franchisee will make any express or implied agreements, warranties, guarantees, or representations or incur any debt in the name or on behalf of the other, represent that our respective relationship is other than franchisor and franchisee, or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. We will not be obligated for any damages of any nature whatsoever to any person or property directly or indirectly arising out of the Franchised Business's operation or the business you conduct pursuant to this Agreement.

18.5. **Taxes**. We will have no liability for any sales, use, service, occupation, employment related, excise, gross receipts, income, property, or other taxes, whether levied upon you or the Franchised Business, in connection with the business you conduct (except any taxes we are required by law to collect from you with respect to purchases from us). Payment of all such taxes is your responsibility.

18.6. **Indemnification**. You agree to indemnify, exculpate, defend, and hold us and our affiliates, respective members, directors, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") harmless and to reimburse the Indemnified Parties for all claims, obligations, and damages described in this Section 18.6, and any and all claims and liabilities directly or indirectly arising out of the Franchised Business's operation or your breach of this Agreement. For purposes of this indemnification, "claims" includes all obligations, liabilities, costs, damages (actual, consequential or otherwise), and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, reasonable accountant, arbitrator, attorney and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration, or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

18.7. **Mitigation Not Required**. Under no circumstances will we or any of the Indemnified Parties be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their, or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

19. Dispute Resolution

19.1. Waiver of Class Actions. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS. AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS, AND FRANCHISOR AND ITS AFFILIATES, OFFICERS, OR EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

19.2. Mediation. Except as provided in Section 19.6, prior to filing any demand for arbitration, the parties agree to mediate any dispute, controversy, or claim between the parties and any of our or your affiliates, officers, directors, shareholders, members, guarantors, employees, or Principals arising under, out of, in connection with, or in relation to this Agreement, any lease or sublease for your Franchised Business, any loan or other finance arrangement between us or our Affiliates and you, the parties' relationship, your Franchised Business, or any methods of operation. The party seeking mediation must commence mediation by sending the other party in accordance with a written notice of its request for mediation headed "Notification of Dispute." Upon receipt of a Notification of Dispute the parties will endeavor, in good faith, to resolve the dispute outlined in the Notification of Dispute. If the parties have been unable to resolve a dispute outlined in a Notification of Dispute within 20 days after receipt of the Notification of Dispute, either party may initiate a mediation procedure in accordance with the Judicial Arbitration and Mediation Services ("JAMS") pursuant to its Commercial Mediation Procedures and, unless otherwise agreed by the parties, will take place in the city of our then-current corporate headquarters. The parties must select a mediator jointly.

19.3. Mediation Fees. The parties agree to participate in the mediation proceedings in good faith and with the intention of resolving the dispute, if at all possible, within 30 days of the notice from the party seeking to initiate the mediation procedures. If the dispute is not resolved within 30 days, the parties are free pursue arbitration. In addition, if the party receiving notice of mediation has not responded within five days of delivery of the notice or a party fails to participate in the mediation, this Section 19.3 will no longer be applicable and the other party can pursue arbitration under Section 19.4. The parties agree that the costs of the mediator will be split equally between the parties. Each party must pay its own fees and expenses incurred in connection with the mediation. The mediation proceeding and any negotiations and results thereof will be treated as a compromise settlement negotiation and the entire process is confidential. At least five days prior to the initial mediation session, each party must deliver a written statement of positions.

19.4. **Arbitration**. Except as provided in Section 19.6, any dispute, controversy, or claim between you and us and any of our or your affiliates, officers, directors, shareholders, members, guarantors, employees, or Principals arising under, out of, in connection with, or in relation to this Agreement, any lease or sublease for your Franchised Business, any loan or other financial arrangement between us or our Affiliates and you, the parties' relationship, your Franchised Business, or any System standard, or the scope or validity of the arbitration obligation under this Section 19.4 not resolved by mediation must be submitted to binding arbitration in accordance with the Federal Arbitration Act. The arbitration will be administered by JAMS pursuant to its Commercial Arbitration Rules then in effect by one arbitrator.

19.5. **Arbitration Allowances and Requirements.** The arbitration must take place in the city closest to where our headquarters is located at the time of the dispute. The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable, interim, or final relief. Each party consents to the enforcement of such orders and injunctions by any court having jurisdiction. The arbitrator will have subpoena powers limited only by the laws of the state in which the main office of the Franchisor is located. The parties to the dispute will have the same discovery rights as are available in civil actions under the laws of the state in which the main office of Franchisor is then located. All other procedural matters will be determined by applying statutory, common laws, and rules of procedure that control a court of competent jurisdiction in which the main office of Franchisor is then located. Other than as may be required by law, the entire arbitration proceedings (including, but not limited to, any rulings, decisions, or orders of the arbitrator) will remain confidential and will not be disclosed to anyone other than the parties of this Agreement. The judgment of the arbitrator on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction.

19.6. **Exceptions to Arbitration**. The parties agree that the following claims will not be subject to arbitration or mediation:

(a) Any action for equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, declaratory relief, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible property, brought at any time, including, without limitation, prior to or during the pendency of any arbitration proceeding initiated under this Agreement; or

(b) Any action in ejectment or for possession of any interest in real or personal property.

19.7. Costs and Attorney's Fees. Subject to Section 19.3, the prevailing party in any dispute resolution or proceedings arising under, out of, in connection with, or in relation to this Agreement will be entitled to recover its reasonable costs and expenses (including attorney's fees, arbitrator's fees, expert witness fees, costs of investigation and proof of facts, court costs, and other arbitration or litigation expenses) incurred in connection with the claims on which it prevailed. If you are in default of the Franchise Agreement, you agree to reimburse us for the expenses we incur as a result of your default and to enforce and terminate the Franchise Agreement.

19.8. Tolling of the Statute of Limitations. All applicable statutes of limitations and defenses based on the passage of time are tolled while the dispute resolution procedures in this Section 19 are pending. The parties will take such action, if any, required to effectuate tolling.

19.9. Performance to Continue. Each party must continue to perform its obligations under this Agreement pending final resolution of any dispute pursuant to this Section 19, unless to do so would be impossible or impracticable under the circumstances.

20. General Provisions

20.1. Governing Law. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act as required by this Agreement, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.) or other federal law, this Agreement, the franchise and all claims arising from the relationship between us and you will be governed by the laws of Colorado, without regard to its conflict of laws, and principles, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless jurisdictional requirements are met independently without reference to this Section 20.1.

20.2. Consent to Jurisdiction. Subject to Section 20.1, you and your Principals agree that we may institute any action against you or your Principals in any state or federal court of general jurisdiction in Colorado, and you (and each owner) irrevocably submit to the jurisdiction of such courts and waive any objection you (or her or she) may have to either the jurisdiction of or venue in such courts.

20.3. Waiver of Punitive Damages and Jury Trial. Except with respect to your obligation to indemnify us pursuant to Section 18.6, and claims we bring against you for your unauthorized use of the Marks or unauthorized use or disclosure of any Confidential Information, we and you and your respective Principals waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us, the party

making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.

20.4. Binding Effect. This agreement is binding upon us and you and our respective executors, administrators, heirs, beneficiaries, assigns, and successors in interest and may not be modified except by written agreement signed by you and us.

20.5. Limitations of Claims. Except for claims arising from your nonpayment or underpayment of amounts you owe us pursuant to this Agreement, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial or arbitration proceeding is commenced within one year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims.

20.6. Construction. Nothing in the agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

20.7. Withhold Approval. Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed or effected actions that require our approval.

20.8. Headings. The headings of the Sections of this Agreement are for convenience, and do not define, limit, or construe the content of the Sections.

20.9. Joint and Several Principals' Liability. If two or more persons at any time hold a direct or indirect, legal, or beneficial ownership interest or voting rights in the Franchisee, their obligations, and liabilities to us will be joint and several.

20.10. Multiple Copies. This Agreement may be executed in multiple copies, each of which will be deemed an original.

20.11. Power of Attorney. Wherever in this Agreement you have covenanted and agreed to execute any instrument or document and you do not comply with such provisions, you hereby irrevocably nominate, constitute and appoint our Managing Member as our true and lawful attorney for you and in your name and your behalf to execute and do all such acts, deeds, assurances, conveyances, transfers, instruments, documents, and things that may be required for all or any of the purposes aforesaid, and you hereby covenant and agree for you and your successors and assigns to allow, ratify and confirm whatsoever our Managing Member shall do or cause to be done by virtue of this power of attorney.

21. Notices

21.1. Requirement of a Writing; Permitted Methods of Delivery. Unless provided elsewhere in this Agreement, each party giving any notice or demand in accordance with this Agreement shall give the notice in writing and use one of the following methods of delivery, each of which for purposes of this Agreement is a writing:

(a) Personal delivery.

(b) Registered or Certified Mail (in each case, return receipt requested and postage prepaid).

(c) Internationally recognized overnight courier (with all fees prepaid).

21.2. Addressees. Any party giving notice shall address the notice to the appropriate person at the receiving party's address listed on the signature page of this Agreement or to another address as designated by a party.

21.3. Effectiveness of a Notice. Except as provided elsewhere in this Agreement, a notice is effective only if the party giving the notice has complied with Sections 21.1 and 21.2 and if the addressee has received the notice.

22. Receipt of FDD and Complete Agreement. You acknowledge that you received a complete copy of this Agreement, the attachments to it, and agreements relating to it, if any, at least six calendar days prior to the date on which this Agreement was executed. You further acknowledge that you received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising," otherwise known as the Franchise Disclosure Document (FDD), at least 14 calendar days prior to the date on which this Agreement was executed or any payment by you for the franchise rights granted under this Agreement. You further acknowledge that prior to receiving our FDD, we advised you of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

22.1. Franchisee Read the Agreement and Consulted. You acknowledge that you have read and understood our FDD and this Agreement, its attachments, and its agreements, if any, and that we have given you ample time and opportunity to consult with advisors, such as an attorney or certified public accountant, of your own choosing about the potential benefits and risks of entering into this Agreement.

22.2. Your Responsibility for Operation of Business. Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of the Franchised Business, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised

Business and the implementation and maintenance of System standards at the Franchised Business.

22.3. **No Conflicting Obligations**. Each party represents and warrants to the other that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (i) negotiating and entering into this Agreement; (ii) exercising its rights under this Agreement; or (iii) fulfilling its responsibilities under this Agreement.

22.4. **Different Franchise Offerings to Others**. You acknowledge and agree that we may modify the offer of our franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

22.5. **Good Faith.** Both parties acknowledge that each provision in this Agreement has been negotiated by the parties in good faith. It is further acknowledged that both parties intend to enforce every provision of this Agreement, including, without limitation, the provisions related to arbitration and choice of venue, regardless of any state law or regulation purporting to void or nullify any such provision.

22.6. **Success Depends on Franchisee.** You acknowledge that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, its active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

22.7. **No Guarantees.** We expressly disclaim the making of, and you acknowledge that you have not received nor relied upon, any warranty or guaranty, express or implied, as to the revenues, profits, or success of the business venture contemplated by this Agreement.

22.8. **Amendment**. Any modification or change in or to this Agreement must be in writing and signed by each of the parties prior to such change taking effect.

[SIGNATURE PAGE TO FOLLOW]

TO EVIDENCE THE PARTIES' AGREEMENT TO THIS AGREEMENT, EACH PARTY HAS EXECUTED AND DELIVERED IT ON THE DATE INDICATED UNDER THAT PARTY'S SIGNATURE.

BLUE NOSE FRANCHISING AGREEMENT SIGNATURE PAGE

Blue Nose Franchising, LLC

By:_____
Shawn Tanner Harris, Managing Member

Date: _____

Address for notices:

Franchisee:

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

Address for notices:

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

Address for notices:

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

Address for notices:

BLUE NOSE FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT A
OPERATING TERRITORY, INITIAL FRANCHISE FEE, ROYALTY FEE, AND ADVERTISING CONTRIBUTION

We grant you the following Operating Territory upon payment of the Franchise Fee indicated below:

Royalty Fee Amount: 4% of monthly Gross Sales

Advertising Contribution Amount: 2% of Gross Sales

Initial Franchise Fee: ____ Tier One: $8,950

____ Tier Two: $10,750

____ Tier One: $11,850

____ Tier Two: $13,350

Advanced Services Fee Amount: N/A

Marketing Services Fee Amount: N/A

[SIGNATURE PAGE TO FOLLOW]

Franchisor

Signature: _____

Print Name: _____

Title: _____

Franchisee

Signature: _____

Print Name: _____

Title: _____

BLUE NOSE FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT B
FRANCHISE PACKAGE

The drone for the Tier indicated in Exhibit A to the Franchise Agreement:

____ Tier One: DJI Mavic 3 Pro, or its current equivalent.

____ Tier Two: The DJI Mavic 3 Enterprise, or its current equivalent.

____ Tier Three: DJI Mavic 3 Multispectral drone, or its current equivalent.

____ Tier Four: DJI Mavic 3 Thermal drone, or its current equivalent.

Blue Nose manuals (loan for length of franchise)

Blue Nose logoed apparel

Business cards

BLUE NOSE FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT C
ANNUAL MINIMUM REVENUE REQUIREMENTS

Franchisee shall attain a minimum Gross Revenue for each year of the Term, and any successor agreement thereof, as follows:

YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5 (and successor term)
$5,000	$7,500	$10,000	$12,500	$15,000

EXHIBIT D
PROMISSORY NOTE

$_____ _____

FOR VALUE RECEIVED, and intending to be legally bound hereby, the undersigned, _____ _____, a _____having a principal address of _____ _____ and _____, an individual having a principal address of _____ _____ (_____ and _____ _____collectively referred to as the "Borrower"), promises to pay to the order of Blue Nose Franchising, LLC, with an address of 2548 Akron Street Denver, Colorado 80238 (the "Lender"), Five Thousand Dollars ($5,000.00) ("Loaned Amount") in sixty (60) equal monthly principal installments of $83.33 with the first installment due and payable on the 5th day of the month immediately following Borrower's Opening Date, as that term is defined in that certain franchise agreement executed by and between Borrower and Lender on or about _____ (hereafter the "Franchise Agreement"), and the final installment of all unpaid principal due and payable on the 5th day of the sixtieth (60th) month following Borrower's Opening Date, if not sooner paid, with the privilege of prepaying the unpaid principal balance in whole or in part at any time without penalty.

In the event that any monthly payment hereunder shall become overdue for a period of three (3) days, the Borrower shall pay to the Lender a late charge of ten percent (10%) of such payment. Any other payments which may become due under the terms of this Note, including penalties, costs, and attorneys' fees, shall bear interest from the date upon which they become due at the rate of eighteen percent (18%) per annum or the highest rate allowable by law, whichever is lower. Such costs and fees shall become due and payable upon demand by Lender.

Notwithstanding the foregoing, this Note shall become immediately due and payable without further notice or demand upon the occurrence of any Event of Default. Each of the following shall constitute an "Event of Default," whatever the reason for such event and whether or not it shall be voluntary or involuntary, or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any governmental or non-governmental body: (a) if the Opening Date does not occur in accordance with the Franchise Agreement, (b) if any payment of principal and/or interest on the Loaned Amount as aforesaid shall not be paid when due, (c) if Borrower shall breach any covenant or default in the performance of any obligation of Borrower under this Note, the security agreement of even date herewith securing the Note ("Security Agreement"), the Franchise Agreement, or any other agreement between Borrower and Lender or Lender's affiliates, (d) if Borrower shall admit to Lender that Borrower is unable to pay their debts as they become due, or shall become insolvent, or shall suspend transaction or operation of their Franchised Business, as that term is defined in the Franchise Agreement; (e) if Borrower enters into any oral and/or written agreement to sell, assign, gift and/or in any way transfer (or if Borrower does sell, assign, gift and/or in any way transfer) any of their interest in the Franchised Business, without Lender's prior written consent; (f) if Borrower shall make an assignment for the benefit of creditors, or files a voluntary petition under the Bankruptcy Code, as amended, or federal or state insolvency law or apply for or consent to the appointment of a receiver, trustee or custodian of all or a part of their property, in each case which shall remain unstayed for thirty (30) days; (g) if an order for relief shall be entered following the filing of an involuntary petition against Borrower under the Bankruptcy Code, as amended, or any other Federal or state insolvency law, or if an order shall be entered appointing a trustee, receiver or custodian of all or part of their property, in each case which shall remain unstayed for thirty (30) days; or (h) if any individual of Borrower dies or becomes permanently incapacitated such that he or she is unable to perform daily functions on behalf of the Franchised Business.

Upon an Event of Default, payment of the entire unpaid balance of the Loaned Amount and all other sums due by Borrower hereunder together with interest accrued thereon at the rate hereinbefore specified, shall at the option of Lender and without further notice to Borrower, become due and payable immediately and payment of the same may be recovered in whole or in part at any time by one or more of the remedies provided to Lender in this Note or by law or at equity; and in such case, Lender may also recover all costs of suit and other expenses in connection therewith, together with reasonable attorney's fees for collection of twenty percent (20%) of the total amount then due by Borrower to Lender.

The remedies of Lender as provided herein shall be joint and several against Borrower, cumulative and concurrent and may be pursued singly, successively or together against Borrower and/or any other obligor under this Note to Lender as security for this Note, at the sole discretion of Lender, and such remedies shall not be exhausted by any exercise thereof but may be exercised as often as occasion therefor shall occur.

Lender shall not by any act of omission or commission be deemed to have waived any of Lender's rights or remedies hereunder unless such waiver be in writing and signed by Lender, and then only to the extent specifically set forth therein; a waiver on one event shall not be construed as continuing or as a bar to or waiver of such right or remedy on a subsequent event.

Borrower hereby waives and releases all errors, defects and imperfections of a procedural nature in any proceedings instituted by Lender under the terms of this Note, as well as all benefits that might accrue to Borrower by virtue of any present or future laws exempting any other property, real or personal, or any part of the proceeds arising from any sale of such property, from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process or extension of time for payment, as well as the right of inquisition on any real estate that may be levied upon under a judgment obtained by virtue hereof, and Borrower hereby voluntarily condemns the same and authorizes the entry of such voluntary condemnation on any writ of execution issued thereon, and agrees that such real estate may be sold upon any such writ in whole or in part and in any order desired by Lender.

Except as otherwise provided herein, Borrower and all endorsers, sureties, and guarantors hereof jointly and severally and intending to be legally bound, waive presentment for payment, demand, notice of non-payment, notice of protest, and protest of this Note, and all other notices in connection with the delivery, acceptance, performance, default or enforcement of the payment of this Note, and they agree that the liability of each of them shall be unconditional without regard to the liability of any other party and shall not be in any manner affected by any indulgence, extension of time, renewal, waiver, or modification granted or consented to by Lender; and Borrower, all endorsers, sureties, and guarantors hereof consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Lender with respect to the payment or other provisions of this Note, and to the releases of the security for this Note, or any part thereof, with or without substitution, and agree that additional Borrowers, endorsers, guarantors, or sureties may become parties hereto without notice to them or affecting their liability hereunder.

Lender shall have the right to transfer, assign or pledge this Note and the benefits hereunder shall inure to the Lender, Lender's officers, directors, members, personal representatives, successors, and assigns. Borrower may not assign, transfer or pledge this Note without the express prior written consent of Lender. Furthermore, the Borrower's obligations hereunder shall inure to Borrower's heirs, successors and assigns.

The Borrower represents and warrants that the Borrower (a) will not breach or be in default on any agreement, mortgage, loan or credit arrangement by their execution of this Note; and (b) will be bound and obligated under this Note and that this Note constitutes a valid, legal and binding obligation of the Borrower, enforceable by the Lender or its successors and assigns.

All notices hereunder shall be deemed given if hand-delivered or sent by certified mail, return receipt requested or recognized overnight carrier to the parties at the addresses specified above, or at such other addresses as the parties may specify from time to time in writing. Notice shall be deemed received upon delivery if hand-delivered or three (3) days after mailing, if mailed or one (1) day after being placed with an overnight carrier. All rights and obligations under this Note shall extend to and be binding upon the respective heirs, successors and assigns of the Borrower and Lender.

This Note will be governed by and construed in accordance with the laws of the State of Colorado, except to the extent that the UCC provides for the application for the law of the Borrower's state of residence. Should any one or more provisions of this Note be determined to be illegal or unenforceable, all other provisions nevertheless shall be effective.

EXECUTED by each Borrower the day and year first above written.

_____

By: _____

_____,_____

(Print Name, Title)

_____

_____

(Print Name)

BLUE NOSE FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT E
PERSONAL GUARANTY

This Guaranty and Assumption of Obligations (this "Guaranty") is given this _____, by _____, _____, and _____.

Guarantees. In consideration of, and as an inducement to, the execution of the Franchise Agreement (the "**Agreement**") dated _____, between _____ (the "Franchisee") and us, each of the undersigned (the "**Guarantor(s)**") personally and unconditionally:

(a) Guarantees to us and our successors and assigns, for the term of the Agreement and thereafter, that [NAMES OF OWNERS] will punctually pay, perform, and satisfy each and every obligation, undertaking, agreement, and covenant of Franchisee set forth in the Agreement; and

(b) Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Consent and Agreement. Each undersigned Guarantor consents and agrees that:

(a) Their direct and immediate liability under this Guaranty will be joint and several;

(b) They will render any payment or performance required under the Agreement upon demand if owner fails or refuses, for any reason, punctually to do so;

(c) Such liability will not be contingent or conditional upon our pursuit of any remedies against owner or any other person; and

(d) Such liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which will be continuing and irrevocable during the term of the Agreement and thereafter.

Waivers. Each undersigned Guarantor waives all rights to payments and claims for reimbursement or subrogation which any of the Guarantors may have against owner arising as a result of the undersigned Guarantor's execution of and performance under this Guaranty.

To evidence the Guarantor's agreement to this Guaranty, each has executed and delivered it on the date indicated under that party's signature.

Guarantors:

By: _____

Name Printed: _____

Date: _____

By: _____

Name Printed: _____

Date: _____

By: _____

Name Printed: _____

Date: _____

BLUE NOSE FRANCHISING, LLC
FRANCHISE AGREEMENT

EXHIBIT F
INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE LISTING AGREEMENT

THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE LISTING AGREEMENT (the "Agreement") is made and entered into this day of _____ (the "Effective Date"), by and between Blue Nose Franchising LLC a Colorado limited liability company with its principal place of business at 2548 Akron Street Denver, Colorado 80238 (the "Franchisor"), and _____, a(n) _____, with its principal place of business located at_____ and _____ _____'s principal(s), _____, an individual, residing at _____ _____, and _____, an individual, residing at _____ _____ ("Principal(s)"). _____ and Principal(s) shall be collectively referred to in this Agreement as the "Franchisee".

WHEREAS, Franchisee desires to enter into a franchise agreement with Franchisor for an Blue Nose business ("Franchise Agreement") which will allow Franchisee to conduct internet-based advertising, maintain social media accounts, use software, and use telephone listings linked to the Blue Nose brand.

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

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

1. **Definitions**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **Internet Advertising and Telephone Listings**

2.1 Interest in Web Sites, Social Media Accounts, Other Electronic Listings and Software. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain

names, social media accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet web sites, the right to hyperlink to certain web sites and listings on various internet search engines, and the right to use certain software (collectively, "Electronic Advertising and Software") related to the Franchised Business or the Marks.

2.2 Interest in Telephone Numbers and Listings. Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the "Telephone Listings") related to the Franchised Business or the Marks.

2.3 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 Direct all internet service providers, domain name registries, internet search engines, other listing agencies and software companies (collectively, the "Internet and Software Companies") with which Franchisee has Electronic Advertising and Software: (i) to transfer all of Franchisee's interest in such Electronic Advertising and Software to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic Advertising and Software, Franchisee will immediately direct the Internet and Software Companies to terminate such Electronic Advertising and Software or will take such other actions with respect to the Electronic Advertising and Software as Franchisor directs; and

2.3.2 Direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the "Telephone Companies") with which Franchisee has Telephone Listings: (i) to transfer all Franchisee's interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without

limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet and Software Companies to transfer all Franchisee's interest in and to the Electronic Advertising and Software to Franchisor, or alternatively, to direct the Internet and Software Companies to terminate any or all of the Electronic Advertising and Software;

2.4.2 Direct the Telephone Companies to transfer all Franchisee's interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet and Software Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee's interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet and Software Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet and Software Companies and the Telephone Companies have duly transferred all Franchisee's interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and Software and/or Telephone Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet and Software Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. **Miscellaneous**

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet and Software Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Colorado, without regard to the application of Colorado conflict of law rules.

[SIGNATURE PAGE TO FOLLOW]

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:

Blue Nose Franchising, LLC

By:_____

_____, _____

(Print Name, Title)

FRANCHISEE:

_____

By:_____

_____,_____

(Print Name, Title)

PRINCIPAL:

_____

_____

(Print Name)

PRINCIPAL:

_____

_____

(Print Name)

BLUE NOSE FRANCHISING
FRANCHISE AGREEMENT

EXHIBIT 3

LIST OF FRANCHISEES

Franchisees (as of December 31, 2022)				
State	**Business Location**	**Franchisee**	**Contact Information**	**Open/Not Open**
CA	El Cajon	Michael Johnson	(850) 529-4910	Open
CA	San Juan Capistrano	Chip Koskiniemi	(701) 361-9217	Open
CO	Trinidad	Alexander Muniz	(505) 506-3549	Open
CT	Essex	Paul Lwin	(562) 304-0498	Open
FL	Pensacola	Steve Hand	(847) 666-7931	Open
FL	Pensacola	Chris Millar	(850) 400-0373	Open
GA	Atlanta	Mark Deka	(512) 557-5647	Open
IN	Laconia	Daniel Sutton	(480) 799-8474	Open
KS	Overland Park	Matt Clark	(515) 418-0658	Open
NJ	Englewood	Shabab Qazi	(201) 430-5001	Open
NY	Highland	Paul Ronan	(850) 902-1924	Open
NY	West Babylon	Jon Turegun	(631) 482-4828	Open
NC	Cornelius	Tom Steffensen	(704) 644-9245	Open
OH	Troy	Christian Leonhard	(937) 272-4591	Open
SC	Fort Mill	Skylar Morgan	(803) 386-7567	Open
TN	Farragut	Landon Palmer	(805) 680-4481	Open
TN	Mount Juliet	Michael Abernathy	(731) 617-9323	Open
TX	Fort Worth	Chris Reed	(985) 807-5005	Open
TX	Granbury	Cody Blair	(325) 212-7012	Open
TX	The Woodlands	Jason Loewen	(281) 687-4041	Open
VA	Sterling	Samer Abdallah	(703) 371-8929	Open
VA	Norfolk	Kyle McGhie	(949) 378-8650	Open
WA	Renton	Oliver Arnould	(248) 558-0474	Open

Franchise Agreements Signed but Outlet Not Open as of December 31, 2022:

OH	Timberlake	Dan Knuth	(814) 573-9435	Not Open
TX	Boerne	Dow Mathis	(830) 699-2846	Not Open

EXHIBIT 4

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

State	Business Location	Franchisee	Contact Information
CO	Colorado Springs	Brett Bell	(904) 312-3569
CO	Englewood	Zec Friend	(480) 254-9973
FL	Boca Raton	Gabor Simon	(904) 868-1382
FL	North Miami Beach	Mike Rivers	(305) 771-3808
GA	Braselton	Jon Spangler	(678) 857-8591
IL	O'Fallon	Matt Walrath	(618) 328-8841
KS	Prairie Village	Brian Benge	(913) 302-2596
NV	Henderson	Matt Dooley	(719) 551-2220
NY	West Harrison	Brian Steenhoek	(812) 261-3179
NC	Mount Holly	Cole Moore	(913) 522-1799
TN	Clarksville	Lance Mundo	(931) 229-0656
TN	Madisonville	Michael Owens	(907) 782-5898
TX	San Antonio	Lane Copelin	(210) 526-8735
VA	Gainesville	James Newton	(571) 677-0550
WA	West Seattle	Tim Nicosia	(253) 389-7305

EXHIBIT 5

FINANCIAL STATEMENTS

BLUE NOSE FRANCHISING, LLC

Financial Statements For The Years Ended December 31, 2022 & December 31, 2021

TOGETHER WITH INDEPENDENT ACCOUNTANT AUDIT REPORT

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NAPER CPA GROUP

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omar@napercpa.com

INDEPENDENT ACCOUNTANT AUDIT REPORT

To the Management of BLUE NOSE FRANCHISING, LLC

We have audited the accompanying financial statements of BLUE NOSE FRANCHISING, LLC (the "Company"), which comprise the Balance Sheet as of December 31, 2022 & December 31, 2021, the related Profit & Loss Statements, the related Statements of Cashflows, and the related Statements of Shareholders' Equity for the years then ended.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BLUE NOSE FRANCHISING, LLC as of December 31, 2022 & December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles 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 audit. We conducted our audit 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 effectiveness of 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.

Omar Alnuaimi, CPA

Naperville, IL
March 15, 2023

BLUE NOSE FRANCHISING, LLC
PROFIT & LOSS STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2022 & DECEMBER 31, 2021

	2022	2021
Revenue		
Franchise Fees	$55,479	$ 84,194
Other Sales - Technology Services	59,506	34,813
Less: Discounts & Allowances	-	(4,013)
Total Revenue	114,985	114,994
Cost of Sales	25,338	30,429
Gross Profit	89,647	84,565
Operating Expense		
Technology Expense	8,123	30,550
Legal & Professional Services	30,402	25,359
Office Supplies Expense	22,651	19,213
General & Administrative Expense	13,556	12,996
Advertising & Marketing Expense	9,097	7,231
Bank Fees	1,255	4,002
Total Operating Expenses	85,084	99,350
Net Income From Operations	4,563	(14,785)
Other Income (Expense)		
Interest Expense	(1,572)	-
Misc. Income	1,204	-
Total Other Income (Expense)	(368)	-
Net Income Before Provision for Income Tax	4,195	(14,785)
Provision for Income Taxes	-	-
Net Income (Loss)	$ 4,195	$(14,785)

See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.

BLUE NOSE FRANCHISING, LLC
BALANCE SHEET
AS OF DECEMBER 31, 2022 & DECEMBER 31, 2021

	12/31/22	12/31/21
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$16,340	$18,006
TOTAL CURRENT ASSETS	16,340	18,006
NON-CURRENT ASSETS		
TOTAL NON-CURRENT ASSETS	-	-
TOTAL ASSETS	16,340	18,006
LIABILITIES AND OWNER'S EQUITY		
CURRENT LIABILITIES		
Company Credit Card	14,830	21,832
TOTAL CURRENT LIABILITIES	14,830	21,832
NON-CURRENT LIABILITIES		
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	14,830	21,832
OWNER'S EQUITY		
Retained Earnings (Deficit)	(2,686)	10,959
Net Income (Loss)	4,195	(14,785)
TOTAL SHAREHOLDERS' EQUITY	1,509	(3,826)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$16,340	$18,006

See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.

BLUE NOSE FRANCHISING, LLC
STATEMENT OF CASHFLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 & DECEMBER 31, 2021

	2022	2021
OPERATING ACTIVITIES		
Net Income	$ 4,195	$ (14,785)
Non-Cash Adjustments		
Increase in Company Credit Card	(7,002)	16,990
Other Non-Cash Adjustments	-	(15)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,807)	2,190
INVESTING ACTIVITIES		
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-
FINANCING ACTIVITIES		
Owner's Contribution (net)	1,140	2,750
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	1,140	2,750
NET INCREASE (DECREASE) IN CASH	(1,667)	4,940
CASH AT BEGINNING OF PERIOD	18,006	13,066
CASH AT END OF PERIOD	$ 16,340	$ 18,006

See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.

BLUE NOSE FRANCHISING, LLC
STATEMENT OF SHAREHOLDERS' EQUITY
AS OF DECEMBER 31, 2022 & DECEMBER 31, 2021

	Opening Equity Balance	Yearly Changes	Total
Beginning Balance	$ 8,209	$ -	$ 8,209
Net Income for the period ending December 31, 2021	-	(14,785)	(14,785)
Equity Contributions (Distributions)	-	2,750	2,750
Balance, December 31, 2021	**$ 8,209**	**$ (12,035)**	**$ (3,826)**

	Opening Equity Balance	Yearly Changes	Total
Beginning Balance	$ (3,826)	$ -	$ (3,826)
Net Income for the period ending December 31, 2022	-	4,195	4,195
Equity Contributions (Distributions)	-	1,140	1,140
Balance, December 31, 2022	**$ (3,826)**	**$ 5,335**	**$ 1,509**

See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

Blue Nose Franchising, LLC (the "Company") provides franchise opportunities for new entrepreneurs. The mission of the "Company" is to develop the Blue Nose brand quickly through leveraging of professional networks with hopes of becoming the premier drone services provider in the United States of America.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). As a result, the Company records revenue when earned and expenses when incurred. The Company has adopted the calendar year as its basis of reporting.

Use of Estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expense during the reporting period. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and any cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

Accounts Receivable

The Company's trade receivables are recorded when billed and represent claims against third parties that will be settled in cash. The carrying value of the Company's receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value.

The Company evaluates the collectability of accounts receivable on a customer-by-customer basis. The Company records a reserve for bad debts against amounts due to reduce the net recognized receivable to an amount the Company believes will be reasonably collected. The reserve is a discretionary amount determined from the analysis of the aging of the accounts receivables, historical experience and knowledge of specific customers. As of December 31, 2022 & December 31, 2021, The Company assessed its customer receivables and determined there is no justification for an allowance for doubtful accounts.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Fair Value of Financial Instruments

Financial Accounting Standards Board ("FASB") guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).
- Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

As of December 31, 2022 & December 31, 2021, the carrying amounts of the Company's financial assets and liabilities reported in the balance sheets approximate their fair value.

Revenue Recognition

Revenues are primarily derived from franchise fees (one-time and recurring monthly fees). In accordance with Accounting Standards Codification (ASC) Topic 606, Revenue will be recognized when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectability is reasonable assured. The determination of whether fees and fixed or determinable and collection is reasonable assured involves the use of assumptions. Arrangement terms and customer information are evaluated to ensure that these criteria are met prior to recognition of revenue.

Specifically for franchisors, The Financial Accounting Standards Board (FASB) has issued an Accounting Standards Update (ASU) to ASC 606, Franchisors—'Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient' in 2021 which provides a new practical expedient that permits private company franchisors to account for preopening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance. The Company has elected to adopt this new standard.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Deferred Revenue

The Company's primarily performance obligation under the franchise agreement mainly includes granting certain rights to access the Company's intellectual property and a variety of activities relating to opening a franchise unit, including initial training and other such activities commonly referred to collectively as "pre-opening activities", which are recognized as a single performance obligation. The Company expects that certain pre-opening activities provided to the franchisee will not be brand specific and will provide the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of pre-opening activities that will be provided that is not brand specific is expected to be distinct as it will provide a benefit to the franchisee and is expected not to be highly interrelated or interdependent to the access of the Company's intellectual property, and therefore will be accounted for as a separate distinct performance obligation. All other pre-opening activities are expected to be highly interrelated and interdependent to the access of the Company's intellectual property and therefore will be accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company will first allocate the initial franchise fees and the fixed consideration, under the franchise agreement to the standalone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to pre-opening activities, which are not brand specific are recognized ratably as those services are rendered. Consideration allocated to pre-opening activities included under Accounting Standards Update (ASU) to ASC 606, Franchisors—'Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient' is recognized when the related services have been rendered. The remaining franchisee fee not allocated to pre-opening activities are recorded as Unearned Revenue and will be recognized over the term of the franchise agreement.

Income Taxes

The Company, with the consent of its shareholders, has elected to be an S-Corporation (for tax purposes). In lieu of corporate income taxes, the shareholder(s) of an S-Corporation is taxed based on its proportionate share of The Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

Commitments and Contingencies

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matter will have a material adverse effect on its business, financial condition or results of operations. As of December 31, 2022 & December 31, 2021, the Company has not reported any lawsuit or known plans of litigation by or against the Company.

NOTE C – CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company places its cash and any cash equivalents with a limited number of high-quality financial institutions and do not exceed the amount of insurance provided on such deposits.

NOTE D – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2023, the date on which the financial statements were available to be issued. Management has determined that none of the events occurring after the date of the balance sheet through the date of Management's review substantially affect the amounts and disclosure of the accompanying financial statements.

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omar@napercpa.com

CONSENT

Omar Alnuaimi, CPA, consents to the use in the Franchise Disclosure Document issued by BLUE NOSE FRANCHISING, LLC ("Franchisor") on March 16, 2023, as it may be amended, of my report dated March 15, 2023 relating to the Balance Sheet as of December 31, 2022 & December 31, 2021, the related Profit & Loss Statements, the related Statements of Cashflows, and the related Statements of Shareholders' Equity for the years then ended of Franchisor.

Omar Alnuaimi, CPA

Naperville, IL
March 15, 2023

EXHIBIT 6

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DO NOT SIGN THIS ACKNOWLEDGEMENT IF YOU ARE A RESIDENT OF MARYLAND OR THE FRANCHISE IS TO BE OPERATED IN MARYLAND.

EXHIBIT 7

BLUE NOSE ACKNOWLEDGEMENT STATEMENT

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement (or Multi-Unit Development Agreement). Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

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

1. Franchisee (or Developer) has conducted an independent investigation of all aspects relating to the financial, operational, and other aspects of the business of operating the Franchised Business. Franchisee (or Developer) further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee (or Developer) by Franchisor and Franchisee (or Developer) and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee (or Developer) may experience as a franchisee (or developer) under this Agreement.

_____
Initial

2. Franchisee (or Developer) has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee (or Developer) and its efforts as an independent business operation.

_____
Initial

3. Franchisee (or Developer) agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement (or Multi-Unit Development Agreement) and that it/she/he understands all the terms and conditions of the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) further acknowledges that the Franchise Agreement (or Multi-Unit Development Agreement) contains all oral and written agreements, representations, and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

_____
Initial

4. Franchisee (or Developer) has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement (or Multi-Unit Development Agreement) that are contrary to the terms of the Franchise Agreement (or Multi-Unit Development Agreement) or the documents incorporated herein. Franchisee (or Developer) acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement (or Multi-Unit Development Agreement).

_____
Initial

5. Franchisor expressly disclaims the making of, and Franchisee (or Developer) acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement (or Multi-Unit Development Agreement).

_____
Initial

6. Franchisee (or Developer) acknowledges that Franchisor's approval or acceptance of Franchisee's (or Developer's) Business location does not constitute a warranty, recommendation, or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

_____
Initial

7. Franchisee (or Developer) acknowledges that it has received the Blue Nose Franchise Disclosure Document with a complete copy of the Franchise Agreement (and Multi-Unit Development Agreement) and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement (or Multi-Unit Development Agreement) was executed. Franchisee (or Developer) further acknowledges that Franchisee (or Developer) has read such Franchise Disclosure Document and understands its contents.

_____
Initial

8. Franchisee (or Developer) acknowledges that it has had ample opportunity to consult with its own attorneys, accountants, and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee (or Developer) with respect to the Franchise Agreement (or Multi-Unit Development Agreement) or the relationship thereby created.

_____
Initial

9. Franchisee (or Developer), together with Franchisee's (or Developer's) advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement (or Multi-Unit Development Agreement).

_____
Initial

10. Franchisee (or Developer) is aware of the fact that other present or future franchisees (or developers) of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

_____
Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's (or Developer's) Territory by others who may have purchased such products from Franchisor.

_____
Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), FRANCHISEE (OR DEVELOPER) AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S (OR DEVELOPER'S) AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE BLUE NOSE FRANCHISING LLC, BLUE NOSE, LLC, AND ANY OF THE ABOVE'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE SHALL NOT APPLY TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE (OR DEVELOPER).

_____
Initial

FRANCHISEE:

_____

By:_____

_____,_____

(Print Name, Title)

PRINCIPAL:

_____

_____

(Print Name)

Date: _____ Date:_____

EXHIBIT 8

STATE ADDENDA

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF CALIFORNIA

The Department of Financial Protection and Innovation for the State of California requires that certain provisions contained in franchise documents be amended to be consistent with California Franchise Investment Law, Cal. Corp. Code Section 31000 et seq., and of the Rules and Regulations promulgated thereunder. To the extent that this Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended.

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF 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. Item 3 is amended to add:

Neither Franchisor nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. 8.78(a) et seq. suspending or expelling such persons from membership in such association or exchange.

4. Item 17 is amended to state:

(a) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).

(b) The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

(c) The franchise agreement contains a liquidated damages clause. Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable.

(d) The Franchise Agreement requires application of the laws of Colorado. This provision may not be enforceable under California law.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT

Illinois law shall apply to and govern the Franchise Agreement.

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

Franchisee's right upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law is void.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Your payment of the Initial Franchise Fees will be deferred until Franchisor has met its initial obligations and you have commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial status.

AMENDMENT TO THE BLUE NOSE FRANCHISING, LLC FRANCHISE AGREEMENT REQUIRED BY THE STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS §§ 705/1 et seq. (1987) (the "Act"), which govern the attached Board and Brush Creative Studio Franchise Agreement (the "Franchise Agreement"), the parties thereto agree as follows:

1. To the extent of any inconsistences, the Franchise Agreement is hereby amended to further state:

"Section 4 of the Act provides that no franchisee shall be required to litigate any cause of action, with the exception of arbitration proceedings, arising under the Franchise Agreement or the Act outside of the State of Illinois."

2. To the extent of any inconsistences, the Franchise Agreement is hereby amended to further state:

"Illinois law governs the terms of this Franchise Agreement."

3. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

"Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Act, or any other Illinois law is void. The foregoing requirement, however, shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act, and shall not prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code."

4. To the extent of any inconsistencies, the Franchise Agreement is hereby amended to further state:

"To the extent any provision regarding termination or renewal of the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act §§ 815 ILCS §§ 705/19 and 705/20, the provisions of these sections of the Act will control."

5. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

6. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Your payment of Initial Franchise Fees will be deferred until Franchisor has met its initial opening obligations and you have commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial status.

-Remainder of Page Intentionally Blank-

The parties hereto have duly executed this Illinois Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

Blue Nose Franchising, LLC

By:_____

_____,_____

(Print Name, Title)

FRANCHISEE:

_____

By:_____

_____,_____

(Print Name, Title)

PRINCIPAL:

_____

_____

(Print Name)

PRINCIPAL:

_____

_____

(Print Name)

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MARYLAND

The Office of Attorney General for the State of Maryland requires that certain provisions contained in franchise documents be amended to be consistent with Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., and of the Rules and Regulations promulgated under the Act (collectively the "Maryland Franchise Law"). To the extent that this Disclosure Document or Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. No requirement that you agree to any release, assignment, novation, estoppel or waiver of liability as a condition to your purchasing a Blue Nose franchise shall act as a release, estoppel or waiver of any liability under the Maryland Franchise Law.

2. Item 17 is amended to state:

(a) Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.

(b) Any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, assignment or transfer shall not apply to any liability under the Maryland Franchise Law.

(c) Our right to terminate you upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq*.).

(d) Nothing herein shall waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

THE REGISTRATION OF THIS FRANCHISE DISCLOSURE DOCUMENT WITH MARYLAND SECURITIES DIVISION OF THE OFFICE OF ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE SECURITIES COMMISSIONER.

AMENDMENT TO THE BLUE NOSE FRANCHISING, LLC FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., and of the Rules and Regulations promulgated thereunder, the parties to the attached Blue Nose Franchise Agreement (the "Franchise Agreement") agree as follows:

1. The Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a franchisee's assent to a release of liability under that Law as a condition for the sale, renewal, assignment or transfer of the franchise. To the extent of any inconsistencies with the Maryland Franchise Registration and Disclosure Law contained in Article 5 or Section 14.3 of the Franchise Agreement, such inconsistent provisions are hereby deleted.

2. To the extent of any inconsistencies, Section 12.1 of the Franchise Agreement is hereby amended to further state:

> "Our right to terminate you upon your bankruptcy, however, may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*)."

2. To the extent of any inconsistencies, Section 20.1
3. of the Franchise Agreement is hereby amended to further state:

> "Nothing herein shall waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland."

4. To the extent of any inconsistencies, Section 20.6 of the Franchise Agreement is hereby amended to further state:

> "Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise."

5. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., are met independently without reference to this Amendment.

The parties hereto have duly executed this Maryland Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

Blue Nose Franchising, LLC

By:_____

_____, _____

(Print Name, Title)

FRANCHISEE:

_____

By:_____

_____, _____

(Print Name, Title)

PRINCIPAL:

_____

_____

(Print Name)

PRINCIPAL:

_____

_____

(Print Name)

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MINNESOTA

The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the "Franchise Act"). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. Item 6, Non-Sufficient Funds Fee, is amended to state:

Pursuant to Minn. Stat. § 604.113, the Non-Sufficient Funds Fee is $30.00 per occurrence.

2. Item 17 is amended to state:

(a) Minn. Stat. § 80C.21 and Minnesota Rules § 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in this Franchise Disclosure Document or agreement(s) shall abrogate or reduce (1) any of your rights as provided for in Minn. Stat. Chapter 80C or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

(b) In accordance with Minn. Stat. § 80C.14 subd. 3-5, except in certain specified cases, we will give you 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement. Additionally, we will not unreasonably withhold our consent to a transfer of your Board and Brush Creative Studio.

(c) In accordance with Minnesota Rules 2860.4400(D), we cannot require you to assent to a general release.

(d) In accordance with Minnesota Rules 2860.4400(J), we cannot require you to consent to liquidated damages.

(e) Minn. Stat. § 80C.17 subd. 5 requires that an action be commenced pursuant to the Franchise Act within three (3) years after the cause of action accrues.

(f) You cannot consent to us obtaining injunctive relief. We may <u>seek</u> injunctive relief. See Minnesota Rules 2860.4400(J)

AMENDMENT TO THE
BLUE NOSE FRANCHISING, LLC FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MINNESOTA

In recognition of the requirements of the Minnesota Statutes Chapter 80C, the parties to the attached Blue Nose Franchise Agreement (the "Franchise Agreement") agree as follows:

1. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee's assent to a release other than as part of a voluntary settlement of disputes. To the extent of any inconsistencies with the Minnesota Rules requirement contained in Sections 14.3 of the Franchise Agreement, such inconsistent provisions are hereby deleted.

2. To the extent of any inconsistencies, Section 1.3 of the Franchise Agreement is hereby amended to state:

> "Except in certain specified cases as set forth in Minn. Stat. § 80C.14 subd. 4, Franchisor will give Franchisee 180 days' notice for non-renewal of the Franchise Agreement."

3. To the extent of any inconsistencies, Sections 12.2 through 12.5 of the Franchise Agreement are hereby amended to state:

> "Except in certain specified cases as set forth in Minn. Stat. § 80C.14 subd. 3, Franchisor will give Franchisee 90 days notice of termination (with 60 days to cure)".

4. To the extent of any inconsistencies, Article 19, Dispute Resolution, of the Franchise Agreement is hereby amended to state:

> "Franchisor cannot require Franchisee to: (i) conduct litigation outside Minnesota, (ii) waive a jury trial, or (iii) consent to liquidated damages, termination penalties or judgment notes. Nothing in this Franchise Agreement shall abrogate or reduce (1) any of Franchisee's rights as provided for in Minn. Stat. Chapter 80C or (2) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Franchisee cannot consent to Franchisor obtaining injunctive relief. Franchisor may <u>seek</u> injunctive relief."

8. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Statutes Chapter 80C are met independently without reference to this Amendment.

-Remainder of Page Intentionally Blank-

The parties hereto have duly executed this Minnesota Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

Blue Nose Franchising, LLC

By:_____

_____, _____

(Print Name, Title)

FRANCHISEE:

_____

By:_____

_____, _____

(Print Name, Title)

PRINCIPAL:

_____

_____

(Print Name)

PRINCIPAL:

_____

_____

(Print Name)

ADDENDUM TO THE
BLUE NOSE FRANCHISING, LLC FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF NORTH DAKOTA

The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, NDCC § 51-19 *et seq.* ("NDFIL"). To the extent that (a) the jurisdictional requirements of the NDFIL are met and (b) this Franchise Disclosure Document and Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

1. Covenants not to compete upon termination or expiration of the franchise agreement are subject to NDCC § 9-08-06.

2. To the extent required by the NDFIL, arbitration proceedings shall take place at a location mutually agreed upon by you and us.

3. Any requirement that you consent to liquidated damages or termination penalties shall not apply to the extent prohibited by the NDFIL;

4. Any requirement that you consent to (i) the jurisdiction of courts outside of North Dakota, (ii) the application of laws of a state other than North Dakota, (iii) waiver of jury trial or (iv) waiver of exemplary and punitive damages shall not apply to the extent prohibited by the NDFIL;

5. Any release required as a condition to a renewal of the franchise agreement shall not apply to the extend prohibited by the NDFIL;

6. Any requirement that you consent to a limitation of claims shall not apply to the extent prohibited by the NDFIL. As applicable, the statute of limitations under North Dakota law shall control.

7. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.

8. In the State of North Dakota only, we will defer the payment of the initial franchise fee, development fee and any other initial payment until all of our material pre-opening obligations have been satisfied and until you open your business, and it is operating.

-Remainder of Page Intentionally Blank-

The parties hereto have duly executed this North Dakota Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

Blue Nose Franchising, LLC

By:_____

_____, _____

(Print Name, Title)

FRANCHISEE:

_____

By:_____

_____, _____

(Print Name, Title)

PRINCIPAL:

_____

_____

(Print Name)

PRINCIPAL:

_____

_____

(Print Name)

NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

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 1 OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOSES, 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 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 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 Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. 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.

6. 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.

7. The following is added to the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor"**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. 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.

NEW YORK RIDER TO BLUE NOSE FRANCHISING, LLC
FRANCHISE AGREEMENT

THIS RIDER TO THE FRANCHISE AGREEMENT FOR NEW YORK ("Rider") is entered into by and between Blue Nose Franchising, LLC a Colorado limited liability company, with its principal office at 2548 Akron Street, Denver, Colorado 80238 ("we," "us" or "our") and _____ _____ ("you" or "your"), whose principal business address is _____ _____.

WHEREAS, we and you have entered into a certain Franchise Agreement dated _____ _____ which grants you the right to operate a Blue Nose franchise (the "Franchise Agreement");

WHEREAS, you are domiciled in New York and the Blue Nose franchise will be located in New York, and/or any of the offering or sales activity relating to the Franchise Agreement occurred in the State of New York; and

WHEREAS, in recognition of the requirements of the General Business Law of the State of New York, Article 33, Sections 680-695, we and you desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Rider.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in the Franchise Agreement and this Rider and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, we and you agree as follows:

1. Sections 1.3 and 14.3 of the Franchise Agreement are amended by adding the following language to each Section:

> However, to the extent required by applicable law, notwithstanding the signing of a General Release, 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.

2. Section 14.2 of the Franchise Agreement is amended by adding the following language to this Section:

> However, to the extent required by applicable law, Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor's obligations under the Franchise Agreement, in Franchisor's good faith judgment.

3. Section 20.1 of the Franchise Agreement is amended by adding the following language:

New York Law governs any cause of action which arises under the New York General Business Law, Article 33, Sections 680-695. The provisions of this Franchise Agreement shall not be deemed a waiver of any rights conferred upon Franchisee by Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

4. In the event of any conflict between a provision of the Franchise Agreement and this Rider, the provision of this Rider shall control. All terms which are capitalized in this Rider and not otherwise defined, will have the meanings given to them in the Franchise Agreement. Except as amended by this Rider, the Franchise Agreement is unmodified and in full force and effect in accordance with its terms.

5. Each provision of this Rider will be effective only to the extent that the jurisdictional requirements of the New York General Business Law, Article 33, Sections 680-695 are met independent of this Rider.

The parties hereto have duly executed this New York Rider to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:
Blue Nose Franchising, LLC

By:_____

_____, _____
(Print Name, Title)

FRANCHISEE:

_____

By:_____

_____, _____
(Print Name, Title)

PRINCIPAL:

_____

_____
(Print Name)

VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

The following statements are added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a Franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF WASHINGTON

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

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

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

AMENDMENT TO THE
BLUE NOSE FRANCHISING, LLC
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF WASHINGTON

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

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

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

-Remainder of Page Intentionally Blank-

The parties hereto have duly executed this Washington Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

Blue Nose Franchising, LLC

By:_____

_____,_____

(Print Name, Title)

FRANCHISEE:

_____

By:_____

_____,_____

(Print Name, Title)

PRINCIPAL:

_____

_____

(Print Name)

PRINCIPAL:

_____

_____

(Print Name)

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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.

BLUE NOSE FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

RECEIPT
(OUR COPY)

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 we offer you a franchise, we 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. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do 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 the appropriate state agency listed on Exhibit 1.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows: Tanner Harris, 2548 Akron Street, Denver, Colorado, 80238; (703) 615-7196 and _____.

See Exhibit 1 for our registered agents authorized to receive service of process.

The issuance date of this Disclosure Document is: March 16, 2023

I have received a Disclosure Document with an issuance date of March 16, 2023, that includes the following Exhibits:

Exhibit 1 – State Administrators/Agents for Service of Process
Exhibit 2 – Franchise Agreement
Exhibit 3 – List of Franchisees
Exhibit 4 – List of Franchisees Who Have Left the System
Exhibit 5 – Financial Statements
Exhibit 6 – Table of Contents of Confidential Operating Manual
Exhibit 7 – Blue Nose Acknowledgement Statement
Exhibit 8 – State Specific Addendum

_____	_____
Date	Prospective Franchisee
_____	_____
Date Received (if other than date signed)	Printed Name

BLUE NOSE FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT

RECEIPT
(YOUR COPY)—PLEASE KEEP FOR YOUR RECORDS

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 we offer you a franchise, we 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. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do 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 the appropriate state agency listed on Exhibit 1.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows: Tanner Harris, 2548 Akron Street, Denver, Colorado, 80238; (703) 615-7196 and _____.

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